

MAP STOCKTAKING AND NEEDS ASSESSMENT REPORT

Sarajevo, March 2018

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CONTENTS

Abbreviations.....	3
Executive summary.....	6
Introduction.....	11
I Trade.....	12
II Investment.....	17
II.1 Investment policy.....	17
II.1.1 Develop and establish a regional investment reform agenda.....	17
II.1.2 Formalise the regional investment reform agenda through appropriate instruments	21
II.1.3 Implement and monitor investment reforms in WB6 as per established regional investment reform agenda.....	23
II.1.4 Promote WB6 region as a unique investment destination	24
II.1.5 Diversify financial systems to boost investment.....	26
II.1.6 Smart growth	29
II.2 Main findings and conclusions: Investment policy	33
III Mobility.....	35
III.1 Mobility of Researchers	35
III.1.1 Removal of obstacles to mobility of researchers	36
III.2 Mobility of Professionals	40
III.2.1 Removal of obstacles to recognition of professional qualifications.....	41
III.3 Mobility of Students and Highly Skilled Workers.....	44
III.3.1 Removal of obstacles to recognition of academic qualifications.....	45
III.4 Main findings and conclusions: Mobility policies	50
IV Digital integration.....	52
IV.1 Digital environment networks and services, connectivity and access	52
IV.1.1 Boost digital infrastructure development and regional connectivity, while creating a level playing field for digital networks and services to flourish.....	52
IV.1.2 Harmonise spectrum policy to ensure timely and efficient availability and boost deployment of standardised 5G networks	57
IV.1.3 Coordinate roaming policies towards a roaming free economic area	59
IV.2 Trust and security in digital services.....	61
IV.2.1 Enhance cybersecurity, trust services and data protection	61
IV.3 Digital economy and society, Inclusive digital society.....	62
IV.3.1 Develop and strengthen supply of digital skills	63
IV.4 Digitisation, Data economy, Standards & interoperability, Innovation	65
IV.4.1 Promote uptake of smart technologies and accelerate digitisation.....	65
IV.5 Main findings and conclusions: Digital integration	67
V Coordination and other horizontal issues.....	69
VI Conclusions.....	71
References.....	74
Annex 1: MAP REA Needs assessment tables for each economy at policy level.....	76
Annex 2: IPA funded projects in each component - bilateral and multi-country.....	91
Annex 3: Priorities/projects as part of National Single Project Pipeline (NSSP).....	98
Annex 4: Reform measures included in ERP in each economy.....	101
Annex 5: List of consulted persons in each economy.....	108

ABBREVIATIONS

ADA	Austrian Development Agency
AQF	Albanian Qualifications Framework
BEREC	Body of European Regulators for Electronic Communications
CAIPA	Caribbean Association of Investment Promotion Agencies
CAQA	Commission for Accreditation and Quality Assurance
CEEPUS	Central European Exchange Programme for University Studies
CEFTA	Central European Free Trade Agreement
CEPT	European Conference of Postal & Telecomm Administration
CERIC	Central European Research Infrastructure Consortium
CERT	Computer Emergency Response Team
CIF	Chamber Investment Forum
COMESA	Common Market of South and East Africa
COST	European Cooperation in Science and Technology
CSIRT	Computer Security Incident Response Team
DVB-T2 MPG4	Digital Video Broadcasting Second Generation Terrestrial/ MPG4 AV compression method
DAAD	German Academic Exchange Service
DESI	Digital Economy and Society Index
DG NEAR	Directorate General for Neighbourhood and Enlargement Negotiations
DSO	Digital Switchover
EBRD	European Bank for Reconstruction and Development
ECTS	European Credit Transfer System
EHEA	European Higher Education Area
EIF	European Interoperability Framework
ENISA	European Union Agency for Network and Information Security
ENQA	European Association for Quality Assurance in Higher Education
EQAR	European Quality Assurance Register
EQF	European Qualification Framework
ERA	European Research Area
ERASMUS	European Community Action Scheme for the Mobility of University Students
ERDF	European Regional Development Fund
ERIC	European Research Infrastructure Consortium
ERP	Economic Reform Programme
ESFRI	European Strategy Forum on Research Infrastructures
EU	European Union
EU BCO	EU Broadband Competence Office
EURAXESS	European Researcher Job Portal
FDI	Foreign Direct Investment
FIC	Foreign Investor Council
GÉANT	European Computer Network for Research and Education
GIZ	Deutsche Gesellschaft für internationale Zusammenarbeit
HE	Higher Education
HEAEB	Higher Education Accreditation and Evaluation Board
HEI	Higher Education Institution
HERAS	Higher Education Research and Applied Science

ICT	Information and Communication Technology
IMC	Independent Media Commission
IPA	Instrument for Pre-Accession Assistance
IT	Information Technology
CAA	Kosovo* Accreditation Agency
LRC	Lisbon Recognition Convention
M&I WG	Bologna Working Group on Mobility and Internationalisation
MAP	Multi-annual Action Plan
MoU	Memorandum of Understanding
MRA	Mutual Recognition Agreement
MSCA	Marie Curie Action
NIS	Network and Information Security
NQF	National Qualification Framework
NREN	National Research and Education Network
OECD	Organisation for Economic Cooperation and Development
OSF	Open Society Foundation
PAAHE	Public Accreditation Agency of Higher Education
PPP	Point to Point Protocol
RCC	Regional Cooperation Council
REA	Regional Economic Area
RI	Research Infrastructure
RIS3	Research and Innovation Strategy for Smart Specialisation
RLAH	Roam Like At Home
RRA	Regional Roaming Agreement
RSPG	Radio Spectrum Policy Group
S3	Smart Specialisation Strategy
SEDDIF	South European Digital Dividend Implementation Forum
SEE	South East Europe
SEEIC	South East Europe Investment Committee
SEEIIST	South-East European International Institute for Sustainable Technologies
SEETEC	South East Europe Economic and Transport Corridors
SEETO	South East Europe Transport Observatory
SME	Small and Medium Sized Enterprises
SMS	Short Message Service
SP	Steering Platform on Research and Innovation for Western Balkans
TA	Technical Assistance
TAIEX	Technical Assistance and Information Exchange
TFEU	Treaty on the Functioning of the European Union
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Education and Science Council
USAID	United States Aid
WB6	Western Balkan Six
WBIF	Western Balkan Investment Framework
WIFI4EU	Free WI-FI for Europeans

* 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

WISE WoW WRC

Western Balkans Research and Innovation Centre

World Bank-supported Online Work

World Radiocommunication Conference

EXECUTIVE SUMMARY

The Multi-annual Action Plan (MAP) for a Regional Economic Area (REA) in the Western Balkans Six (WB6), endorsed at the Trieste Summit of 12 July 2017, sets out a joint approach to furthering regional economic cooperation with a view to unleash the potentials for growth, create conditions for better, transparent and predictable investment climate and improve the overall economic competitiveness of the WB6 economies. The MAP aims to complement the regional connectivity agenda by promoting further trade integration, introducing a dynamic regional investment space, facilitating regional mobility, and creating a digital integration agenda among the WB6 economies.¹ The actions introduced in the MAP are expected to be implemented until 2020, with some extensions until 2023. The MAP focuses on four key components: Trade, Investment, Mobility and Digital Integration. Each Component is divided into policy areas that set out the main strategic themes of the MAP and within each policy area a limited set of clearly defined objectives has been identified.

A credible enlargement perspective for and enhanced EU engagement with the Western Balkans², launched on 6 February 2018, contains the clearest messages so far for the unequivocal European perspective for the WB economies and also clearly demonstrates the embedding of MAP REA within the core EU accession process. The strategy and its flagships on socio-economic development and digital agenda are directly related to MAP. On this note, the Strategy anticipates initiatives to support the socio-economic development of the WB6, aiming to expand the WB Investment Framework, support start-ups and SMEs, boost innovation and support further integration of WB6 into existing knowledge networks, including through research and innovation capacity building, facilitate trade and support social policies, with an increased focus on employment and social reform. Additionally, the Digital Agenda for WB6 elaborates the way forward in integration into the European Digital Single Market, with distinct emphasis on the roadmap to facilitate the lowering of the roaming costs, support for the deployment of the broadband, development of the e-Government, e-Procurement, e-Health and digital skills.

The WB6 economies should cooperate to promote the region as a unique investment destination to boost the inflow of foreign direct investment (FDI). While some elements of a regional investment agenda exist, a comprehensive framework harmonising key policies for investment to the extent possible is missing. Improved mapping of FDI by sectors is essential for informed policy making. The promotion of the region as a joint investment destination should support the creation of regional supply chains in specific sectors. The regional investment agenda could benefit from lessons from other regional initiatives in order to maximise complementarities and minimise competition in attracting investors.

Financial systems are predominantly bank-centric and differ substantially among WB6 and they should be diversified to boost investment in the region. Regional

¹ The MAP stems from the commitments undertaken within the framework of the Central European Free Trade Agreement (CEFTA) and South East Europe 2020 Strategy (SEE2020) and is based on CEFTA and EU rules and principles as reflected in the Stabilisation and Association Agreements (SAAs).

² Strasbourg, 6.2.2018 COM(2018) 65 final

financial products should be developed to link investors and savings with companies on a regional level. Such products *inter alia* could include indexes, regional investment funds, regional joint credit guarantee funds and regional crowdfunding. In addition, more could be done to integrate capital markets on a regional level, since they complement bank-based financing, and could unlock the region's investment potential for foreign investors, attract more investment, and improve the stability of the financial system. Technical assistance in building these forms of cooperation between the WB6 economies is required.

The encouragement of smart growth on a regional level requires a concentrated policy effort and additional resources to support the development of research and innovation eco-systems in the WB6 economies. Even though the investment into research is low across WB6, the research and innovation seem to be high on the policy agenda of the governments in the region as evidenced by high levels of policy activity and a dynamic, changing environment aimed at developing instruments to support research and innovation capacity, technology transfer and commercialisation of research, cooperation between business, industry and academic community and government. There seems to be a move towards an inter-ministerial approach to innovation which signals a positive transformation in understanding of research and innovation as a complex phenomenon. All economies are in the process of developing a new policy framework for research and innovation and there is a need to support these developments with sound data, analytics and expertise. It is crucial for these to be tailored to the specific needs of each economy. At the same time, all economies are developing instruments and mechanisms to support the innovation eco-system, technology transfer and research capacities by developing centres of excellence, technology transfer offices, innovation funds or voucher systems, science parks and business incubators. However, there is a need to align the development of these mechanisms and instruments with the specific needs of each of the economies. Furthermore, it is essential to ensure coordination, pulling together of these extensive efforts into comprehensive system where these initiatives align together to bring about synergetic effects and are aligned with the strategic aims and policy frameworks to truly move the economies forward.

The smart growth actions are complementary to actions under the mobility of researchers aimed at supporting development of open research systems in WB6. Open research systems perform better in terms of innovation and the mobility of researchers is a key element in creating open research systems. Increased international mobility of researchers would improve the competitiveness of the WB6 economies. Although there are numerous donor initiatives to fund incoming and outgoing mobility, there are gaps in these programmes in terms of accessibility, scope and funding. Financial constraints limit the ability to make full use of bilateral agreements and to expand existing regional mobility schemes such as CEEPUS. Key institutional barriers to mobility are linked to promotion criteria, and balancing teaching obligations with a period spent abroad. There are significant barriers to long-term mobility of researchers that may hinder the transition to a knowledge-based society and reduce the potential rate of economic growth in the region's economies. Long-term mobility within the region is also hindered by the lack of merit-based recruitment and progression which need to be strengthened further in line with the European Charter for Researchers and the Code of Conduct for the Recruitment of Researchers.

The level of internationalisation of the academic research community in the WB6 economies is at an early stage of preparedness as is the level of researcher mobility. The number of successful applications to Horizon 2020 is relatively low, due to the gap in research capacity in the region and partly due to a lack of funding for research activities. There is limited capacity to compete for the funding at an EU level, against the far more advanced research systems of the EU, including for the MSCA grants. The research capacity of the WB6 economies is limited due to years of underinvestment in HEIs and systems of research institutes. None of the WB6 economies have an ERIC funded by the EU, although some participate in existing ERICs. Additional funding for infrastructural investment is needed to ensure the fundamental infrastructure for research excellence, promote increased internationalisation and research mobility within the region linked to developing national and regional centres of excellence. Development of centres of excellence should be supported to increase research capacity and integration into the ERA and EHEA.

Progress in liberalising the mobility of professionals is at an early stage of preparedness. The aim of WB6 regarding liberalising regional trade in services and the associated international mobility of professional service providers is to increase competition among the regulated professions, counteract market restrictive tendencies and improve the allocative efficiency of the WB6 economies. Moderate progress has been made in promoting mobility of students and highly skilled workers. Obstacles to the recognition of academic qualifications hinder the mobility of students and highly qualified workers. All of the economies have transposed the principles of the Lisbon Recognition Convention into national legislation. However, recognition decisions are often made in different ways across economies and institutions and procedures are often lengthy. Although quality assurance and accreditation systems are in place they are not fully aligned with the European Standards and Guidelines on Quality Assurance which also poses challenges to recognition of academic qualifications between the economies in the region.

The WB6 economies are in general terms at a moderate level of preparedness for attainment of objectives included in the Digital Integration part of the MAP. The situation is best with respect to the institutional set-up and policy and strategic documents. The level of preparedness with respect to laws is slightly lower, and there is very low to almost no preparedness on the level of secondary legislation preparation and implementation. It is important to keep in mind that the unprecedented speed of development of digital technologies requires a rapid and responsive legislative process, followed by a swift and effective implementation of the adopted laws. This is much more the case in Digital than in any other area. Tardiness has serious consequences on advancing the digital agenda and future prospects for digital integration of the WB6 into the Digital Single Market. There is a risk of the divide between the WB6 region and the EU getting larger instead of smaller if the regulatory activity and its implementation do not become more dynamic. Still, in the region as a whole, there are good practice examples that can be replicated or scaled up to cover the whole region. A dynamic and ambitious action plan of regional cooperation, coordination and exchange of experiences and good practices should be supported by international donors and the EU through participation in EU programmes and initiatives.

The inclusion of the WB6 economies in the Digital Economy and Society Index would provide for structured comparison of the region's digital performance with the EU, for a clearer identification of the gaps in the evolution of region's digital competitiveness and for an easier formulation of remedial measures. Equally, inclusion of the WB6 economies in EU initiatives aimed at realising the Digital Single Market would help the region begin to catch up and gradually narrow the existing gap with the EU. If left to its own devices, the region will not be able to achieve the pace needed for catching up, and the gap will become even wider. To make progress in Digital Integration, it is instrumental that policy and regulatory activities are complemented with funding opportunities for infrastructure development. In the resource-constrained WB6 region, with a number of critical issues in every economy, it is very difficult to secure funds for highly capital-intensive broadband and other infrastructure. And yet there can be no integration of the region into Digital Single Market without the necessary digital infrastructure.

Implementing the MAP actions necessitates significant stepping up of policy efforts, national ownership, and close donor coordination. Greater cooperation with private sector, in particular Western Balkan Chamber Investment Forum (WB CIF) and other business associations and business leaders in each WB6 economy would benefit the region in achieving the goals set by the Trieste Summit.

The regional cooperation agenda is substantially supported by the EU through IPA national and multi-country programmes, which in the last decade have been predominantly focused on transport and energy connectivity and trade and related areas, such as customs, standardisation and accreditation, etc. with an increasing, though still modest, attention to the digital and mobility agendas during the last years. A number of Union programmes and instruments (Horizon2020, COSME, Erasmus+, European Enterprise Network, WBIF, EDIF, etc.) also directly support the fulfilment of a number of MAP's objectives. Other bilateral donors such as Germany, Switzerland, Norway, Sweden, Austria and US have also substantially contributed to the regional economic integration agenda. In this respect, a recently launched financial instrument, the European Economic Area (EEA) and Norway Grants Fund for Regional Cooperation, encompasses a number of policy areas of direct relevance for MAP and SEE 2020. The RCC has a prominent role in facilitating regional donor coordination. To this end, a structured annual donor coordination process³ takes place, with a view to engaging in regional donor coordination consultations, presenting main policy developments and regional needs, and discussing donor priorities and strategies of relevance for the MAP and SEE2020. The findings of this report will be embedded in the next donor coordination meetings.

Aligning MAP with the Economic Reform Programmes, as the key mid-term economic policy coordination documents, can enhance the sustainability of the MAP measures and concentrate cross-sectoral efforts on implementation of the REA. The cross-reference analysis between MAP and the latest ERPs 2018-2020, which are still in draft phase, reveals a very good fit between the two documents and prominent prioritisation of MAP measures within the ERP.

³ This year's Donor Coordination Meeting, to be held in March, will have a greater focus on the MAP actions.

INTRODUCTION

The overall aim of this report is to take stock of the measures and resources needed to implement the key objectives set out in the MAP and recommend future actions, both at economy and regional level⁴. The report identifies the major policy gaps and needs, including assistance through bilateral or regional projects, and proposes a set of measures needed to overcome them with a view to effective and timely implementation of the MAP as a whole. The report is based on desk research involving a review of available studies, analyses, strategic documents, reports and recommendations relevant for the MAP components related to Investment, Mobility and Digital Integration. This was followed up by a field research⁵ involving consultations with the MAP stakeholders and representatives of relevant regional and international organisations. The consultations involved presentations and discussion of the main findings of the desk research in order to ensure that all information collected is accurate and up-to-date, including all aspects of the stocktaking and needs analysis. This report includes consolidated tables describing the legal, strategic and institutional frameworks for the MAP policies presented in Annex 1, with an indication where capacity building efforts are needed, supported projects through IPA in Annexes 2 and reform priorities in the WB6 economies in Annexes 3 and 4.

The recently launched Enlargement Strategy and its flagships on socio-economic development and digital agenda are directly related to MAP and this is clear demonstration of embedding MAP in core EU accession processes. Its accompanying Action Plan defines clear actions to be implemented by 2019 - with some by 2020 – which are aligned in full with the objective to establish a Regional Economic Area and the MAP actions.

The desk research has identified the main policy measures the WB6 economies are implementing or are planning to implement that are relevant for MAP. The gaps between the measures and policies in place and those required to implement the MAP objectives have been analysed with a view to propose additional measures/policies needed to implement the MAP as a whole. In addition, the coordination mechanisms related to the MAP and the economic agenda in general in all WB6 economies are analysed. The report provides recommendations on the reforms and resources needed to implement MAP objectives and assesses the most urgent policy reform measures required to meet the commitments endorsed within the MAP.

The structure of the report is as follows. After the introductory section, the main components of the MAP are set out in sections I-IV, covering Trade, Investment, Mobility and Digital Integration. Within the components, various policy areas are set out at two-digit level, and within policies key objectives are set out at three-digit level. In the sections on objectives, the report analyses the state of play, the institutional gaps in legislative and administrative structures and provides policy recommendations setting out the reforms that are needed to meet the stated objectives.

⁴ The needs assessment for the three components of MAP, Investment, Mobility and Digital Integration is coordinated by the RCC Secretariat and the Trade Component by the CEFTA Secretariat.

⁵ Detailed self-identification needs assessment tables for all WB6 economies are available upon request.

Moreover, suggestions for potential specific regional interventions are also provided here.

The analysis has been carried out in consultation with MAP Coordinators and relevant stakeholders (see Annex 5), taking into account reform proposals that have already been put forward by each economy in strategic documents, in particular the Economic Reform Programmes 2018-2020 and sectorial strategies, and reports and studies by donor organisations and international institutions. At the end of each component section, main findings and conclusions are set out, summarising the main gaps in institutional structures and in the measures in place, highlighting objectives where progress has been more evident, and stressing the most challenging ones. In addition to the concrete needs identified per components, economies have also voiced more general technical assistance needs referring to (i) Programme Preparation Facility; (ii) G2B and G2G consultations over the regional integration agenda; (iii) monitoring - a Performance and Result Based Monitoring System; (iv) preparing economy baseline; and (v) public outreach and communication on MAP in each economy.

Section V sets out the coordination and other horizontal issues. This section describes the coordination issues related to the MAP for each economy and the linkages with the existing policy coordination mechanisms. Section VI provides overall conclusions that are structured to provide decision-makers with a list of follow-up activities in the form of a roadmap.

I TRADE⁶

CEFTA Parties adopted the Ministerial Conclusions at the Special Joint Committee meeting⁷ announcing their aims towards establishing a regional economic area in CEFTA on the basis of the EU compliance with an objective to support our efforts to attract more investment, decrease the cost of trade and production, and eliminate market access barriers. The EU accession process at national level in each CEFTA Party and regional integration through CEFTA shall represent the two main pillars of their efforts. Their aim is to transform our region in which goods, services, investments, and skilled people move freely without tariffs, quotas or other unnecessary barriers, where trade is facilitated higher than WTO rules, aiming at recognition of all border documents, procedures, and programmes related to trade once the EU alignment by one or more CEFTA Parties is reached. The legal basis of regional economic area will be the CEFTA Agreement extended by Additional Protocols on Trade Facilitation and on Trade in Services, and strengthened with more efficient and effective dispute settlement procedures. Regional economic area shall be part of the Pan-Euro Mediterranean Cumulation zone in equal footing as others in the Zone.

The state of play under each priority of CEFTA in the implementation of CEFTA Agreement is as follows:

Trade facilitation

⁶ The input for the Trade Component of MAP is provided by the CEFTA Secretariat and is introduced in its integral form, including on referencing the region's economies.

⁷ Held on 23 June 2016 in Herceg Novi, Montenegro

CEFTA Additional Protocol 5 on Trade Facilitation was adopted by all CEFTA Parties in May 2017. The adoption of Additional Protocol 5 was seen as another strong sign of readiness of all CEFTA Parties to undertake all necessary efforts to deepen the regional trade through simplifying and facilitating customs procedures and reducing the formalities imposed on trade. Thereafter, in the first two months of 2018 Macedonia, Montenegro, and Moldova reported that their parliaments ratified the Additional Protocol 5.

CEFTA Parties acknowledged that the Additional Protocol 5 is an ambitious tool foreseeing obligation for all CEFTA Parties which go beyond the WTO Trade Facilitation Agreement in many aspects and the relevant EU acquis in some. The full implementation of the Additional Protocol 5 will contribute to the efforts of our region to create a regional economic area as envisaged by the Multi-annual Action Plan (MAP) adopted this year during the Western Balkans Six Summit in Trieste.

Next steps

The importance of concluding parliamentary ratification processes with regard to the Additional Protocol 5 in each CEFTA Party and submission of instruments of acceptance to the Acting Depository of CEFTA by the first half of 2018 was emphasised. In this context, we recommend next year Chairmanship to take all the necessary measures to adopt Implementing Provisions for Mutual Recognition of Border Documents and Authorised Economic Programmes by the end of 2018.

Rules of Origin

CEFTA Parties took note of the fact that PEM Joint Committee approved derogation from the PEM rules of origin, contained in the CEFTA Ministerial Decision 3/2015, which will allow CEFTA Parties to introduce full cumulation and duty drawback in the regional trade in line with the aforementioned decision. All CEFTA Parties have been actively participating in the revision exercise of the PEM Convention, with the joint objective to allow its Contracting Parties to benefit from new and more flexible rules of origin.

Next steps

Recognising the importance of timely start of full cumulation and duty drawback in the regional trade, it was recommended that all CEFTA Parties agree on a single date in this regard which should not be later than first half of 2019.

Non-tariff barriers

It was stated that the elimination of non-tariff barriers (NTBs) in our Regional Trade is of crucial importance. The CEFTA Secretariat will continue to monitor Non-Tariff Measures (NTMs) over the region.

Next steps

A report shall be prepared on an annual basis on the main impediments to trade. Our regional trade should be free from any NTBs and trade defence measures.

Public Procurement

The public procurement issues are regulated by the CEFTA and the implementation is due to be achieved between the Parties in 2010. The obligation to provide the same treatment to the applicants from the CEFTA Parties is agreed.

Next Steps

The implementation of the Public Procurement rules dates from 2010 and in 2018 monitoring of the implementation needs to be undertaken. The Parties have agreed that the Secretariat will deliver the assessment during the first half of 2018. The report is currently under preparation.

Assessment of possible approximation of the customs tariff to the EU CET

This goal is set in the SEE 2020 Strategy. The achievement of this goal is set up in the Chairmanship Priorities for 2018 and is one of the goals to be achieved within the MAP. Adopting the Chairmanship Priorities for 2018 the Parties have agreed to fully concentrate on this topic.

Next steps

During the month of February, the Contact Points meeting will be held where the priorities for 2018 will be defined. In the background documents for the contact points meeting this assessment is proposed and if adopted the Secretariat will start the preparations for commissioning the study on the assessment. Upon the completion of the assessment and the results of it, further actions will be taken by the Parties.

Trade in services

The technical negotiations finalised in December 2016 resulted in a significant increase in market liberalisation compared to the WTO commitments of the CEFTA Parties that are Members of the WTO. The results of negotiations are embedded in the Additional Protocol 6 on Trade in Services. The Protocol sets out the basic principles and rules governing trade in services among the CEFTA Parties: non-discrimination, market access, national treatment. Three annexes complement the draft text of the Protocol: Temporary Entry and Stay of Natural Persons for Business Purposes, Regulatory Principles Regarding Telecommunications networks and services and Consolidated Schedule of Specific Commitments.

Next steps

Parties should undertake all necessary procedures to adopt the CEFTA Additional Protocol on Trade in Services and ensure its entering into force according to the timeline adopted at the Summit of Western Balkans' Prime Ministers in Trieste.

Mobility of experts⁸

Recognition of professional qualifications remains one of the key contributors to the freer movement of experts complementing deeper regional integration. Opening of the

⁸ The mobility of professionals agenda, which falls under MAP's mobility section and is implemented through a joint CEFTA-ERI SEE-RCC working group is elaborated in full under the Mobility section.

negotiations on recognition for agreed professions was supported by the Joint Committee at its last session in November 2017.

Next steps

A mandate from the Governments to launch the negotiating process is to be secured. A regional agreement on recognition of professional qualifications in two sectors (health and construction) is to be drafted. Two negotiating groups shall be established in order to facilitate and administer the negotiations. A regional database on movement of professionals and professional qualifications is to be established.

Cooperation among regulatory authorities in the region

The importance of further work on eliminating regulatory barriers to trade and increasing efficiency of services markets to provide for greater variety of low cost but higher quality services across the region was recognised. The existing regulatory bodies in charge of services were identified. Proposal on concrete forms of cooperation among the respective regulatory bodies has been drafted.

Next steps

Pilot sectors as well as suitable models of cooperation arrangements need to be selected which would be then followed by the launch of a dialogue on concluding arrangements. Establishment and maintenance of database with regulatory heterogeneity indices to perform assessment of implications of arrangements on the region is envisaged.

Promotion of Electronic Commerce

A regional dialogue on regulatory issues in e-commerce should be launched, with the first actions being dedicated to the analysis of existing barriers in e-cross border trade and exploring possibilities for recognition of certificates of electronic signatures.

Improvement of quality and uniformity of statistics

Regular update of the CEFTA Statistical Database and improvement of its main features to respond to the needs of users is a continuous task.

Investment

The importance of investment reform agenda aimed at leading to a greater harmonisation of regional investment policies aligned with EU and international standards, taking into account its significant potential to foster regional economic integration and contribute to the economic growth and job creation in CEFTA region was recognised. CEFTA Parties should actively participate in the work of the CEFTA – SEEIC Joint Working Group on Investment Policy and Promotion and SEE Investment Committee with the objective of contributing to the implementation of the investment section of the MAP.

Dialogue with private sector

It was agreed that it is important to ensure a strong dialogue with the regional private sector. We welcome the establishment of the WB6 Chamber Investment Forum and look forward to our future collaboration.

The importance of discussions among CEFTA Parties about the best possible instruments to strengthen the enforcement of CEFTA rules through more effective dispute settlement mechanism was acknowledged. Recognising the importance of effective dispute settlement mechanism CEFTA Parties expressed readiness to enter into negotiations to improve the existing dispute settlement mechanism in the first half of 2018.

II INVESTMENT

II.1 INVESTMENT POLICY

An improved business environment is crucial for boosting foreign investment in the WB6 region. The ongoing economic recovery in the EU is benefiting the WB6 economies, given that the EU is their main trading and investment partner. In addition to absorbing about half of their exports, the EU also offers these economies the best opportunity to integrate into global value chains. Foreign investors are attracted by stable political regimes, investment incentives, favourable tax policies and large supply bases for their global value chains.

The investment policy in EU evidenced a transformation after the Lisbon Treaty where the EU gained exclusive competence on foreign direct investment as part of the common commercial policy. This change was reflected in the EC policy note for consultation “Towards a comprehensive European international investment policy” in July 2010, presenting the new approach to investment policy at EU level. The investment policy agenda in EU Member States over the past 50 years produced a large number of bilateral investment agreements (more than 1,400), offering investment protection to many European investors. In September 2015 the discussions over a new investment court system were launched. Additionally, in September 2017 the EU proposed a new regulation⁹ to help the EU and the Member States review foreign direct investment. This approach though fully preserves the right of the Member States to regulate their economies in the public interest. The EU approach in the investment policy needs to be embraced by WB6 in developing the regional investment agenda to ensure an attractive and conducive environment for foreign investors.

II.1.1 Develop and establish a regional investment reform agenda

II.1.1.1 State of play

Several studies and reports provide information on policy barriers, legal and regulatory environment, relevant systems of incentives, protection of the acquired rights of investors, including the RCC Balkan Barometer,¹⁰ the UNCTAD Regional Investment Policy Review, the OECD Competitiveness Outlook, the SME Policy Index, CEFTA Investment Report and other reports on the general business environment such as the EBRD Business Environment and Enterprise Survey and World Bank Doing Business Report. The OECD Competitiveness Report identified that the WB6 economies have made notable progress in providing a sound, predictable investment framework that is conducive to foreign investment, particularly in the areas of FDI screening and investor treatment. Foreign and domestic investors are treated on an equal footing, and investment procedures are

⁹ COM(2017) 487 final “Proposal for a Regulation of the EU Parliament and of the Council - establishing a framework for screening of foreign direct investments into the European Union”

¹⁰ Balkan Barometer (BB) is an annual opinion survey commissioned by the RCC and conducted by GfK, collecting and analysing data from region's citizens and businesses across a variety of thematic areas such as employment, trade, investments, corruption, etc. Its 3rd edition included 8000 citizens and 1600 companies (see <http://www.rcc.int/news/304/rccs-balkan-barometer-2017-unemployment-remains-the-chief-concern-while-anxiety-over-corruption-grows>)

increasingly transparent (OECD, 2016a: 66). Investment laws are the main instruments regulating this priority area, with the regulatory framework outlined in various legal instruments including the national Constitutions, investment laws, expropriation acts, foreign exchange acts and company laws. In all six economies, investment laws are the principal legal tool for regulating investment activities, where only in The Former Yugoslav Republic of Macedonia no dedicated investment law exists. National treatment of foreign investors in the post-establishment phase is guaranteed in all economies, and in line with international best practice; Bosnia and Herzegovina (Law on the Policy of Foreign Direct Investment, Article 8), The Former Yugoslav Republic of Macedonia (Constitution, Article 55), Albania (Law on Foreign Investment) and Kosovo* (Law on Foreign Investment, Article 4.2) – also guarantee most-favoured nation (MFN) treatment, which provides for equality of treatment among foreign investors. WB6 economies are fairly open to foreign investment with relatively few formal ownership restrictions. Existing discriminatory restrictions remain mostly limited to real estate ownership by legal entities established abroad, which is either prohibited or subject to reciprocity (e.g. in Bosnia and Herzegovina, Serbia and The Former Yugoslav Republic of Macedonia, except for EU and OECD investors in the latter case, Albania for agricultural land and public forests). But, in most cases, such restrictions are circumvented by establishing a legal entity in the territory. In Montenegro the law prescribes some limitation for the foreign persons¹¹ while in Kosovo*, there are no restrictions on foreign ownership of real estate assets. Investor protection standards are at a good level throughout the region, with investors guaranteed non-discriminatory treatment between domestic and foreign investors in the post-establishment phase. In addition, the UNCTAD Investment Policy Review shows that the region has made considerable advances to improve the investment climate, by undertaking wide-ranging economic reforms particularly in areas such as starting a business, streamlining tax regimes as well as simplifying authorisation procedures. In the area of business facilitation, most economies are making good progress on the benchmark guidelines, especially on company establishment, but transparency can be improved. The economies have also put an end to a protracted fiscal competition and are making efforts to improve the ease of tax payment. Progress is less pronounced as regards the adoption of anti-avoidance measures. Labour policy is the area which presents the highest variance among WB6, but skills issues stand out as needing attention throughout the region. On competition policy, the region has generally made good progress, but capacity issues persist.

In terms of consolidated FDI data, there are several sources of data on FDI stocks and flows. The UNCTAD database provides aggregate annual data on stocks and flows of FDI to the individual WB6 economies.¹² Central banks also provide data on FDI

¹¹ According to the Law on Ownership rights, Official Gazette of Montenegro 19/09 of 13 March 2009, Article 415 „Limitations on Foreign Persons”, prescribes: A foreign person cannot have an ownership right on: 1.natural resource; 2.goods in general use; 3.agricultural land; 4.forest and forest land; 5.cultural monument of special importance; 6. immovable property in the land border area within one kilometre of the border and on islands; 7. immovable property located in the area that is, for the purpose of protection of interests and safety of the country, proclaimed by law as the area that a foreign person cannot have the ownership right on. A separate law under paragraph 1 item 7 of this Article shall be adopted in the manner and in accordance with the procedure prescribed for the adoption of this Law. Exceptionally, a foreign natural person may acquire the ownership right on agricultural land, forests and forest land of a surface up to 5 000 m², only if a residential building located on this land is subject to the contract of divestiture (sale, gift, exchange, etc.). A foreign person can be entitled to a long-term lease, concession, BOT and other private-public partnership arrangements on the immovable properties referred to in items 1 to 6, paragraph 1 of this Article in a same way as a domestic person.

¹² <http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=96740>

flows on the basis of balance of payments statistics. The SEETO Investment Report¹³ collected FDI data on infrastructure investments and sectoral data from local authorities, augmented through the Orbis International Corporate Database.¹⁴ However, a significant issue of data inconsistency exists not only among the region, but in some cases within individual economies, and there is a lack of detailed sectoral FDI data on which investors, researchers and policy makers could rely for policy purposes.

II.1.1.2 Gaps and needs

Although notable progress in investment policy reform has been made across the region, more could be done to consolidate those efforts. De facto barriers to both domestic and foreign investors still exist. Despite progress, investors continue to struggle with complex taxation systems, unfriendly business environments, and unpredictable legal systems (Balkan Barometer, 2017), and WB6 economies should cooperate more to improve the business climate in order to attract increased inflows of FDI.¹⁵ Insufficient harmonisation of investment policies with EU and international standards and best practices, as well as lack of coordination and transparency of the policies, the poor state of infrastructure, the inefficient implementation of national legislation, and the corruption proved to be considerable disadvantages in the attempts to attract the limited investment resources. Harmonisation of investment policies with the EU and international standards and best practices through joint development and implementation of the regional investment reform agenda could ultimately lead to increased intra-regional and foreign direct investment to the region.

The WB6 economies could improve the regional business climate by increasing cooperation on investment policy, including in the areas of FDI-specific laws and international investment agreements, competition policy and business and trade facilitation. As the market access, infrastructure, skills as well as remaining regulatory weaknesses continue constraining private sector development and FDI diversification, a comprehensive framework is needed to reform and harmonise key investment policies with the EU/international standards and best practices, based on a comprehensive review of studies and private sector consultation, and ultimately their prioritisation by the region, with a focus on:

- Strengthening the national framework for FDI to pursue openness, clarity and responsible investment;
- Continuing progress in business and trade facilitation measures, by adopting e-Government solutions to enhance the transparency and efficiency of regulations, and improving public-private dialogue mechanisms;
- Orienting labour and skills policy towards addressing the region's unemployment and development challenges by fostering quality assurance, skills attraction, regional mobility and skills transfer;

¹³ <http://www.seetoint.org/wp-content/uploads/downloads/2017/04/INVESTMENT-Report-2016-1.compressed.pdf>

¹⁴ <https://www.bvdinfo.com/en-us/our-products/company-information/international-products/orbis>

¹⁵ <http://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1613>

- Strengthening competition authorities and promoting their cooperation across the region and with other state bodies within each economy; and
- Adopting a regional investment promotion initiative to complement national efforts in targeting regional FDI projects and comparative advantages of the WB6 economies and regional value chains, and translating policy into performance.

Finally, in order to become more attractive to foreign investors, the WB6 economies should take steps to develop FDI-SME linkage programmes and increase the supply capacities of local companies. Some economies are already implementing special fiscal and financial incentives schemes (i.e. tax and tariff exemptions, employees' contributions reimbursement, etc.) for creating linkages between FDI and domestic companies (particularly SMEs) in their investment activities and hiring new workers. By developing such programmes, the WB6 region could perform better in terms of attracting FDI to the region.

Concerning FDI data, there is a lack of an integrated approach to collect fragmented pieces of information into a single database. Despite the fact that most of the FDI data is solicited through the Central Banks' information on foreign currency inflow, this data needs further improvement in terms of more detailed and specified analytics on true origin of investments (rather than origin of bank transaction), as well as on sectors of investments and type of investments (privatisation/M&A/greenfield/brownfield), as well as consistent currency reporting on FDI data.

II.1.1.3 Recommendations

- As a prerequisite for strong evidence-based policy reform decision-making, data collection on FDI should be performed in a consistent and coherent manner to the greatest extent possible, individually within economies, and among the region itself. The FDI reporting should be systematised in a way to represent (as accurately as possible) the investment origin and type, in the same currency. This reflects the need to set up a mechanism to monitor the implementation of the MAP action plans (i.e. the MAP action II.1.1.d) with a harmonised format for reporting. This mechanism could be established under the existing mechanisms, such as SEEIC-CEFTA Joint Working Group on Investments. A first step would be to strengthen the capacities of the statistical offices and national banks to produce the required investment data, in collaboration with investment promotion agencies in the region.
- In addition to data harmonisation, the region needs to have a solid database with information on investments (FDI mapping), so as to follow the pattern of investment flows in terms of priority sectors and geographic allocation, in order to focus decision-making (both in terms of policy and infrastructure) and reform efforts to conform the needs of further sector and intra-regional development.
- In order to develop a proper policy reform scheme, key barriers to investments in the region should be identified through in-depth consultations with private sector investors' network through Western Balkans Chamber Investment Forum (WBCIF), as well as Foreign Investor Councils (FIC). This is to accompany the existing studies and analytics on general policy levels and combine theoretical

assessment with pragmatic needs of the business in preparation of the reform agenda.

- The identified barriers should be addressed with appropriate policy reforms and concrete activities (i.e. particularly in special economic zones) so as to provide transparent and predictable environment for investment, working for the benefit of both state and private sectors' interests. Given the mutual challenges economies of the WB6 are facing, regional dialogue is of key importance so as to create a regional investment reform agenda, which should consolidate the region into a unique investment destination with transparent and fair rules of competition.
- To become an attractive player in global value chains the WB6 should take steps to increase the supply capacities of local companies. The WB6 economies should combine their efforts to increase horizontal and vertical cooperation between companies.

II.1.2 Formalise the regional investment reform agenda through appropriate instruments

II.1.2.1 State of play

Individual WB6 economies compete to attract foreign direct investment, which makes it challenging to reach agreements on harmonising their investment promotion policies. On the other hand, they have a common interest to deal with shared impediments to foreign investment, such as arbitrary processes that should be removed in order to make the region more attractive to foreign investors.

In case of International Investment Agreement (IIAs) namely in Bilateral Investment Treaties (BIT) reforms, although the network of these agreements throughout the region (total 227 BITs) includes traditional investment protection elements, there is still a need to reform the network to enhance their sustainable development dimension, and to protect the interests of the state and private sector and avoid occurrence of timely and costly arbitrary/dispute processes.

Further in the legal area, the region has started to use arbitration as an alternative dispute resolution mechanism to settle business disputes which varies greatly across the region. The WB6 economies have shown a pro-arbitration stance, which is likely to reassure foreign investors that they can easily enforce their rights and contracts, in the event a dispute arises. They have all ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention) and the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention). By virtue of their adherence to the New York Convention, foreign arbitral awards are enforced in SEE economies, although delays can often be lengthy. Commercial arbitration is relatively well institutionalised and commonly used in Kosovo*, The Former Yugoslav Republic of Macedonia and Serbia, which all have adopted an arbitration law in line with international practice. These three economies have well-functioning private arbitration centres located in their local or foreign chambers of commerce. Montenegro has also recently enacted an arbitration law, although arbitration is still not widely used. Albania, where arbitration is also fairly commonly practiced, is in the process of preparing a stand-alone arbitration law. In contrast, arbitration is not yet frequently used in Bosnia and Herzegovina, where the sole arbitration centre is

located in Banja Luka and is reported to lack sufficient experience and capacities to adequately respond to investors' needs. Mediation is also increasingly used and practiced, especially in chambers of commerce, to settle business disputes. Some economies, such as Albania and The Former Yugoslav Republic of Macedonia, are in the process of implementing a grievance mechanism or a business ombudsman to settle disputes or avoid emerging conflicts between investors and public authorities to escalate into a formal investment dispute.

II.1.2.2 Gaps and needs

There is a gap in analysis of appropriate instruments to support an agreed regional investment reform agenda. Existing International Investment Agreements¹⁶ such as the Bilateral Investment Treaties and CEFTA Investment clauses could provide a basic framework for the investment reform agenda. In a later stage, the WB6 authorities in charge of the regional investment agenda can initiate and conclude negotiations on appropriate regional instruments regulating investment policy, acceptable to all WB6 economies, based on the identified necessity, format, and scope of appropriate instrument(s) for implementation of the regional investment reform agenda.

The EU practice in relation to BITs is very prominent and needs to be considered while developing the regional investment agenda. This need aligns with the need for legal base analysis, being in its initial stage, so as to contribute to improving the existing base of the existing legal instruments pertaining to investments in the participating economies. With respect to the international investment policy environment, a relatively "traditional" network of international investment agreements could benefit from updating in line with the best EU practice and modern treaty practices supporting sustainable development objectives. On this note, the WB6 economies should strengthen their dispute prevention policies and continue current efforts on IIA reform.

II.1.2.3 Recommendations

- A study should be carried out to analyse and propose options for appropriate instruments acceptable to all WB6 economies based on the content of the agreed regional investment reform agenda.
- Thorough legal base analysis for investments is needed, which should include the existing agreements (i.e. IIAs, including BITs and CEFTA Agreement). These analyses should take stock of the OECD assessment (2010) on CEFTA investment clauses and MFN and national treatment clauses of BITs existing in the WB6.

¹⁶ Collectively, any international agreement that regulates investments is referred to as international investment agreement (IIA). International investment commitments are set out in treaties, either bilateral, or in regional or multilateral agreements. Some treaties deal only with foreign investment (usually referred to as bilateral investment treaties, or "BITs"). Others address investment alongside other related issues, such as trade, government procurement, competition and intellectual property (preferential or free trade agreements, or "PTAs"). Further, there are some multilateral treaties that provide special protections in the energy sector (the "Energy Charter Treaty") or that provide for access to dedicated dispute resolution bodies (the ICSID Agreement). Further, numerous legal instruments, including for example double taxation treaties (DTTs).

- Capacity building is necessary for government officials involved in mediation/arbitrary processes so as to assist them in establishment of the mediation and/or dispute prevention mechanisms.
- In order to further serve both investors and state interests, legal base for investments could be improved by revising the existing network of IIAs in line with the EU accession process and exploring the means of multilateral approach in their reform.

II.1.3 Implement and monitor investment reforms in WB6 as per established regional investment reform agenda

II.1.3.1 State of play

Main platforms for a regional investment policy agenda exist. In terms of the institutional structure, the South East Europe Investment Committee (SEEIC) within the Regional Cooperation Council (RCC) is established as an existing intergovernmental body formed to foster collaboration on investment matters among the economies of the region and fulfil the role of a regional policy advocacy platform. Together with other intergovernmental institutions, in particular the CEFTA Secretariat, SEEIC is assisting the individual governments in their investment and trade reform implementation efforts. Within the MAP institutional framework in each economy, designated Investment Component Contact Point will be in charge of coordinating the work of national focus groups and implementation of reforms in individual economies, whilst reporting on the progress via SEEIC on a regional level. Furthermore, the support for this has been enabled through the RCC-World Bank project on regional investment policy and promotion (financed by MC IPA), which is to assist economies of the WB6 to design the regional investment reform agenda as per above, as well as in implementation, monitoring and reporting on its progress on national levels. More regional efforts exist working in support to the establishment and implementation of the regional investment reform agenda, may they be on an analytical level (OECD Competitiveness Outlook recommendations, UNCTAD Investment Policy Review, CEFTA and SEETO Investment Reports, etc.) or practical capacity building support (i.e. GIZ Open Regional Fund for South East Europe – Legal Reform implementing the subproject “Investor State Dispute Resolution”, UNCTAD IIAs Principles).

II.1.3.2 Gaps and needs

Once the reform agenda is in place, progress in implementation will need to be reviewed and monitored through the existing mechanism of national MAP coordinators for each economy and the existing regional structures (in case of investments – SEEIC-CEFTA Joint Working Group on Investments) that are charged with coordination of activities and monitoring of progress. This will enable the WB6 authorities, RCC, CEFTA and other relevant institutions and organisations to evaluate progress in investment reforms and to identify gaps, needs and resources for interventions to implement the regional investment reform agenda. To support this activity, regional dialogue on the regional investment reform agenda should be strengthened. The SEEIC should therefore amend the ToR for the RCC-CEFTA Joint Working Group on Investment Policy and Promotion to encompass all the activities needed by the regional investment reform agenda. For successful implementation and

monitoring of the regional investment reform agenda representatives of all relevant public institutions should be consulted.

II.1.3.3 Recommendations

- The dialogue mechanism under the SEEIC should be strengthened to become the major instrument to support and monitor the implementation of the regional investment reform agenda. The operational mechanism should be agreed by the WB6 authorities to support the implementation of the reforms. These authorities include ministries in charge of investments, but, given the heterogeneous nature of regional investment reform agenda, should include other ministries and agencies in charge of policies pertinent to investments (tax, labour, justice, finance, etc.), as well as investment promotion agencies.
- Besides regional platform, national focus groups should be formed to facilitate implementation and monitoring of the reforms, with technical assistance where needed, in accordance with the policy/priority areas of the agreed regional investment reform agenda.
- Strengthen the capacities of the relevant institutions involved in the implementation of the investment agenda and their officials through joint WB6 meetings and focused technical workshops in policy/priority areas.
- Carry out impact assessments to review progress in implementing the regional investment reform agenda. These should be based on private sector views on the value of reforms for their operations and investments. The impact assessment should include partners such as chamber of commerce, FICs and other relevant institutions.

II.1.4 Promote WB6 region as a unique investment destination

II.1.4.1 State of play

The SEE 2020 Strategy sets out an objective to increase the overall annual FDI inflows to the region by at least 160% (RCC, 2013). It aims to promote regional investment policies that are non-discriminatory, transparent and predictable.

Investment promotion activities should support regional cooperation in attracting foreign investors to selected sectors. Some international examples can offer lessons and insights for joint investment promotion policies in the WB6 region (UNCTAD, 2017: 57). In line with these experiences, cooperation between WB6 Investment Promotion Agencies should be encouraged to promote foreign investment in the region. Although some initiatives have taken an attempt in the past to promote the region as a unique investment destination, no progress has been made. On a global level, only two of the WB6 economies are members of the World Association of the Investment Promotion Agencies (Bosnia and Herzegovina and Kosovo*).¹⁷

In terms of institutional infrastructure for investment promotion, all WB6 have national investment promotion agencies (IPA) with a mandate to promote and facilitate inward FDI and, as highlighted in the investment policy section, consider

¹⁷ See <http://www.waipa.org/>

private investment as a key component of their overall strategy for economic development. However, there are different levels of adequacy between their set objectives in terms of attracting investment and the resources allocated to IPAs to reach these objectives.

WB6 IPAs differ in their mandates as well as in their levels of human and financial resources. The Albanian Investment Development Agency (AIDA), the Kosovo* Investment and Enterprise Support Agency (KIESA) and the Development Agency of Serbia (RAS) have the largest scope of activities, as their mandates encompass export promotion and SME development, in addition to investment promotion. The IPA of The Former Yugoslav Republic of Macedonia undertakes both investment and export promotion, while the Foreign Investment Promotion Agency of Bosnia and Herzegovina (FIPA) and Montenegrin Investment Promotion Agency (MIPA) focus solely on investment promotion, with plans for establishing new Agency for Investments under the Private Partnership Law, which is currently in the process of preparation. According to that Law, the new Agency will have a broad range of competencies, from investment promotion to the implementation of investment project. Apart from FIPA and Investment Promotion Agency of the Former Yugoslav Republic of Macedonia, agencies are all somewhat understaffed when compared to their set objectives and expectations. Budget constraints, although a common challenge for IPAs in many other regions as well, need to be addressed.

In terms of realising the joint investment promotion of the region, natural competition among the economies and their IPAs for attraction of investments stands. However, competition in FDI promotion does not prevent cooperation, but should be steered in a way to address common challenges, for the benefit of all involved economies.

II.1.4.2 Gaps and needs

Regional cooperation between WB6 investment promotion agencies (IPAs) should be supported in order to design a systematic approach to promoting the region as a single investment destination. The existing RCC's SEEIC-CEFTA Joint Working Group on Investments involving WB6 IPAs could be used for this purpose. Targeted investment promotion efforts should grasp the potential for regional cooperation based on the identification of priority sectors identified through studies of priority regional value chains, and shift towards sector-wide promotion and utilisation of the regional sectoral competences.

Furthermore, capacities of WB6 IPAs should be strengthened, given that most of them are facing challenges of insufficient budget and being understaffed. Overall, there is room for improvement to strengthen IPAs' capabilities, increase resources and improve coordination with other relevant authorities.

II.1.4.3 Recommendations

- Prior to the development of a joint investment promotion initiative in the WB6 region, a detailed action plan with a focus on priority sectors selected by the region (may it be priority sectors of SEE 2020 Strategy or new ones), and other areas of cooperation (i.e. regional suppliers network/database) should be completed.

- Launch an online investment promotion dynamic portal, initiated by WB CIF and supported by RCC, containing all activations and functionalities, adjusted so as to respond to potential investors' queries. The platform should function so as to promote the region's investment potentials, inform potential investors about the region (including relevant assistance they can obtain through IPAs) and lead them to the investment decision.
- Organise international investment conferences, specific investor-targeting, with investor-targeting tailor-made criteria defined for each economy, and promote the use of technology-based solutions, organise sector briefings and participate jointly at international and regional trade industry shows, especially within the selected priority target sectors.
- Assist in creating a database of suppliers in the WB6 region, organise regional B2B meetings with local suppliers from the WB6 economies and foreign investors.
- Boost capacities of Investment Promotion Agencies through technical assistance and workshops.
- Align promotion activities and organise joint activities with those of WB6 Chamber Investment Forum (CIF) in order to avoid overlapping, given that CIF also foresees promotion of the region as a unique investment destination in its planned activities.
- Advocate the regional investment reform agenda, appointing specialised staff for regional promotion within investment promotion agencies.
- Carry out a study on sectors that could promote the region as a single investment destination and align the activities with ongoing initiatives and projects (i.e. tourism sector could be a potential sector for cooperation, where activities can be aligned with the MC IPA funded project to be implemented by RCC).
- Establish an operational platform based on a range of contemporary investment promotion tools and techniques.
- Agree on the form of promotion of the WB6 region as single investment destination by coordinating efforts of individual economies based on agreed investment agenda.
- Encourage WB6 economies to become members of World Association of Investment Promotion Agencies (WAIPA) and coordinate use of this platform to promote WB6 as a unique investment destination.

II.1.5 Diversify financial systems to boost investment

Well-developed financial systems are positively correlated with economic growth (OECD, 2016a: 282). Business access to finance in the WB6 economies is heavily reliant on bank lending. Following the onset of the global financial crisis, bank lending in the region plummeted, and many foreign banks began to withdraw their funds from the region in a process of deleveraging to shore up their capital base at

home.¹⁸ As a consequence, lending to the private sector has stagnated since the onset of the crisis in 2008 (OECD, 2016a: 285). Interest rates on bank lending to businesses have remained relatively high despite falling headline interest rates, inhibiting investment. In this context, the WB6 economies could benefit from developing regional financial products to better link investors and savings to companies with high growth potential. Such products could *inter alia* include forms of equity financing such as access to stock markets, venture capital markets and business angel networks, and alternative sources of financing such as leasing, factoring, crowd funding and microfinance. While some of the financial instruments are well developed at individual economy level (e.g. leasing, factoring and micro-finance) (OECD, 2016a) there could be scope for developing regional investment funds, a joint credit guarantee fund for the WB6 region, or regional crowdfunding instruments and so on. In addition to these financial products the WB6 economies could do more to develop cooperation of their financial markets and capital markets, which may be long-term aim due to the early stage of development of stock exchange in some of the WB6 economies. Alternative sources of financing can play a key role in complementing bank-based financing. In this context, a regional capital market could help the WB6 region to unlock its investment potential for all companies, especially for SMEs, attract more investment into the region, and improve the stability of the financial system by opening up a wider range of funding sources (World Bank, 2017).

II.1.5.1 State of play

The development of capital markets varies across the WB6 economies.¹⁹ Broadly speaking, equity finance is not well developed in the WB6 economies (OECD, 2016a: 299). There is limited experience with venture capital or business angel networks. Stock markets exist in four of the WB6 economies (not in Albania and Kosovo*). The Montenegro stock market has the highest level of market capitalisation in the region, close to levels of many EU economies (OECD, 2016a: 300). Serbia, with the Belgrade Stock Exchange, is well advanced. However, the stock markets are limited as a source of equity finance with only a few companies listed, and there is limited liquidity on the secondary markets. Bond markets are developed but are negligible in size, while the demand from investors across the WB6 region is relatively small. Institutional investors (mutual funds, pension funds and insurance companies), although growing, have not yet reached significant size in terms of assets under management or relative to the size of the WB6 economies.

Several initiatives support the development of financial systems in the WB6 region. The EBRD has a Legal Transition Programme (LTP) to improve the investment climate by helping create an investor-friendly, transparent and predictable legal environment. LTP's activities focus on the development of legal rules, legal institutions and legal culture on which a market economy depends.²⁰ The EBRD has assisted WB6 economies to draft laws on factoring, on micro-finance institutions and on investment. The WB6 economies can benefit from the EBRD's Vienna Initiative

¹⁸ The delivering process has been closely monitored by the international financial institutions through quarterly reports: <http://vienna-initiative.com/type/quarterly-deleveraging-monitors/>

¹⁹ Capital markets are part of the wider financial market of an economy focusing on providing long-term finance in the form of equity shares, bonds or other financial instruments.

²⁰ <http://www.ebrd.com/legal-reform-overview/legal-transition-team/faqs.html>

Working Group on Capital Markets Union.²¹ Other good practices include the “SEE Link”²² initiative which uses technology to enable participating stock exchanges to offer investors an easier and more efficient access to regional capital markets through a local broker.

The first step to promote cooperation of capital markets is the establishment of a regional Capital Market Development Task Force of policymakers and regulators to spearhead capital market developments and enhance coordination on regulatory and supervisory regimes in the region and beyond including coordination with the Vienna Initiative Working Group on Capital Markets Union. The WB6 economies have made significant progress in harmonising their regulatory and supervisory regimes with the EU, which will ease coordination in regulatory processes.

The integration of capital markets is a long-term aim, considering different levels of development across the WB6 region. The Belgrade Stock Exchange has proposed a ‘ceiling platform’, which would allow individual economies to remain national while acting regionally through cooperation through brokers. In terms of capital market regulatory regimes, cooperation should be straightforward because the capital markets operate under similar systems of regulation. There is also room for crosscutting regulation of incentives for investors through reform and modernisation of tax administration procedures and other general policies for investment in stock exchanges. The WB6 economies have enacted laws on capital markets and investment funds, and Montenegro is in the process of harmonising these laws with the *acquis*, and has already adopted the new Law on Capital market harmonized with relevant EU Directives. The EU is supporting the development of capital markets through the PLAK 2 project in Serbia and IPA II Project in Montenegro.

II.1.5.2 Gaps and needs

There is a need to diversify the financial systems to boost investment. Serbia has most advanced capital markets compared to the other WB6 economies. The Former Yugoslav Republic of Macedonia, Montenegro, and Bosnia and Herzegovina have started stock markets but have only made modest progress, while Albania has just established a private stock exchange and Kosovo* has no stock exchange. There is a potential need for a regional strategy to develop the regional capital markets. There is

²¹ Source - Interview with EBRD representative in Podgorica.

²² SEE link is an EBRD funded project started by Bulgaria, The Former Yugoslav Republic of Macedonia and Croatia (later joined Bosnia and Herzegovina and Serbia from WB6 and Slovenia and Greece) stock exchanges with the objective of creating a regional infrastructure for trading of securities listed on those three markets. The idea behind this cross-border initiative is to integrate regional equities markets without merger or corporate integration, using only technology that will enable participating stock exchanges to remain independent yet complement and to allow investors an easier and more efficient approach to those markets through a local broker. In order to give the whole project a formal framework necessary for successful realisation, Bulgaria, The Former Yugoslav Republic of Macedonia and Croatia stock exchanges have established the SEE LINK company in May 2014, seated in Skopje with three exchanges holding an equal share of ownership. SEE LINK project is supported by European Bank for Reconstruction and Development providing a €540,000 grant to establish electronic system for order-routing. In parallel, participating stock exchanges extended €80,000 in capital strengthening the SEE LINK. Funding for SEE Link was provided by EBRD donors through the EBRD Shareholders Special Fund (For details <http://www.see-link.net/>)

a potential to bring crowdfunding to companies in the ICT sector, based on the best practice of Serbia's Stock Exchange. In order to attract investment, alternative investment instruments are needed, but alternative investment fund management laws are not in place. There is a lack of liquidity in the region. Crowdfunding platform could help accelerate SMEs to the next level of scaling-up, in addition to more available sources for start-ups to fund their initial investment. There is room for improving legislation on capital markets and a need to enact additional laws such as Alternative Investment Fund Management laws.

While diverse funds are available for start-ups in all WB6 (especially in donor-funded projects), there is a gap in support for scaling up businesses especially among SMEs. This requires further intervention to assist SMEs with growth potential. According to the European Investment Bank, micro-sized SMEs, agricultural producers, informal enterprises and start-ups face the greatest gaps in access to funding in the WB6 region (EIB, 2016). To address this gap, almost all WB6 economies have some start-up support programmes with funding, grants, consultancy and training. While there is sufficient donor activity and government funding for start-ups, there is a continuing need for additional support for scale-ups. Support for scale-up should not be limited to financing needs, but should also provide consultancy and technical assistance to SMEs to achieve scale-up. The ICT sector would potentially be a starting point for scale-up support programmes. For example, in Serbia, demand for equity finance is skewed towards angel and venture capital investments, with early stage start-ups looking for capital to scale their businesses. In Kosovo* although there is some funding for business growth, especially technical assistance for SMEs, angel investor equity financing is less developed.

II.1.5.3 Recommendations

- Carry out a study to identify opportunities for regional capital market coordination. The study should identify a sequence for stages of cooperation related to the regional capital market/s development and enhancement of coordination on regulatory and supervisory regimes in the region and beyond.
- Consider the design and future implementation of a WB6 regional crowdfunding platform project, WB6 Equity Crowdfunding Platform for Start-ups and SMEs.
- Deliver information sessions and events to present crowdfunding principles to start-ups, business owners and investors in the WB6 region.
- Align priorities and activities with EDIF, as an instrument for better access to finance, particularly for SMEs.

II.1.6 Smart growth

Smart growth is a key pillar of the SEE 2020 Strategy. It is based on the idea that growth should be driven by the best use of up-to-date technologies that support high value-added high skilled production and services rather than by low value-added low-cost production. In other words, it aims to develop knowledge-based economies. The building blocks needed for smart growth include investment in research and innovation, knowledge and information infrastructures and a close relationship between universities and the business sector. Smart specialisation strategies (S3), a new concept developed by the European Commission provides one element of a smart

growth approach.²³ The idea of smart specialisation is based on developing strong partnerships between businesses, public entities and knowledge institutions. A smart specialisation strategy requires coordination of innovation, education and investment policies through innovation partnerships emphasising coordination between private and public actors at different governance levels.²⁴

II.1.6.1 State of play

Research and development systems in the region have been underfunded for a protracted period of time and the persistently low investments continue to exacerbate the gap between research production and the impact of research produced in the region and the EU. The overall investment in research and development from public sources remains below or slightly above 1% in all the economies in the region. An important change in this trend has happened in Montenegro where the government approved a 60% increase of the national budget dedicated to science for 2018.

Despite low investments, research and innovation policy frameworks and initiatives are very dynamic in all economies of the region.

Serbia has adopted a Strategy on research and technological development for the period 2016-2020 and Montenegro has adopted the Strategy for science and research for the period 2017-2021. In addition, both economies are in advanced stages of preparing a smart specialisation strategy with the support of DG Joint Research Centre (DG JRC). The smart specialisation strategies are of high priority to both economies.

Montenegro is quite advanced in preparation for S3 with support from JRC and ongoing technical assistance in the process of entrepreneurial discovery. S3 (2018-2022) is seen as a high priority task and an action plan for the development of S3 is in place. Preliminary analytics and initial priorities for S3 prioritisation have been identified. The quantitative analysis of existing economic, scientific and innovative potential is finalized.

Serbia is the most advanced economy in the region with regard to S3 development. An Inter-ministerial Working Group (WG) was established in November 2016 and Serbia joined Moldova and Ukraine in the ongoing pilot initiative to develop smart specialisation strategy supported by the DG JRC. The Roadmap for the preparation of the S3 was finalised in January 2017 and analysis of potentials, capacities and resources of research, innovation and economy commenced. Serbia expects to have the first draft of the S3 Strategy by the end of 2018. In addition to DG JRC, the World Bank has provided significant support, including in helping to identify a suitable consultant and in supporting the process of restructuring the PRIs and HEIs. Both

²³ According to the European Commission: “Smart specialisation is a new innovation policy concept designed to promote the efficient and effective use of public investment in research. Its goal is to boost regional innovation in order to achieve economic growth and prosperity, by enabling regions to focus on their strengths. Smart specialisation understands that spreading investment too thinly across several frontier technology fields risks limiting the impact in any one area” see: https://ec.europa.eu/research/regions/index.cfm?pg=smart_specialisation

²⁴ <https://ec.europa.eu/jrc/en/research-topic/smart-specialisation>

economies identified a need for additional support to identify and provide experts to support the entrepreneurial discovery process and accompanying analytics.

The Former Yugoslav Republic of Macedonia has the Innovation Strategy 2012-2020 in place, while the Research and Development Strategy needs to be updated in the coming period. The Former Yugoslav Republic of Macedonia recognised the concept of smart specialisation in its Innovation Strategy for 2012-2020 as a sound basis for building up the national innovation system. The concept is now also embedded in the Industrial Policy and the Plan for Economic Growth. Preparation for the smart specialisation strategy is expected in 2018 where the first step will be to form the inter-ministerial group and define the coordinating Ministry.

In Albania a Strategy on Research and Development has been drafted but still needs to be adopted. Establishment of a formal inter-ministerial Working Group is planned to define a Roadmap for a Smart Specialisation Strategy.

In Bosnia and Herzegovina the Strategy for Research and Innovation (2017-2022) has been prepared, but not yet adopted. Smart specialisation now forms a chapter in the Bosnia and Herzegovina Strategy for Research and Innovation (2017-2022). Bosnia and Herzegovina's Entity Republika Srpska has adopted the Strategy of Scientific and Technological Development of the Republika Srpska 2017-2021 "Knowledge for Development"²⁵, which also includes a section on smart specialisation.

Kosovo* has the national programme for research in place, while the new Law on Innovation and Technology Transfer is in parliamentary procedure and a new National Strategy for Innovation has been drafted. The newly established Ministry of Innovation and Entrepreneurship in early 2018 aims to adopt the Law on Innovation and Entrepreneurship and will also work on the drafting and adoption of secondary legislation deriving from this Law. Creation of the National Innovation and Entrepreneurship Council as an inter-ministerial mechanism in the field of innovation is foreseen by the law.

Research commercialisation is at a very early stage of development in the WB6. Although there are University Technology Transfer Offices established at universities they are often underfunded, understaffed and have limited capacity to support the technology transfer processes. The Economic Reform Programme of The Former Yugoslav Republic of Macedonia prioritises the establishment of National Technology Transfer Office (NTTO) and preparatory activities for establishment are completed. In October 2016, the draft amendments to the Law on Innovation Activity for providing a legal framework for NTTO and inclusion of the Fund for Innovation and Technological Development as one of the founders of the NTTO were adopted by the Parliament. The NTTO is expected to start functioning in the first half of 2018.

Some of the economies, notably Serbia, Montenegro and The Former Yugoslav Republic of Macedonia, have also invested into the development of Science Parks and Incubators, however true Science and Technology Parks are rare in the Western Balkans and should not be confused with technology parks and free trade zones designed to encourage established businesses. Incubators are more common but there

²⁵ Both the Strategy and its Action Plan are available here: <http://www.vladars.net/sr-SP-Cyril/Vlada/Ministarstva/mnk/PAO/Strategije/Pages/default.aspx>

are few examples of incubators focusing on start-ups and spinoff with technology based and scalable ideas. At the same time the economies are looking into developing national Centres of Excellence with variegated progress between economies.

A multi-country IPA project aimed at supporting technology transfer and innovation in the Western Balkans – EU4Tech – managed by DG NEAR and DG Joint Researcher Centre was launched at the beginning of 2016. The project intends to implement a holistic capacity building strategy that will look at the performance of all actors operating in the technology transfer and innovation ranging from academic institutions to early stage investors to science parks to spin-out companies to policy makers. Fifteen organisations in the ecosystem for TT capacity building in the WB6 have been identified within the project and targeted capacity building and trainings are to commence in 2018. The project also foresees a development of a Strategy and a Roadmap on Science Parks and Incubators in the region, but as of yet there has not been progress on this component of the project. Furthermore, in 2019 a multi-country IPA project to be implemented by the DG JRC is expected to support the development of smart specialisation strategies in the WB economies. To fully use the available funds it would be important for the economies to start the awareness rising on S3 and to form the inter-ministerial working groups by the end of 2018.

Furthermore, the European Investment Bank (EIB) is conducting a feasibility study for a regional Centre of Excellence which should propose institution(s)/hub(s) with highest potential for Centre of Excellence based on research agenda, capacity to integrate related fields, enable industrial connectivity and ensure visibility and sustainability. Due to delays the study has not yet been made available, but it is expected to be published in 2018.

Investments to support innovation, as well as commercialisation of public research are of crucial importance. Serbia has set up a functional innovation fund, as well as The Former Yugoslav Republic of Macedonia, while other economies have started introducing different innovation voucher schemes on a smaller scale. Under the Western Balkans Enterprise Development and Innovation Facility (WB EDIF), the World Bank is implementing technical assistance to support development of an enabling venture capital ecosystem and assist with investment readiness of SMEs. Under this programme, the World Bank is conducting an assessment of the venture capital environment in the Western Balkans and is helping put in place the right legislative framework for investment funds. So far, the assessment has been completed in Albania and The Former Yugoslav Republic of Macedonia. Investment readiness pilots are also being implemented throughout the region.

The EU4Tech project, mentioned above, has reviewed the existing available TT financial instruments in the region. Based on the identified gaps, JRC's thematic expertise and EIB's financial know-how will be used in a synergetic way to launch a small-scale Western Balkans 6 pilot initiative funded through the multi-country IPA, which will represent the next, and first practical, stage in which funding will be provided to a small number of projects to go through the so-called "valley of death" between research and industry.

II.1.6.2 Gaps and needs

The research and innovation policies are complex and multifaceted policies. The economies have engaged in a dynamic way in development of research and innovation policies, smart specialisation strategies have been placed on the agenda as one of the priorities for 2018 and have engaged in many activities aimed at building research capacity, commercialisation of research technology transfer and links between the academia and the industry. However, it is of paramount importance to ensure effective coordination of all of the activities to ensure synergies and long-term effects.

Expertise to support the development of policies and strategies, and in particular the analytics for the development of policies and strategies, is a gap identified in all of the economies. The expertise and capacity building for the administration has to be specifically tailored to the particular needs of each economy as the economies vary significantly between themselves.

Additional investment into research infrastructure is a priority for the region. Development of incentives and instruments which will support innovation and development of innovation eco-systems is of crucial importance In this regard support in conceptualising effective centres of excellence, science and technology parks, technology transfer offices and innovation funds tailored specifically to the innovation eco-systems in each of the economy are of crucial importance.

II.1.6.3 Recommendations

- Provide technical and infrastructural support to the WB6 authorities to develop S3 strategies.
- Provide technical and infrastructural support to WB6 for data collection and analysis of R&D and innovation-related data and statistics.
- Provide technical and infrastructural support to WB6 in designing and implementing particular, effective mechanisms aimed at increasing the research capacity, technology transfer and cooperation between industry and academia tailored to the specific needs of each of the economy.
- Carefully design the pilot phase of the small-scale Western Balkans 6 pilot initiative funded through the multi-country IPA, which will represent the next, and first practical, stage in the efforts to cover the so-called "valley of death" between research and industry.

II.2 MAIN FINDINGS AND CONCLUSIONS: INVESTMENT POLICY

The WB6 region should be promoted as a single investment destination for FDI. There is much room for cooperation regarding the promotion of investment opportunities. Some specific sectors could be candidates for joint promotion such as tourism, along with other priority sectors as per region's selection, and local suppliers in certain industries. The online investment promotion platform is a useful initiative to promote the WB6 region as an investment destination. This internet-based platform enables investors to access information on investment conditions at individual economy and regional levels.

Coordinating and harmonising the regional investment policy framework in line with the EU and international standards and best practices through legislation, incentives and removing barriers to investment is a precondition for promoting the WB6 region as a single investment destination and boosting inflows of foreign investment. While some basic elements of a regional investment agenda are already in place, through established regional dialogue within the SEEIC-CEFTA Joint Working Group on Investments, a comprehensive regional framework that will prioritise the policies which will be subject to reform through a regional dialogue and harmonising those investment-pertinent policies in line with MAP REA stipulations is missing, requiring interventions to fill this gap.

Mapping FDI data by sectors and types of investment is essential for better policy making, and is important for meeting the objectives of the investment component of the MAP, the fulfilment of which depends at least partly on the quality of FDI data. No progress has been made in collecting data for mapping FDI, or creating an inventory of incentives and success stories. The European Commission and the OECD have both published studies of investment incentives in Special Economic Zones (EC, 2017; OECD, 2017), CEFTA has put forward an informative investment report with the main objective to present information on regional investment trends, UNCTAD has consolidated proposal for the reform of policies pertinent to investments including incentives, while the World Bank/IFC has provided informal advice to WB6 economies on investment incentives. The OECD Competitiveness Report has also investigated the level of investment incentives in the WB6 economies.

Formalising the regional investment reform agenda through appropriate instruments requires consensus among the WB6 authorities. In order to facilitate formalisation acceptable to WB6 economies a study should be carried out on appropriate regional investment promotion instruments acceptable to all WB6 governments. This would assist the WB6 authorities to agree on potential areas of cooperation including which sectors should be prioritised.

Upon agreement on an investment reform agenda and the identification of priority areas of cooperation, a monitoring mechanism for the implementation of the agenda should be established. This monitoring should be executed through the existing mechanism of national MAP coordinators for each economy and the existing regional structures (in case of investments – SEEIC-CEFTA Joint Working Group on Investments) that are charged with coordination of activities and monitoring of progress. This would enable the WB6 authorities, the RCC, CEFTA and other relevant institutions and organisations to evaluate progress in the investment reforms and to identify the resources needed to implement the regional investment reform agenda. Strengthening the capacities of the relevant institutions through joint meetings and workshops should be a priority. In addition, impact assessment studies should be carried out to review progress in implementing the reform agenda.

The promotion of the WB6 region as a unique investment destination should be based on selected areas of cooperation between the WB6 economies that are in compliance with national investment promotion efforts, including on integrating the WB6 economies into international value chains. The successful promotion of the WB6 region as a single investment destination requires joint efforts to create supply chain linkages, intra-regional investments in specific sectors, and harmonising investment pertinent policies in line with the EU/international standards. The regional investment

reform agenda could benefit from lessons from other regional initiatives around the world.

There has been little progress in developing more diversified financial systems in the WB6 region. Capital market regulations will gradually become more closely aligned as WB6 economies adopt EU rules and regulations. However, the WB6 region would benefit from the development of regional capital markets that better link investors to the financing needs of companies, so as to unlock its investment potential, attract more foreign investment and improve the stability of the financial system as a whole. The region would benefit from technical assistance to build various forms of capital markets development and cooperation.

The encouragement of smart growth on a regional level requires a concentrated policy effort and additional resources to stimulate research and innovation in certain key priority areas with high growth potential, with a particular focus on high value-added services. Some of the WB6 economies are in the process of developing smart specialisation S3 strategies, while others have prioritised development of S3 strategies. Technical assistance should be provided in the process of development of S3 strategies and their implementation. WB6 economies should initiate contact with DG JRC to participate in the EU S3 Platform. Individual WB6 economies such as Serbia and The Former Yugoslav Republic of Macedonia have established Innovation Funds to support companies with growth and innovative potential. It is of crucial importance for the region to develop sustainable inter-ministerial cooperation and ensure an ongoing dialogue with the industry and academia when developing strategies, policy frameworks and instruments aimed at supporting the development of innovation eco-systems.

III MOBILITY

The creation of human capital is essential for the development of competitive knowledge-based economies. Mobility of highly educated workers both within the WB6 region and between the region and the EU could be expected to improve the efficiency and competitiveness of the WB6 economies and raise their potential growth rate. Foreign investment also depends on the quality of the labour force and might increase the need for unimpeded regional mobility of highly skilled workers. Greater integration of higher education institutions (HEIs) and academic researchers into the European Research Area (ERA) and the European Higher Education Area (EHEA) should provide substantial benefits for the WB6 economies.

III.1 MOBILITY OF RESEARCHERS

Increased mobility of researchers can contribute to the overall aims of the MAP to promote competitiveness and smart growth in WB6 economies. Evidence shows that researchers who have moved internationally²⁶ tend to have a greater research impact

²⁶ International mobility can be defined as the physical movement of an individual researcher from one country to another country either to a new employment position (i.e. involving a change of employer) or for a research visit (not involving a change in employer) for any period of time. Researchers adopt different modes of mobility, included mobility that is arranged on an individual basis, on an institutional basis or through a dedicated scheme or programme. Mobility can be either incoming or outgoing. Incoming mobility takes place when researchers from another WB6 economy or outside the

than those who have not, and that economies with more open research systems perform better in terms of innovation²⁷. In addition, investing into research infrastructure in the region and supporting the development of centres of excellence is essential for the long-term development of the research systems in the WB6. The combined strategic investments into researchers and research infrastructure are essential to create the basis for excellence in science and full integration into ERA on an equal footing with the EU member states.

III.1.1 Removal of obstacles to mobility of researchers

One of the objectives of the MAP is to remove the obstacles to mobility of researchers in the WB6 region as well as to support the development of research infrastructure and centres of excellence. This is important because the lack of mobility, both between and within economies and lack of investment into research infrastructure is a source of allocative inefficiency that reduces the overall research and innovation capacity of the region, inhibits success in the integration of the region into the ERA, and reduces effective access to the main research programmes such as Horizon 2020.

III.1.1.1 State of play

Two of the five key priorities of the ERA are to create optimal transnational co-operation and competition and an open labour market for researchers facilitating mobility, supporting training and ensuring attractive careers based on an open, transparent and merit-based recruitment of researchers. Serbia and Montenegro have associated status within ERA and both have submitted an ERA roadmap in 2016.

The WB6 economies have associated status in H2020 with exception of Kosovo* which has an international cooperation partner status. On the other hand, in the European Cooperation in Science and Technology (COST) programme only Serbia, Montenegro, Bosnia and Herzegovina and The Former Yugoslav Republic of Macedonia have membership status. The average success rate for all WB economies in Horizon2020 is 10.9% compared to 14.6% for Horizon 2020 overall.

Despite the overall WB6 average success rate, there are significant differences between economies. Serbia is the most successful with highest success rates and most funds awarded, Montenegro and Bosnia and Herzegovina are doing fairly well, while The Former Yugoslav Republic of Macedonia, Albania and Kosovo* are not as successful.

With regard to mobility of researchers, the Marie Skłodowska-Curie actions (MSCA) support researchers at all stages of their careers across all disciplines. The MSCA also support industrial doctorates, combining academic research study with work in companies, and other innovative training that enhances employability and career development. In addition to generous research funding, scientists have the possibility to gain experience abroad and in the private sector, and to complete their training with competences or disciplines useful for their careers. Researchers from the WB6 region

region spend time at a WB6 HEI; outgoing mobility takes place when researchers from a WB6 HEI spend time at an HEI in another WB6 economy or outside the region

²⁷ European Commission, 2014

have difficulty accessing the MSCA also, as they face difficulties in competing against the more advanced research systems of the EU. Therefore, Horizon 2020 has opened up a special section to support participation of researchers from the WB6 region (and elsewhere) through Widening measures, including Twinning, ERA Chairs and Widening Fellowships.

In addition to MSCA, the WB6 participate in the Central European Exchange Programme for University Studies (CEEPUS) exchange programme which can be used by professors to undertake mobility related to teaching in Central Eastern Europe region and have a research component if related to teaching. Furthermore, numerous governments have mobility schemes opened to Western Balkan researchers – e.g. DAAD, Chevening, Fulbright scholarships, etc.

Furthermore, each government has signed several bilateral agreements with economies of the region and outside the region to promote research cooperation. Such agreements also exist between higher education institutions in the region and outside the region; for example, Serbia has bilateral agreements with Croatia and Slovenia, and a bilateral agreement with The Former Yugoslav Republic of Macedonia is in parliamentary procedure, while negotiations are taking place with Bosnia and Herzegovina. These provide for mobility for up to one month for short stays at a laboratory, aiming to develop partnerships that lead to research applications. There are also some important national initiatives aimed at boosting mobility and research excellence; for example Montenegro has an excellence fund and Serbia has a mobility fund. In Kosovo* the HERAS programme run by ADA funds regional research projects with participants from at least two partner economies and a partner from Austria and the Ministry of Education, Science and Technology provides grants for mobility for short visits to EU universities or international conferences. The Former Yugoslav Republic of Macedonia has drawn up an action plan to stimulate participation in Horizon 2020.

All of the WB6 economies, with an exception of Kosovo*, have established the EURAXESS Service Centres and associated EURAXESS Jobs Portals, yet little information on researcher job vacancies in the region is available through the EURAXESS portal. Furthermore, researchers rely mostly on information from education or research institutions in both the home (55%) and host (60%) economy, and from colleagues (61%) when it comes to finding information on mobility abroad. They rely much less on the EURAXESS Service Centre (12%) and EURAXESS Jobs Portal (14%) (Cowey, 2016).

To ensure further development of research and innovation eco-systems in the Western Balkans investments into the research infrastructure integrated into the EU research infrastructure networks and support to the development of centres of excellence are of crucial importance. All the WB6 economies apart from Kosovo* have representatives on the European Strategy Forum on Research Infrastructures (ESFRI). Montenegro completed mapping of research infrastructure and finalised the Research Infrastructure Roadmap in line with ESFRI. Serbia has initiated a systematic mapping of research infrastructure, while other economies are at a very early stage. In Albania, a national database on research infrastructure is managed by the Research, Technology and Innovation Agency and a project for donor funding has been submitted to PERFORM programme of the Swiss Development Cooperation aimed at mapping the research infrastructure in Albania. In The Former Yugoslav Republic of

Macedonia, the Ministry of Education and Science intends to work on mapping of the existing infrastructure during 2018 and 2019.

In the WB6 economies, only Serbia has a national ERIC Coordinator.²⁸ Serbia also recently appointed a Representing Entity (FAMA installation in Vinca Institute) to join the Central European Research Infrastructure Consortium (CERIC-ERIC). This is an integrated multidisciplinary research infrastructure, set up as an ERIC by Austria, Czech Republic, Italy, Romania, Serbia and Slovenia. CERIC-ERIC is open to external basic and applied users. In addition, Serbia is also included into other two ERICs, namely the DARIAH ERIC and ESS ERIC.

Several national centres of research excellence have been created, most prominent being the Biosense Institute in Serbia and the Bio-ICT Centre of Excellence in Montenegro. There is as yet no regional centre of excellence. However, there is an initiative led by Ministry of Science of Montenegro to establish South East European International Institute for Sustainable Technologies aiming to promote collaboration between science, technology and industry, but also to provide platforms for the education and training of young scientists and engineers based on knowledge and technology transfer from European laboratories like CERN and others. The initiative has received letters of support from the ministers responsible for science from all WB6 economies, as well as Croatia and Slovenia.

At the regional level, Steering Platform on Research and Innovation for Western Balkans (SP) was established by the DG Research and Innovation in 2006 to facilitate interaction between the WB6 economies, the EU member states and the European Commission. It aims to support the integration of the WB6 research community into the ERA, acting as an information exchange centre, a clearinghouse for joint ideas and activities, and a coordination forum for needs, suggestions and proposals. The Joint Science Conference, which was jointly organised by the German National Academy of Sciences Leopoldina and the French Académie des Sciences developed a proposal to establish a foundation to support junior scientists at scientific institutions in the Western Balkans. The Foundation is designed to enable outstanding junior scientists from the Balkans and from Europe to build up excellent research labs and teams in the Western Balkans within a period of five years through ad personam grants, enjoying grant portability.

III.1.1.2 Gaps and needs

Although there are many initiatives to fund incoming and outgoing mobility, there are gaps in these programmes in terms of accessibility, scope and funding.

A major gap in the region is the low level of internationalisation of the academic research community and consequently the low level of researchers' mobility, which is needed to raise research capacity. The number of successful applications to Horizon 2020 is relatively low, due to the low level of research excellence in the region, in turn partly due to a lack of funding for research activities. There is also limited capacity to compete for the funding that is available at an EU level, and researchers

²⁸ A European Research Infrastructure Consortium (ERIC) is a legal status granted by the European Commission

from the region have great difficulty accessing the MSCA as they have difficulty in competing against the far more advanced research systems of the EU. Cowey (2016) has outlined the key institutional barriers linked to promotion criteria, balancing teaching obligations and the period abroad. Funding gaps affect the ability to take full use of bilateral agreements and to expand existing schemes such as CEEPUS.

Long-term mobility within the region is hindered by the lack of merit-based recruitment and progression, so available jobs often go to the most “well connected” rather than the “best” researchers.²⁹ Merit-based recruitment and career progression need to be strengthened in line with the European Charter for Researchers and the Code of Conduct for the Recruitment of Researchers. Kosovo* needs to improve transparency in the operation of HEIs to address politicised recruitment (EC, 2016). In a study mapping legal barriers to mobility of researchers, only Bosnia and Herzegovina and Montenegro have made moderate progress in promoting researcher mobility by simplifying the process of obtaining work permits and residence permits. The Former Yugoslav Republic of Macedonia has prepared legislation changes to facilitate the process of issuing work and residence permits to researchers to be adopted in 2018.

There are relatively few centres of excellence in the WB6 region. The investment into the research infrastructure has been limited over the past two decades. Many of the former research institutes that were closely linked to the industrial sector in former Yugoslavia have collapsed, been privatised or are functioning at a low level of research production or quality. In recent years, only Montenegro has developed a research infrastructure roadmap.³⁰ Montenegro completed the mapping and finalised the research infrastructure roadmap in line with ESFRI. Serbia and Albania initiated the mapping, others at a very early stage. Additional efforts are needed to complete, in Serbia and Albania, and to initiate the mapping in the other 3 economies. However, in all economies, including Serbia and Albania, support (technical assistance) to complete or to initiate the mapping is needed. None of the WB6 economies have an ERIC funded by the EU. To promote increased internationalisation and research mobility within the region, additional funding for infrastructural investment is needed, linked to the strengthening and development of national and regional centres of excellence.

III.1.1.3 Recommendations

There is an urgent need to promote region-wide research activity and the related mobility of researchers within the WB6 region. In view of the essential contribution of researcher mobility to improving the research capacity of the region, increased

²⁹ As evidenced by the Council of Europe reports on integrity of the HE systems in the WB6 economies (see: CoE 2017a,b, especially paragraph 4.3.2. in CoE 2017b). The report on integrity in the Serbian HE system has been blocked from public view, see:

<https://rm.coe.int/CoERMPublicCommonSearchServices/documentAccessError.jsp?url=http://rm.coe.int:80/CoERMPublicCommonSearchServices/sso/SSODisplayDCTMContent?documentId=090000168072d0bc>). On the practice of corruption in the HE systems in the WB6 economies see:
<http://www.balkaninsight.com/en/article/school-for-scandal-corruption-downgrades-balkan-education>.

³⁰https://ec.europa.eu/research/infrastructures/pdf/roadmaps/montenegro_national_roadmap_2015.pdf#view=fit&pagemode=none

funding for research mobility and programmes for researchers' mobility should be a priority.

- Identify national measures, which go beyond promotion activities, to ensure greater participation and success rates in all Horizon 2020 actions and all associated programmes and to increase capacity of researchers to compete in the Marie Skłodowska Curie mobility actions, including capacity building and training for researchers and administrators in higher education institutions. Bilateral agreements between HEIs in the WB6 region and HEIs in the EU should be strengthened in order to overcome the legal and institutional barriers to long-term incoming and outgoing mobility of researchers.
- Promote the internationalisation of research in the WB6 region by removing barriers to incoming mobility of excellent researchers from abroad, including EU. This should be done through appropriate adjustments to work permit and residence permit regimes, requiring, where necessary, amendments to the relevant laws to allow unfettered mobility of researchers and automatic granting of permits with a minimum of administrative hurdles, as well as designing mobility scheme to support the incoming researchers.
- Support the development of a WB6 mobility scheme for researchers which would enable mobility of researchers between the WB6 economies.
- Merit-based recruitment and career progression should be strengthened in line with the European Charter for Researchers and the Code of Conduct for the Recruitment of Researchers.
- Additional efforts should be put towards mapping the national research infrastructure and development of research infrastructure roadmap, which should be linked to the European Strategy Forum on Research Infrastructures. Include the ICT infrastructure and digital data infrastructure into the mapping and the RI Roadmap. Explore the potential of having the national maps interoperable regionally and opening the national research infrastructure for use by researchers from WB using the good experiences of open access developed by ERIC and DG JRC.
- Centres of excellence should be developed and opened up to researchers from the WB6 region through multilateral agreements. These centres of excellence should be networked and coordinated on a regional basis, and opened up to incoming mobility of researchers from other WB6 economies, with appropriate logistical and financial support to cover salaries, research costs and living expenses.
- Support the development of the Institute for Sustainable Technology in the WB6 initiative.
- Information on researcher job vacancies should be made available through the EURAXESS portal. Capacities of EURAXESS offices should be strengthened by opening sufficient new job positions to deal with an increasing flow of work.

III.2 MOBILITY OF PROFESSIONALS

The aim of liberalising the international trade in services and the associated international mobility of professional service providers is to ensure an increase in competition among the regulated professions, to counteract such market restrictive

tendencies. The design of regulations should strike the right balance between consumer benefits from competition and from protection in any given context (Canton et al., 2014).

III.2.1 Removal of obstacles to recognition of professional qualifications

In light of the multi-dimensional approach required to remove obstacles to recognition of professional qualifications, in September 2015 CEFTA, ERISEE and RCC have initiated a Joint Working Group on Mutual Recognition of Professional Qualifications (JWG MRPQ) comprised of representatives of Ministries of Education, Labour and Trade. The JWG MRPQ primary objectives are to enhance the intraregional trade in services by reducing and eliminating the barriers to free movement of experts and professionals across the region by facilitating negotiations for mutual recognition agreements (MRAs) of professional qualifications of mutual interest. At the 3rd meeting of the JWG MRPQ³¹, the participants agreed to prioritise health and construction as sectors of mutual interest for mutual recognition of professional qualifications. Within those two sectors, the participants agreed to prioritise doctors of medicine and dentists, and architects and civil engineers as professions of mutual interest to all participants. At the same time the WB6 economies are at different stages of preparation for or transposition of the EU Directive on the Recognition of Professional Qualifications (2005/36/EC). Therefore, the participants of the JWG on MRPQ have agreed to ensure compatibility of the MRAs with the principles and requirements governing the recognition procedures with the EU Directive (2005/36/EC) and to pursue activities which are aligned with EU requirements and support the economies in the transposition of the Directive.

III.2.1.1 State of play

In all of the economies regulated professions in the health sector, including Doctors of Medicine and Dentists, are regulated by the national legislation on health care, while the regulated professions in the construction sector, including Architects and Civil Engineers, are regulated by the national legislation on construction and spatial planning.

In all of the economies the body responsible for issuing the license to practice medicine to nationals, as well as the foreign citizens, is the Medical Chamber, while the Chamber of Dental Medicine is responsible to issue the licenses to practice the dental profession in all economies, apart from Albania where all health professionals have one joint Chamber. However, the legal framework for regulating the licensing procedures for nationals and foreign citizens for both professions are under the responsibility of Ministries of Health.

The regulatory frameworks for recognition of professional qualifications for Doctors of Medicine and Dentists are the same in terms of requirements and procedures. In principle, all economies require a validation of a university degree, certificate of a valid license at origin and a proof that there are no disciplinary measures against her/him practicing their profession at origin and proof of knowledge of local language. Most economies also require proof of completed professional examination,

³¹ 14 April 2016 in Sarajevo

while Serbia requires the holder of the foreign qualification to pass the Serbian professional examination. Some economies require that applicant becomes a member of the national Medical Chamber. Albania additionally requires a recommendation of a national professional who is a member of the Medical Chamber and specialised in the same professional area and Serbia requires an invitation from a health institution in Serbia.

Only three economies specify conditions for a specific type of license for foreign citizens who are providing services on temporary basis – Albania, Kosovo* and Serbia. In others the same procedure detailed above applies regardless of whether an applicant is coming on temporary or permanent basis.

With regard to the profession of Architects and Civil Engineers, the bodies responsible for licensing vary between economies. In Albania a special Commission is responsible for licensing, while in Montenegro, Serbia and The Former Yugoslav Republic of Macedonia it is the Chamber of Engineers, and in Bosnia and Herzegovina and Kosovo* relevant ministries responsible for spatial planning and construction are responsible for licensing. However, the licensing regulation is outlined in the legislation for which the relevant ministries responsible for construction and spatial planning are in charge of. It is important to note that the licensing procedures in economies are not for the profession of Architect or Civil Engineer as such, but rather for a set of particular duties/jobs which can only be conducted by a licensed professional who has a degree in architecture or civil engineering and fulfils additional requirements as outlined in the relevant legislation. Architects and civil engineers may practice the profession, in other non-prescribed duties/jobs, without a license. The set of particular duties/jobs varies between economies, and therefore the procedures for recognition of licenses also vary between them. However, in most cases the procedure includes validation of the academic degree, a valid license at origin and a specified number of years of professional experience.

Progress in alignment with the EU Directive on Professional Qualifications varies between economies. In Albania, a Law on Foreigners, granting EU citizens access to the Albanian labour market without any obligation to hold a work permit, was adopted in March 2013. A roadmap has been adopted to prepare Albania's alignment with the Services Directive. Implementing legislation has been adopted which allows exemptions from state examinations for regulated professionals who have passed state examinations in EU, EFTA, US and some other economies. A Law on Regulated Professions was approved in 2011, which regulates the procedures for state examinations for local professionals. Bosnia and Herzegovina adopted a Roadmap for a planned approach to implementing provisions of the EU Directive on Regulated Professions in 2016.³² It sets out the obligations of relevant authorities involved in implementing the acquis for doctors, dentists, pharmacists, nurses, midwives, veterinary surgeons and architects. Bosnia and Herzegovina has established a Focal Point and several Contact Points. The Focal Point is at the Ministry of Civil Affairs, while the Contact Points are at the Agency for Recognition in Mostar, and in the Republika Srpska and each Canton in the Federation of Bosnia and Herzegovina.

³² Decision to Adopt the Roadmap for Implementation of EU Directive on Regulated Professions 2005/36/EC and 2013/55/EU, Official Gazette of Bosnia and Herzegovina No. 10/2016

Brčko District adopted a law on recognition of professional qualifications in January 2016 but it is not fully aligned with the *acquis*.

In Kosovo*, alignment with the *acquis* in the area of recognition of professional qualifications and professional training programmes is at an early stage. Minimum training requirements based on Directive 200/36/EC for regulated professions aimed at automatic recognition and a roadmap for harmonising professional qualifications legislation with the EU *acquis* are still needed.

In Montenegro, a Law on Recognition of Foreign Qualifications for Access to Regulated Professions entered into force in April 2012, partly transposing Directive 2005/36/EC on the recognition of professional qualifications by setting out the general framework for the recognition of foreign diplomas. Montenegro will adopt a list of regulated professions within the meaning of the relevant *acquis*, specifying the activities covered by each profession and the justifications of regulations in 2018. Montenegro has aligned all study programmes under which qualifications for regulated professions are acquired in Montenegro with the requirements of the Professional Qualifications Directive and its relevant amendments.

In Serbia, a Law on the Regulated Professions and the Recognition of Professional Qualifications has been drafted, but has not yet been adopted. Following the adoption of the Law the list of regulated professions will be drafted and the contact points established.

A Law on Recognition of Professional Qualifications was passed in The Former Yugoslav Republic of Macedonia in 2011. A single database has been set up for licensing and permits, and the Ministry of Education and Science is acting as the coordinating point for competent authorities. A national coordinator for the recognition of professional qualifications has been nominated. However, the description of the study programmes for professions with minimum training requirements still needs to be updated to bring it in line with the *acquis*.

At the regional level, the draft text of the legal agreement will be presented in March 2018 to the joint CEFTA-ERI SEE-RCC Working Group on Recognition of Professional Qualification after which the appointed participants should send the documents on opening the negotiations into the intra-governmental procedure. The Database on the Professional Qualifications is under construction.

III.2.1.2 Gaps and needs

The WB6 economies are in different stages of transposing the Directive on Professional Qualifications. Therefore, there is different progress in ensuring the requirements for education and training are met, in the implementation of the principles and procedures of recognition aligned with those outlined in the Directive, establishment of the list of regulated professions, contact points and the national database on regulated professions fully aligned with the EU Database.

Montenegro identified a need to focus further capacity building and training with the sectoral ministries and professional chambers on alignment with EU recognition procedures of professional qualifications in their sectors. Further assistance may be needed in establishing a national Database on Professional Qualifications fully

aligned with the EU Database on Professional Qualifications, in particular in also ensuring staff is trained to maintain and fill in the database and respond to requests for information within the EU information system.

In Albania, Serbia and The Former Yugoslav Republic of Macedonia capacity building is needed for the coordination Ministry, inter-ministerial working groups, but also for the sectoral ministries and professional chambers to develop the lists of regulated professions, appoint contact points, start the work on the national databases and ensure smooth coordination and implementation of the principles of recognition outlined in the Directive with all relevant line ministries and professional chambers.

Early progress is noticeable in Bosnia and Herzegovina and Kosovo* where additional efforts need to be placed on establishing the inter-ministerial working group, drafting horizontal laws and compiling a list of currently regulated professions. Capacity building for the key ministries (i.e. education, labour and trade) as well as sectoral ministries and professional chambers is needed.

III.2.1.3 Recommendations

- Prioritise support for transposition of the Directive on Professional Qualifications, not only for the coordinating Ministries but also sectoral ministries and professional bodies. In economies without a roadmap for the regulated professions, assistance should be provided to develop the roadmap.
- Provide support to compiling the lists of regulated professions, the development of national databases on regulated professions aligned with the EU database on regulated professions and the contact points for the regulated professions. Train staff to establish a database and input data into it in line with the EU requirements.
- Negotiations on MRAs for the four professions included in the MAP should be opened as soon as possible.
- A regional database on professional qualifications and mobility should be established.

III.3 MOBILITY OF STUDENTS AND HIGHLY SKILLED WORKERS

Increasingly, students go abroad for credit-mobility or degree-mobility in a rapidly internationalising higher education (HE) world. It is generally agreed that mobility improves the quality of HE systems and raises graduate skills levels, improves their employability and contributes to filling gaps in the labour market. Mobility and internationalisation of HE are among the central objectives and main policy areas of the Bologna Process and the European Higher Education Area (EHEA)³³.

³³The 2009 Leuven/Louvain-la-Neuve Communiqué, declared international openness to be one of the priorities for HE over the following decade (EHEA, 2015). The Communiqué stated that: “In 2020, at least 20% of those graduating in the European Higher Education Area should have had a study or training period abroad”. The Bucharest Communique from 2013 and the Yerevan Communique adopted at the last Bologna Ministerial Conference in 2015, further emphasised the importance of mobility. Moreover, the Ministers went a step further and stated that they encourage automatic recognition to take place throughout the European continent by 2020 and repeated that one of the

III.3.1 Removal of obstacles to recognition of academic qualifications

The recognition of academic qualifications (diplomas, degrees and certificates) is a necessary condition for academic mobility. The Convention on the Recognition of Qualifications concerning Higher Education in the European Region (the Lisbon Recognition Convention, LRC) was developed by the Council of Europe and UNESCO and adopted by national representatives meeting in Lisbon in 1997. The LRC states two key principles: (1) recognition should be granted unless there are *substantial* differences between the applicant's qualification and the qualifications for which recognition is sought; and (2) the responsibility to demonstrate that an application does not fulfil the relevant requirements, i.e. that there are substantial differences, lies with the body undertaking the assessment. Most European economies have since ratified the LRC.

To support the procedures for recognition within the EHEA, several tools have been developed in the framework of the Bologna process.

The National Qualifications Frameworks help to identify “the relation between the different levels of a national educational system and its main types of qualifications and provide generic learning outcomes for all NQF levels.” (EAR HEI 2016: 102). For the element of workload, the European Credit Transfer and Accumulation System (ECTS) serves for credit accumulation and transfer, facilitating student mobility, expressing defined learning outcomes (what the individual knows, understands and is able to do on completion of a learning process) and their associated workload (ECTS Users' Guide 2015: 10). Diploma Supplement describes the qualification and the education system it belongs to, helping to further understand the qualification and thus facilitating its recognition (EAR HEI 2016: 96). Quality assurance of HEIs and study programmes is also an important part of the recognition process, because HEIs in one economy will only accept as valid those academic qualifications that they trust to be of at least equivalent standard to their own, as evidenced by a trusted system of accreditation. The Bologna Process has produced European Standards and Guidelines for Quality Assurance in the European Higher Education Area. Quality assurance agencies are responsible for external evaluation of higher education institution. Agencies that have been evaluated and that operate in compliance with the ESG can register with the European Quality Assurance Register for Higher Education (EQAR), boosting their credibility. Agencies that are registered with the EQAR have the right to operate across the EHEA, and their decisions are recognised across borders.

III.3.1.1 State of play

In the WB6 region, all economies apart from Kosovo* have ratified the LRC, however, Kosovo*'s law is aligned with the LRC³⁴ and has established functioning ENIC/NARIC offices.

In Albania, as part of the recent initiative to shorten administrative procedures, the MoESY has reduced the number of required documents to be supplied by the

current priorities should be ensuring “that qualifications from other EHEA countries are automatically recognised at the same level as relevant domestic qualifications”.

³⁴ The reason for non-ratification is that Kosovo* is not a member of Council of Europe.

candidate when requesting recognition. Only four documents are required: application form, notarised copy of the diploma and the transcript or a diploma supplement, copy of the ID and a payment confirmation of processing fee. In addition to reducing the number of documents, Albania introduced an online procedure by which an applicant can submit the request with all the accompanying documents online which significantly reduced the request processing time and the costs of the procedure. The ENIC/NARIC office receives slightly more than 1000 requests for recognition per year of which most requests come for degrees issued in Italy (33%); Kosovo* (17.50%); Greece (11%); UK (10%); The Former Yugoslav Republic of Macedonia (8%); Turkey (7%); and from others less than 3% each.

In Bosnia and Herzegovina the recognition procedure takes place at the level of 10 cantons in the Federation of Bosnia and Herzegovina, Republika Srpska and District Brčko where competent Ministries responsible for higher education in the 10 cantons and the Republika Srpska and the Brčko District Department of Education conduct the procedure of recognition for purposes of employment and the higher education institutions for the purpose of continuing education respectively. The decisions, therefore, are not uniform across Bosnia and Herzegovina. The national ENIC/NARIC occasionally issues non-binding recommendations to responsible bodies on recognition of diplomas acquired outside Bosnia and Herzegovina for the purpose of employment, further education and pursuing other rights arising from the qualification acquired in scope of its role to provide advice and information on the issues from its scope of activity to parties with legitimate interest. There is no central information and data system on the recognition procedures, requests and decisions taken in Bosnia and Herzegovina. There is an ongoing ERASMUS+ project aimed at developing a recognition model for harmonisation of recognition decisions in Bosnia and Herzegovina.

Even though the Lisbon Recognition Convention was not signed and not being an official member of ENIC NARIC network due to its status with the Council of Europe, Kosovo* has fully transposed the principles of the Lisbon Recognition Convention into its legislation framework (Law on Higher Education) and has established an ENIC/NARIC centre in the Higher Education Department in the Ministry of Education, Science and Technology. The ENIC/NARIC office received 1630 requests in 2016: 633 from Albania; 361 from The Former Yugoslav Republic of Macedonia; 23 from Bosnia and Herzegovina; 2 from Montenegro; and others from USA, Austria, UK, France, Croatia, Slovenia, and the rest of the world. There is no communication with the ENIC/NARIC centre in Bosnia and Herzegovina or Serbia. Therefore, Kosovo* only recognise degrees from the public universities in these economies and verifies authenticity directly with the respective university.

In The Former Yugoslav Republic of Macedonia there have been efforts to simplify recognition processes. In this regard the recognition is automatic for qualifications awarded by the higher education institutions in top 500 on the Shanghai ranking list and the Times Higher Education ranking. Also there is a bilateral agreement to be signed with Serbia which will allow faster recognition procedures. Furthermore, a new Law on Higher Education is being drafted which will have significant changes regarding the quality assurance and accreditation processes and bodies. Majority of recognition requests come from the region, namely Bosnia and Herzegovina, Serbia, Bulgaria, Romania and Turkey.

Montenegro receives a huge number of requests; about 2,400 requests (almost identical number of graduates at HEIs in Montenegro) are received for processing annually. The biggest number of requests is from the region (Serbia, Bosnia and Herzegovina, The Former Yugoslav Republic of Macedonia, Croatia, Slovenia, Albania) and out of the region from Russia, Italy, Turkey, China and UK.

With regard to the Diploma Supplement, it seems that majority of higher education institutions in the WB6 are issuing the Diploma Supplement, however it remains unclear to which extent are the HEIs issuing DS automatically, free of charge and in English language.

In Albania the Law on the Albanian Qualifications Framework (AQF) was adopted in 2010 and is aligned to developments in the EU.³⁵ However, the NQF has not yet been certified and self-referenced towards the European frameworks. Implementation of the AQF is one of the policy objectives of the National Employment and Skills Strategy and Action Plan 2020. The IPA II Sector Reform Contract supports the development and implementation of the AQF. In Bosnia and Herzegovina the National Qualifications Framework is set out in Official Gazette, XV/31, 25/4/2011. The Council of Ministers adopted an action plan to implement the Bosnia and Herzegovina QF in February 2015. It is still not implemented due to the lack of the state-level inter-sectoral commission responsible for implementing the action plan. The Kosovo* NQF was established by the 2008 Law on Qualifications which aimed to create an EQF compatible framework, and is overseen by the National Qualifications Authority. A range of supporting manuals and handbooks has been produced to support further development and implementation. In Montenegro a Law on the NQF was adopted in 2010. The framework is managed by the Montenegro Qualifications Council, in cooperation with the National Council of Education and Higher Education Council. A Report on the Referencing of the National Qualifications Framework against the EQF (2014) has been published. The national Qualification Framework is advanced in implementation; it is referenced to the EQF and has been self-certified against the qualifications framework of the EHEA since 2014. In Serbia activities on drafting the NQF, establishing competent bodies and institutions and the legal and financial framework are in a final phase. The National Council for Higher Education has adopted the main elements of the NQF. Adoption of the draft Law on NQF is expected in 2018. The establishment of a unified database of qualifications that can be acquired in Serbia is also under way.³⁶ In The Former Yugoslav Republic of Macedonia, the National Qualifications Framework was adopted in 2013. The government is committed to reference its qualification framework to the EQF. The referencing process began in May 2014 and the EQF Referencing Report has been published. Implementation of the law began in 2015, and the EQF referencing report was presented to the EQF Advisory Group in February 2016.

All of the WB6 have established QA bodies, but not all of them are fulfilling ESG criteria. Currently quality assurance agencies which are members of EQAR are: KAA – Kosovo* Accreditation Agency (Kosovo*) and CAQA – Commission for Accreditation and Quality Assurance (Serbia). In Montenegro, in 2017 a new Agency

³⁵ <https://www.ehea.info/pid34250-cid101090/albania.html>

³⁶ Serbian Economic Reform Programme 2017-2019, p. 114

for control and quality assurance of higher education was established by the amendments to the Law on Higher Education. It is expected to become fully operational by the beginning of February 2018. In The Former Yugoslav Republic of Macedonia the Board of Accreditation and Evaluation of Higher Education (HEAEB) carries out accreditation of HEIs, however, the new Law on Higher Education (currently in preparation) also foresees establishment of an Agency for Quality Assurance (a model yet to be defined).

With regard to bilateral agreements, the agreement on the recognition of diplomas between Kosovo* and Serbia was reached in 2011, as part of the dialogue between Pristina and Belgrade facilitated by the European Union. According to the agreement, the European University Association would certify the diplomas issued by the accredited institution of higher education in order for them to be recognised in both economies³⁷. Serbia and the Bosnia and Herzegovina entity of Republika Srpska have a bilateral agreement on automatic recognition. Serbia and The Former Yugoslav Republic of Macedonia have agreed on a bilateral treaty on automatic recognition, which still awaits ratification by both parliaments, which will simplify the procedures in place.

III.3.1.2 Gaps and needs

A number of challenges stem from the need to further implement the crucial EHEA tools – Qualifications Frameworks; Quality Assurance; Diploma Supplement, while the second group of challenges relates directly to the recognition procedures. Implementation of the National Qualifications Frameworks – establishment of operational relevant bodies; finalisation of referencing and self-certification to the European frameworks; establishment efficient and regular monitoring mechanisms for its implementation; continuous evaluation and monitoring of implementation of Diploma Supplements and further implementation of Learning Outcomes, and efforts aimed at the paradigm shift towards Student Centred Learning and study programmes based on competences and learning outcomes need to remain central part of higher education reforms in the WB6 economies.

Furthermore, the development of a fully functional quality assurance systems with independent quality assurance bodies fully aligned with the European Standards and Guidelines is crucial both for the smooth recognition process and for increasing the quality of higher education provision in the region. Due to the weak quality assurance and accreditation systems there is also a lack of trust between the economies in the validity and quality of the qualifications. In particular, the information on validity of accreditation of the higher education institutions at the time of issuing a degree is often difficult to obtain. To build the effective quality assurance systems, continuous capacity building, peer learning activities and networking with the established quality assurance agencies are of crucial importance.

While all of the economies have ratified and transposed the Lisbon Recognition Convention into their national legislation, a consensus on the definition of substantial differences seems to be lacking. On the national level the elements that prevent recognition differ from economy to economy. In Kosovo* the legislative demand is

³⁷ http://setimes.com/cocoon/setimes/xhtml/en_GB/features/setimes/features/2012/08/09/feature-02

still that there is 70% of similarity between programmes and it seems that a general tendency in the region is to still perceive narrowly the substantial differences, either at the national either at the HEI level. A paradigm shift in leaving behind the validation and the equivalence and fully embracing the concept of recognition is still needed, both within the academic community and the labour market.

The most pressing challenge remains the accessibility and the speed of exchange of information and in language(s) other than national language(s) – of course, most suitably English language. ENIC/NARIC offices often wait for lengthy amounts of time to receive information regarding qualifications or higher education institutions issuing the qualification from another ENIC/NARIC office. A number of websites of bodies responsible for recognition processes and ENIC/NARIC offices webpages, as in most cases they do not have separate websites, remains in national language(s) and often not very user friendly. A simple technical improvement of accessibility to basic information as the structure of HE system; databases of accredited HEIs and study programmes; and contact information of relevant bodies would significantly contribute to the recognition processes in the region – and it would also diminish the pressure on the relevant bodies to be agile and responsive in all queries from colleagues, and wider public. This remains a particular challenge as most of ENIC/NARIC offices seem to work under pressing conditions – they are understaffed with a low level of institutional memory and recurrent changes in staff. Therefore, developing structured technical assistance, capacity building and networking opportunities for ENIC/NARIC staff is essential.

Furthermore, the communication between ENIC/NARIC offices and HEIs proves to be lengthy and the cooperation channels between the relevant national and institutional bodies are not fully developed so that they could run smoothly as needed. Particular problem is posed when higher education institutions need to provide a proof of authenticity of a degree they have issued. This takes prolonged time and higher education institutions often ask to be paid for such a proof.

III.3.1.3 Recommendations

- Explore modalities to facilitate automatic/fast track recognition between WB6.
- Look into simplification of documentation requirements, notably concerning the translation requirements – especially in cases where languages are easily understandable, and lowering the administrative fees, if not full abolishment of the fees. Explore possibilities to use IT technologies in recognition process to a greater extent.
- Develop user friendly access to information regarding the overview of the HE system in the economy, and a regularly updated database of accredited HEIs and study programmes in English language, as well as user friendly access to information on recognition procedures in English language, ENIC/NARIC offices and other relevant national bodies responsible for recognition procedures.
- Establish a regional joint information system on all relevant issues regarding recognition (Qualifications Frameworks; QA; HE systems; recognition procedures; etc.) in English language.

- Capacity building of ENIC/NARIC offices' staff through trainings and study visits. Provide training to HEI officers in charge of recognition to ensure they are using qualitative criteria in the recognition processes such as the achievement of learning outcomes. Ensure regular meetings of ENIC/NARIC offices from the region and regular monitoring of its work.
- Conduct a structured, joint exercise on recognition. The aims of the joint exercise are: to identify similarities/differences in evaluating foreign degrees; to analyse and discuss the differences; to suggest further action to decrease the differences. The structured, joint exercise will be based on case studies of recognition of foreign degrees from the region and abroad.
- Conduct a structured, joint exercise on how to fill in and use a Diploma Supplement 2.0 (based on the guideline expected to be adopted at the Ministerial Meeting in Paris, May 2018) to support the preparation of Diploma Supplements with an aim of upgrading to Diploma Supplement 2.0. Quality assurance agencies to be established, fully operational and following the European standards and guidelines, with an aim to become members of EQAR should be a priority. Substantial technical assistance is needed to build capacity of the QA agencies in the region.

III.4 MAIN FINDINGS AND CONCLUSIONS: MOBILITY POLICIES

Progress in promoting the mobility of researchers is at an early stage. This is worrying since economies with more open research systems perform better in terms of innovation, and the mobility of researchers is a key element in creating an open research system. Increased international mobility of researchers both within the WB6 region and between the region and the EU would be likely to improve the competitiveness of the WB6 economies and raise their growth rate. There are relatively few institutional barriers to short-term mobility of researchers within the WB6 region, but there are significant barriers to hinder long-term mobility of researchers, which may impede the transition to a knowledge-based society and reduce the potential rate of economic growth. Although there are numerous small-scale initiatives to fund incoming and outgoing mobility, there are gaps in these programmes in terms of accessibility, scope and funding. Key institutional barriers to mobility are linked to promotion criteria, balancing teaching obligations and the period abroad. Funding gaps affect the ability to take full use of bilateral agreements and to expand existing schemes such as CEEPUS. Long-term mobility within the region is also hindered by the lack of merit-based recruitment and progression, so available jobs often go to the most “well connected” rather than the “best” researchers. Merit-based recruitment and career progression need to be strengthened in line with the European Charter for Researchers and the Code of Conduct for the Recruitment of Researchers.

The level of internationalisation of the academic research community in the WB6 economies is too low, as is the level of researcher mobility, which should be increased in order to raise research capacity. The number of successful applications to Horizon 2020 is relatively low, due to the low level of research excellence in the region, in turn partly due to a lack of funding for research activities. Research laws and strategies are underfunded and poorly implemented in Albania, Kosovo* and The Former Yugoslav Republic of Macedonia. There is also limited capacity to compete

for the funding that is available at an EU level, and researchers from the region have great difficulty accessing the MSCA as they have difficulty in competing against the far more advanced research systems of the EU. The research capacity of the WB6 economies is limited due to years of underinvestment and a lack of reform in the HEIs and systems of research institutes. Many of the former research institutes that were closely linked to the industrial sector in former Yugoslavia have collapsed, been privatised or are functioning at a low level. In recent years, only Montenegro has developed a research infrastructure roadmap.³⁸ None of the WB6 economies have an ERIC funded by the EU. To promote increased internationalisation and research mobility within the region, additional funding for infrastructural investment is needed, linked to the strengthening and development of national and regional centres of excellence. There are relatively few centres of excellence in the WB6 region.

Progress in liberalising the mobility of professionals is also at an early stage. The aim of liberalising the international trade in services and the associated international mobility of professional service providers is to ensure an increase in competition among the regulated professions, to counteract market restrictive tendencies and improve the allocative efficiency of the WB6 economies. The WB6 economies are at an early stage of preparedness in liberalising the mobility of professional workers. Roadmaps for alignment with the Directive on Regulated Professions have been adopted in Bosnia and Herzegovina and Montenegro and laws on recognising professional qualifications have been adopted in Albania and The Former Yugoslav Republic of Macedonia. In Bosnia and Herzegovina, there is no list of regulated professions at state level. The Focal Point and the Contact Points lack capacity and need support to create the list. Assistance is also needed on how to proceed with the implementation of the roadmap. In Kosovo*, there is no roadmap for professional qualifications legislation. In Serbia, an umbrella law aligned to the EU Services Directive is needed, and a strategy and law on mutual recognition of professional qualifications remain to be adopted. Serbia does not yet have a unified list of professional qualifications. In The Former Yugoslav Republic of Macedonia, an updated list needs to be published. Furthermore, the description of the study programmes for professions with minimum training requirements still needs to be updated to bring it into line with the *acquis*.

Progress in promoting mobility of students and highly skilled workers is at a moderate level. Obstacles to recognition of academic qualifications present obstacles to mobility of students and highly qualified workers. Recognition decisions are often made in different ways across different economies and institutions, procedures are often lengthy and burdensome, and credential evaluators in HEIs often incorrectly apply the principles of the Lisbon Recognition Convention. Although accreditation systems are in place, they are not very effective in improving the quality of HE provision. There are major gaps in the quality of provision among HEIs especially in some economies and at some levels of the HE system. The need for improvement in teaching methods is felt in both public and private HEIs, irrespective of the level of satisfaction with quality. These findings reveal that there is a need to improve teaching methods at all types of HEIs.

³⁸https://ec.europa.eu/research/infrastructures/pdf/roadmaps/montenegro_national_roadmap_2015.pdf#view=fit&pagemode=none

IV DIGITAL INTEGRATION

The use of digital technologies can generate great benefits in terms of macroeconomic development as well as speed, efficiency and transparency of economic activities across borders. Digital integration improves the supply of new services to consumers and businesses and supports socio-economic development, high value job creation and a knowledge-based society. The objective of the MAP digital agenda-related actions is to integrate the region into the pan-European digital market on the basis of a future-proof digitisation strategy, an updated regulatory environment, improved broadband infrastructure and access as well as digital literacy.

The Digital Integration Component envisages a regional approach to intergovernmental cooperation in digital matters and integration within the European Digital Single Market. It supports digital infrastructure development and improved regional connectivity, harmonised spectrum policies, coordinated roaming policies towards a roaming free region, enhanced cybersecurity, trust services and data protection, cooperation in policies that stimulate the data economy, upgraded digital skills, accelerated digitisation and uptake of smart technologies.

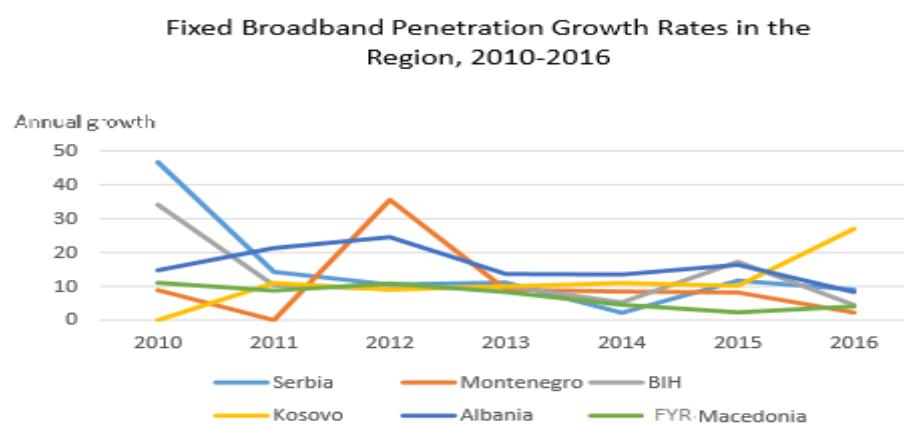
IV.1 DIGITAL ENVIRONMENT NETWORKS AND SERVICES, CONNECTIVITY AND ACCESS

IV.1.1 Boost digital infrastructure development and regional connectivity, while creating a level playing field for digital networks and services to flourish

The WB6 region has historically ranked low in fixed network penetration, and it now lags significantly behind the EU average.

Fixed broadband penetration							
%	EU	Albania	Bosnia and Herzegovina	The Former Yugoslav Republic of Macedonia	Kosovo*	Montenegro	Serbia
2016	32.86	8.23	18.37	17.9	13.2	18.48	23.94

Source: International Telecommunication Union, World Telecommunication ICT Development Report and database and Budde Communications.



Source: International Telecommunication Union, World Telecommunication ICT Development Report and database and Budde Communications.

Broadband penetration growth rates have fallen over the past four to five years in all WB6 economies with the exception of Kosovo* where growth has picked up in the past couple of years. The cumulative growth of broadband subscriptions in WB6 economies in 2010-2015 does not provide grounds for catching up with the EU. The WB6 authorities need to put additional effort in order to decrease this gap and provide their citizens and businesses with improved access to high-speed networks and quality services. There is a clear need to align regulation with the EU, bring more investments into broadband infrastructure and incentivise various investment models, including the Private Public Partnerships and subsidies for rural areas.

In 2016 Serbia was included in the European Council's Fibre to the Home list. It is currently one of the few economies in the region which is included on the list. The increase in penetration of these connections is usually provided by operators with significant market power.

IV.1.1.1 State of play

The WB6 economies have made some progress in transposing the EU *acquis* and increasing broadband penetration through the implementation of relevant policies. All WB6 economies are implementing broadband policies and developing regulatory frameworks. Across the region, significant efforts are still needed to complete the mapping of broadband infrastructure, identify gaps and adopt secondary legislation to address the gaps.

Albania's legal framework on broadband is aligned with Directive 2014/61/EU³⁹. Completion of secondary legislation as well as coordination among the key stakeholders is underway. Albania is in an early phase of planning a Project for Regional Broadband Infrastructure Development in the cross-border area valued at €48 million.⁴⁰ Albania also has a mature digital project within Single Project Pipeline that aims to improve the digital connection in the cross-border area in Korca worth €26.5 million. With the support of UNDP in 2017 Albania conducted a prefeasibility study on broadband development focusing on 13 municipalities in the four cross-border districts. The full feasibility study in this regard will follow.⁴¹ Albania also plans to review the Action Plan of National Broadband Plan (with own resources) and to improve penetration of fixed broadband which is among the lowest in the region and in the EU (less than 10%).

Bosnia and Herzegovina adopted a decision on implementing the policy of electronic communications sector for the period 2017-2021 and the Action Plan for

³⁹ Directive 2014/61/EU - Directive 2014/61/EU of the European Parliament and of the Council of 15 May 2014 on measures to reduce the cost of deploying high-speed electronic communications networks, aims to facilitate and incentivise the roll-out of high-speed electronic communications networks by promoting the joint use of existing physical infrastructure and by enabling a more efficient deployment of new physical infrastructure so that such networks can be rolled out at lower cost.

⁴⁰ National Strategic Project Pipeline 2016-2017

⁴¹ Albania applied for €0.5 million WBIF grant

implementation of the policy. Meanwhile The Ministry of Communications and Transport in cooperation with the UK Embassy in Bosnia and Herzegovina, PwC and other stakeholders has been working on drafting the Framework Strategy for Broadband Access in Bosnia and Herzegovina, as well as a new Strategy for the Development of Information-Communication Technologies in Bosnia and Herzegovina. Still, the Law on Electronic Communications is not yet adopted.

Kosovo* has made good progress in this area and plans to establish an Electronic Atlas for Broadband Telecommunications Infrastructure. With the support of the World Bank two studies have been carried out: Facilitation of Efficient Infrastructure Sharing for Kosovo* and the Rural Broadband Programme. Kosovo* has also secured a World Bank loan of €20 million for broadband infrastructure development in rural and uncovered areas,⁴² while €37 million in total are foreseen for expansion of digital infrastructure in the upcoming 4 years.

In Montenegro, the Law on Access and Deployment of Electronic Communications Broadband Networks based on Directive 2014/61/EU is under preparation and it should facilitate achievement of objectives from the Information Society Development Strategy by 2020. Nevertheless the enforcement is postponed for 1st January 2021 due to the new Law on Planning and Construction. The World Bank has carried out a study and produced a Policy Note on Achieving Universality of High-Speed Broadband with the aim of providing advice to the Government on the possible mechanisms for state aid support for broadband infrastructure.

The Information Society Development Strategy by 2020 and Electronic Communications Development Strategy 2010-2020 represent Digital Agenda of Serbia. Serbia has prepared a new Law on Electronic Communications, which is in line with European regulatory framework from 2009, but still needs to be adopted; and the Law on Broadband Infrastructure, transposing Directive 2014/61/EU is under preparation. National Broadband Network Implementation Plan project, supported by EBRD, was launched in November 2016. The project includes assessment of costs needed for further broadband development. Two studies have been completed on Fixed Broadband in Serbia in 2016/2017, one by EBRD (the National Broadband Implementation Programme), and one by the Korea Information Society Development Institute (the Fixed Broadband Development).

Draft Next Generation Strategy until 2023 is prepared and the main goal is to provide the necessary infrastructure for the development of the Digital Single Market in Serbia, in accordance with the strategic EU framework. The proposal contains an explicit analysis of information and communication technologies, as well as comparison of different indicators of ICT development. Under the Strategy, Digital Economy and Society Index for 2015 and 2016 were calculated for Serbia. The analysis has unambiguously confirmed the thesis that progress in ICT in Serbia will lead to increase in gross domestic product.

In The Former Yugoslav Republic of Macedonia, work on the National Operational Broadband Plan is underway and it is expected to be ready by September 2018. The Ministry of Information Society and Administration has established several working

⁴² Kosovo* Digital Economy (KODE) Programme

groups for 5G, broadband services, broadband infrastructure management and mapping of existing networks. The Law on Electronic Communications is adopted and it transposes provisions of Directive 2014/61/EU. The EBRD extended a €2 million loan to one of the regional leaders in the sector in 2014 to finance the expansion of the fibre optic infrastructure.

WBIF⁴³ will extend project eligibility to the digital sector, primarily for technical assistance, though no projects in digital sector will be piloted until detailed guidelines are elaborated. The NOBAL NGA Network (North Balkans Next Generation Access Network⁴⁴), as well as the potential follow-up of World Bank's Western Balkans Digital Highway project are examples of relevant projects that could be financed by WBIF.

Across the whole region, there is significant fibre optic capacity that has been installed but has not been used. It is owned by various public utility companies, such as the post, railway and most significantly electric power and transmission companies. It is estimated that on average less than 25% is currently in use, while coverage is fairly wide and expansive, reaching out into rural areas that generally have no high-speed access. The World Bank's Western Balkans Digital Highway Initiative is a study currently underway that investigates whether it is possible to improve regional interconnectivity and increase access to the Internet by establishing a regional broadband internet infrastructure over the transmission grids of energy companies.

The WB6 region can also take advantage and participate in WiFi4EU initiative with regional pilots.

Four WB6 economies have established NRENs - national research and education networks, which are also members of GÉANT. In Bosnia and Herzegovina there were attempts to establish NERN at the state level and two other at the entity level, but this has never been realised because of different views regarding NREN authorities; and Kosovo* has not done so yet.

Regulators from the four WB6 economies that have EU candidate status have an observer status in the Body of European Regulators for Electronic Communications (BEREC) and as such attend BEREC events but cannot participate as full members.

IV.1.1.2 Gaps and needs

The gap between the WB6 economies in broadband penetration needs to be bridged through initiatives at regional and national levels. There is a need for Albania, Bosnia and Herzegovina, Montenegro and Serbia to accelerate the implementation of rural broadband development, exploiting available funding opportunities from international

⁴³ Western Balkans Investment Framework consists of two key components: Joint Grant Facility (JGF), which pools grants from the European Commission's budget, CEB, EBRD, EIB and bilateral donors; and Joint Lending Facility (JLF), based on loans provided by CEB, EBRD and EIB and increased cooperation with other multilateral development and bilateral financial institutions.

⁴⁴ A trilateral project of cross-border empowerment of national public networks of Bulgaria, Romania and Serbia

donors. The World Bank estimates that the investment needed for broadband infrastructure development is €1.5 billion.⁴⁵

Neither Bosnia and Herzegovina nor Kosovo* participate in the work of BEREC. There is a need to enhance cooperation between the WB6 regulators and the regulators in the EU.

National research and education networks in the region are not connected to each other and Bosnia and Herzegovina and Kosovo* are yet to establish NRENs, while The Former Yugoslav Republic of Macedonia's MARNET has no infrastructure at all. There is a need for the EU to support these processes, in the same way that it supported high-speed interconnection and integration of EaP⁴⁶ economies NRENs into GÉANT. A regional project similar to EaPConnect could be, together with GÉANT, submitted for EU financing in order to complete the high-speed regional Internet Research and Education Network and to connect it to GÉANT. Additionally, the World Bank and the EC are considering supporting Kosovo* to connect to GÉANT. Bosnia and Herzegovina and The Former Yugoslav Republic of Macedonia should also explore these options.

IV.1.1.3 Recommendations

- Introduce policy and regulatory measures that would incentivise investments in high-speed broadband networks, including transposition of EU Directive 2014/61/EU in all WB6.
- Complete outstanding broadband infrastructure mapping, perform analysis of broadband markets and identify network coverage gaps and investments, as well as policy measures required to bridge those gaps.
- Establish regular exchange regarding business incentive models for rural and underserved areas and on the use of Public Private Partnerships to address low connectivity. Use the EU Toolkit for rural broadband as guidance. Participate in the new EU Broadband Competence Office (BCO) Network initiative and establish BCOs.
- Establish a regional dialogue on commercialisation of spare fibre optic assets; identify and address legal and regulatory constraints and implement the agreed commercialisation model.
- Strengthen regulatory dialogue among all WB6 regulators, look for a way for all WB6 economies to be present at BEREC meetings in order to be able to coordinate regulatory efforts with the EU.
- Complete regional interconnection and integration into the pan-European GÉANT.

⁴⁵ See WBIF

⁴⁶ Eastern Partnership economies Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine

- Provide TA and capacity building for broadband deployment, state aid, as well as for broadband infrastructure mapping, zoning and identification of most suitable business models.

IV.1.2 Harmonise spectrum policy to ensure timely and efficient availability and boost deployment of standardised 5G networks

Radio frequency spectrum is a natural resource used for transmitting signals, i.e. sending information without wires or cable. This transmission happens instantly across short or very long distances enabling an ever increasing number of services that people use in their everyday lives, as well as numerous government and specific commercial or public services: television and radio, mobile phone communication, emergency services, radars' surveillance and airplane navigation, Wi-Fi connections, different remote controllers and cordless devices operation, etc. Wireless technologies have become pervasive, and citizens, governments and business alike have come to depend on them in an increasingly connected, information-driven world.

IV.1.2.1 State of play

All the WB6 economies have put in place regulatory and institutional frameworks that provide for efficient overall spectrum management. However, not all have been able to address the biggest and most important development in the spectrum management and allocation globally since 2000 - the Digital Switchover (DSO).

The DSO process - switching from less spectrum efficient analogue to more efficient digital television broadcasting method, results in the Digital Dividend – freeing up of a large portion of spectrum previously used for terrestrial transmission of analogue TV signals, that can be allocated to other (mobile) services.

This process has been underway in the region with various levels of success. Three of the WB6 economies have completed the process: Montenegro, Serbia and The Former Yugoslav Republic of Macedonia. Serbia has also freed up the 700 MHz band for future use, being the first economy in Europe to do so.

In addition to positive economic and social effects in the medium- and long-term, the auctioning of the Digital Dividend also has immediate positive fiscal effects for the economies in the region.⁴⁷

There is still need for Albania, Bosnia and Herzegovina and Kosovo* to complete the DSO process and reassign the freed frequencies. Albania has progressed significantly and is close to completion of the analogue switch-off, while the government has decided to subsidise DVB-T2/MPG4 decoders for all families in need. Progress is very slow in Bosnia and Herzegovina; still, Bosnia and Herzegovina has managed to adopt and update the Strategy of Digitalisation, as the standard of DVB-T has been updated to the newer one DVB-T2, and in accordance with this, the project (phase II and III) of DSO in Bosnia and Herzegovina is being implemented under the new

⁴⁷ The Former Yugoslav Republic of Macedonia auctioned off the digital dividend in July 2013 for a total of €30.9 million. In Serbia, the frequency range of 800 MHz, left free after the introduction of digital television was sold at a public auction in November 2015 for a total of €105 million. In September 2016, Montenegro sold the 800MHz/2600MHz ranges for €50.6 million.

standard. Kosovo's* deadline for adopting the Digital Switchover Strategy was end 2017, which will be implemented by the Independent Media Commission (IMC) (OECD, 2016a).

Broader regional coordination on radio spectrum issues currently, productively, takes place within RSPG⁴⁸ regional group, SEDDIF⁴⁹ as well as within WRC-19⁵⁰ preparatory process. Additionally, in October 2017 the economies of Adriatic-Ionian region reached an international agreement on the principles of re-arrangement of the radio frequency spectrum for TV broadcasting in the range 470-694 MHz in Tivat, Montenegro. The agreement was reached by representatives of Albania, Croatia, Greece, Italy, Montenegro, San Marino and Slovenia. Bosnia and Herzegovina and Serbia, also members of the initiative, were not present at the meeting. The 7th SEDDIF was held in Budapest in October 2017 where participants discussed frequency matching and technical parameters of transmitters' in future digital television networks. Based on the conclusions, the multilateral framework agreement between all SEDDIF members (with the exception of Albania) was already signed in December 2017.

IV.1.2.2 Gaps and needs

There is an immediate need for support in the process of DSO for Albania, Bosnia and Herzegovina and Kosovo* in order to complete the process of digital switchover and free up certain part of the spectrum.

Secondly, further support is needed for a study on 5G spectrum policy, especially on how to free up the 700MHz band, which is currently in use across the region, with the exception of Serbia. The "second digital dividend" freeing up of the 700 MHz band is important for providing additional spectrum for mobile services. Since in most economies the 700 MHz band is typically used for television broadcasting, a reassigning of the digital television spectrum use is required to release the 700 MHz band for mobile services.

Thirdly, there are several disaster, emergency and security spectrum allocations that are specific to the region and require regional coordination as well as formulation of joint regional positions that could be presented at the ITU World Radio-communication Conference⁵¹ to be held in 2019, as well as the European Conference

⁴⁸ RSPG – Radio Spectrum Policy Group is a high-level advisory group assisting the European Commission in the development of radio spectrum policy in the Community. The members of the Group are representatives of the Member States and the Commission. In addition, representatives of the EEA economies, the candidate economies, the European Parliament, the European Conference of Postal and Telecommunications Administrations (CEPT) and the European Telecommunications Standardisation Institute (ETSI) attend as observers.

⁴⁹ SEDDIF - South European Digital Dividend Implementation Forum was established in October 2015 and consists of Austria, Bosnia and Herzegovina, Bulgaria, Croatia, The Former Yugoslav Republic of Macedonia, Greece, Hungary, Montenegro, Serbia, Slovenia, Turkey and Ukraine (observer).

⁵⁰ World Radio-communication Conferences (WRC) are held every three to four years. It is the task of WRC to review and revise the ITU Radio Regulations, the international treaty governing the use of the radio-frequency spectrum and the geostationary-satellite and non-geostationary-satellite orbits.

of Postal and Telecommunications Administration (CEPT) and the European Communications Office (ECO) meetings. Consequently, there is a need for stronger regional coordination and cooperation, especially when there are bilateral issues to be resolved. While most of WB6 economies participate in regional spectrum coordination efforts, Albania has not been very active in this area and has not achieved bilateral agreements with other WB6 economies nor neighbours.

IV.1.2.3 Recommendations

- Finalise DSO in the whole region, i.e. in the three economies that have not yet finished the process.
- Conduct a study on how to free up the 700 MHz spectrum band.
- Strengthen regional spectrum coordination efforts to include all WB6 economies.
- Organise early consultations among regulators ahead of ECO, CEPT meetings as well as before WRCs to align regional positions for issues of joint interest.

IV.1.3 Coordinate roaming policies towards a roaming free economic area

With rapid growth of mobile phone users across the globe and in the EU, the high and often unexpected charges for leisure and business travellers for using mobile phones while abroad became a real problem and a burden that decreased the competitiveness of businesses. The European Commission became aware of it and started analysing roaming charges in 2005. The first EU regulation on voice roaming was adopted in 2007, to be followed by a regulation on texts, calls and data services' roaming prices in 2009. Finally, after ten years of working on it, roaming charges in the European Economic Area, i.e. EU and the three EFTA economies⁵² ended on 15 June 2017. When travelling within this area, mobile subscribers can now "Roam Like at Home" and pay domestic prices for calls, SMS and data transfer.

IV.1.3.1 State of play

Within the region, four of WB6 economies, Bosnia and Herzegovina, Montenegro, Serbia and The Former Yugoslav Republic of Macedonia have been working on decreasing roaming charges since 2014, when the first Regional Roaming Agreement was signed. The Agreement covers incoming and outgoing calls, SMS and data transfer, envisions lowering roaming charges to the levels set in the EU and is open to new signatories. Implementation of the Agreement led to a cut of roaming costs up to 80% in the region and multiple increases in data transfer in 2015 and 2016. In 2016, the RCC delivered the first regional-scale legal, regulatory and market impact study of the Regional Roaming Agreement (RRA).

In order to allow for the implementation of regional and EU roaming policies Albania has amended the law regulating roaming – to be adopted in the second quarter of 2018.

⁵² Iceland, Liechtenstein and Norway

One of the priorities of the Bulgarian Presidency of the Council of the European Union, which began on 1st January 2018, is the European Perspective and Connectivity of the Western Balkans. On a bilateral level, Bulgaria has signed separate Memorandums of Understanding (MoUs) with The Former Yugoslav Republic of Macedonia (Nov 2017) and Serbia (Dec 2017) in which signatory economies invite telecom operators to start the process of decreasing roaming charges. The Government of Bulgaria is in the process of negotiating the same with Albania and Montenegro.

IV.1.3.2 Gaps and needs

Firstly, efforts should continue towards integrating the remaining WB economies in the RRA in order to potentially achieve a WB6 roaming free/roam like at home economic area.

Secondly, a comprehensive analysis⁵³ to examine various models, dynamics and effects of lowering roaming charges between the WB6 region and the EU is needed with a view to reach a commonly agreed solution for all participating economies.

Thirdly, there is a need for an inclusive multi-stakeholder dialogue in the region that would include authorities, operators, ICT communities, consumer groups and consumer protection organisations on how to gradually achieve EU RLAH model. The advisory and political support of the EC in this process would be aimed at overcoming the resistance, much like the same that previously took place in the EU. It is therefore most encouraging that Commissioner Gabriel has announced a WB6 – EU Roaming Roadmap that will be presented at Western Balkans Summit, planned to take place in May 2018 in Sofia.

IV.1.3.3 Recommendations

- Conduct a comprehensive analysis of various models, dynamics and effects of lowering roaming charges with the final goal to create a RLAH based area in the region, as well as lowering roaming prices between the region and the EU.
- Establish a regional multi-stakeholder dialogue that would include authorities, operators, IT communities and consumer protection organisations, facilitated by the RCC and supported by the European Commission. The aim would be to reach an agreement on the model to be implemented and the dynamics of the process for lowering international roaming charges in order to achieve compliance with the EU RLAH model.
- Draft and adopt action plans for establishing a roaming free area within the region, as well as with the EU to achieve compliance with the EU RLAH model based on the consensus reached in the multi-stakeholder dialogue and with support from RCC and the EU.

⁵³ A brief EU-funded study on roaming costs between WB6 and the EU showed that a typical month of use of roaming services would cost a user from Bosnia and Herzegovina €844, a user from Montenegro €571, a user from The Former Yugoslav Republic of Macedonia €397 and €181 a user from Albania.

IV.2 TRUST AND SECURITY IN DIGITAL SERVICES

IV.2.1 Enhance cyber security, trust services and data protection

As electronic communication becomes pervasive and electronic business, e-commerce and e-banking more widespread, privacy and digital security become key factors in the digital economy. The problem is further exacerbated by increasingly complex infrastructure that in addition to fixed and mobile communication networks, now includes wireless networks such as Bluetooth and Wi-Fi and a rapidly growing number of "smart" devices, including smartphones, televisions and other devices as part of the Internet of Things.

Users' data has become both valuable and vulnerable at the same time, as it is targeted in a multitude of legal and illegal activities aimed at collecting and using it for various purposes by a variety of entities and individuals from all over the world.

Developing economies are at increased risk as the cybersecurity battle is resource intensive, and there is a never-ending race to beat the cyber criminals, hackers and other perpetrators that requires allocation of significant funds, equipment and expertise.

IV.2.1.1 State of play

The WB6 economies have, in general, adopted relevant policies and legislation for privacy, data protection and digital security and have set up adequate frameworks for e-authentication and interoperability to foster the development of digital services for citizens and businesses. Serbia has adopted the Law on Information Security and the relevant bylaws; Albania, Kosovo*, Montenegro and Serbia have adopted dedicated cybersecurity strategies; while The Former Yugoslav Republic of Macedonia is in the process of drafting its own strategies. Serbia has also adopted the Law on Electronic Document, Electronic Identification and Trust Services in e-Business. However, the WB6 economies have not achieved uniform progress when it comes to implementation of the strategies. Albania has made headway, demonstrating strong government commitment to reforms and commendable progress in the last couple of years in terms of cybersecurity policy and e-authentication framework implementation. Serbia and Montenegro have advanced the implementation of their digital security strategies, while Kosovo* and The Former Yugoslav Republic of Macedonia have achieved progress in the area of privacy and data protection issues (OECD, 2016a)

Bosnia and Herzegovina, its Ministry of Communications and Transport, Ministry of Security and Communications Regulatory Agency in cooperation with the International Telecommunication Union (ITU) are working on setting the first Computer Incident Response Team (CIRT) in this economy at the level of Bosnia and Herzegovina institutions at the premises of Ministry of Security. The process of instituting CERTs was completed in the WB6 region. Albania, Montenegro and Serbia have defined critical IT infrastructure requiring CERT/CSIRT operation. As a regional good practice for high-level coordination, Kosovo* and Serbia have established dedicated bodies in the field of cybersecurity. Kosovo* established the National Council for Cybersecurity, while Serbia established the Body for the Coordination of Information Security Affairs. Albania has merged ALCIRT (national

CERT) and the National Authority for Electronic Certificates into the National Authority for Cybersecurity, established at the beginning of 2017. The World Bank (in collaboration with Oxford University - Global Cybersecurity Capacity Centre) was engaged in conducting a cybersecurity assessment in The Former Yugoslav Republic of Macedonia in 2017 (after the successful completion in Kosovo*), which was completed at the end of January 2018. The conclusions of the assessment, expected to be published during April 2018, will be used as partial inputs for the Civil Cybersecurity Strategy.

IV.2.1.2 Gaps and needs

Across the region the policy framework needs to be implemented through primary and secondary legislation. All the WB6 national CERTs remain understaffed (2-4 staff members each) and are in need of permanent education and training. There is a need for guidance and training on how to use Horizon 2020, which is available for the cybersecurity area. Despite progress in the legislative area, there is a need for technical support in the implementation of defining and assuring protection of critical IT infrastructure requiring CERT/CSIRT operation across the region.

IV.2.1.3 Recommendations

- Complete and harmonise cyber security, data protection, and privacy regulations with Directive 2016/1148/EU.⁵⁴
- Provide technical assistance to support the WB6 economies in identifying and ensuring protection of critical IT infrastructures.
- Build CSIRTS capacity and set up regional CSIRT network, as well as NIS dialogue and information exchange among WB6 CSIRTS.
- Establish some form of cooperation with ENISA including on NIS alignment process and preparation of cybersecurity strategies.
- Ensure transfer of knowledge among WB6 economies and coordination of number of partners/organisations active in the area of cybersecurity (NATO, ITU, Council of Europe, OSCE, etc.).
- Consider scaling up regionally the cybersecurity assessments supported by the World Bank and University of Oxford.

IV.3 DIGITAL ECONOMY AND SOCIETY, INCLUSIVE DIGITAL SOCIETY

The EU's Digital Agenda emphasises that digitalisation does not only promise to increase productivity, but can also help address pressing social challenges, by promoting inclusion and addressing the needs of disadvantaged social groups.

⁵⁴ NIS Directive- Directive (EU) 2016/1148 of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union. It aims to achieve a high common level of network and information systems security across the EU in three ways: improving cybersecurity capabilities at the national level; increasing cooperation on cybersecurity among EU member states; and introducing security measures and incident reporting obligations for operators of essential services (OESs) in critical national infrastructure (CNI) and digital service providers (DSPs).

IV.3.1 Develop and strengthen supply of digital skills

Broad availability of skills is vital for the development of digital economy and society, for enabling innovation, and improving capacities of individuals to use and benefit from digital services. Shortages and mismatches in e-skills and the resulting digital divide negatively affect economic growth and competitiveness in Europe.⁵⁵ Governments need comprehensive e-skills strategies to ensure that the education system provides digital competencies to students and professionals. They also need strongly linked e-inclusion strategies to address challenges for groups at risk of exclusion from the digital economy due to age, disability, lack of skills, cultural background, income or location.

IV.3.1.1 State of play

The WB6 economies have started to address e-skills development, but resources and policy implementation remain low. A high percentage of households in the WB6 economies lack access to Internet due to lack of skills. Although none of the six economies has adopted a dedicated e-skills strategy, relevant provisions are included in their digital or education strategies. Still, the allocated financial resources are inadequate for creating digital educational content, for using digital tools to enhance learning in the classroom in non-ICT subject matters, or for using digital applications and devices to enable offline and out-of-classroom learning activities.

The approach to e-skills development in the WB6 region has not been systematic, and it is especially lacking the inclusion aspect. However, the WB6 economies have made commendable progress in this area, and there are a number of outstanding projects and actions that have been carried out, often with support of international donors.

In Serbia, the Government is currently implementing a large training programme for a thousand people to learn Java Script, PHP, Net and C. The programme was structured in accordance with the results of a nation-wide IT company survey. Ministry of Trade, Tourism and Telecommunication is implementing yearly call for grants for programmes in the field of information society development for non-governmental organisation with the aim of attaining general goals in the field of information society development (raising the level of digital literacy and digital competences of citizens of Serbia, support to IT hubs, computer science, mathematics and physics competitions, etc.).

In Kosovo*, in 2016 the World Bank-supported Online Work⁵⁶ (WoW) pilot explored the suitability of online work for young women in Kosovo*, a population with the poorest job prospects. The two-phase WoW pilot covered five municipalities and it aimed to train unemployed and underemployed young women in skills demanded by the ever-growing online freelancing market. The first phase focused on front-end web development, while the second had three tracks: coding, graphic design, and digital marketing. The World Bank is currently mobilising resources, estimated at €2 million to implement a WB6 region-wide project. Ministry of Economic Development is also preparing a new project (IPA 2017) on development of human capacities for digital

⁵⁵ European Commission, 2016

⁵⁶ Funding for this pilot is provided by the Korea Green Growth Trust Fund

economy and support for digital businesses. The €3 million project will last till 2021 and will have linear distribution of funds.

In Bosnia and Herzegovina, the Ministry of Communications and Transport in cooperation with the UK Embassy in Bosnia and Herzegovina and PwC is initiating a study upon which they will set a curriculum for IT, aimed at enhancing skills of IT specialists. The Ministry has also, in cooperation with the association of 38 of the economy's largest software companies, the "Bit Alliance", worked on promoting the potential of developing the software industry in Bosnia and Herzegovina. The Bit Alliance is promoting e-skills, offering trainings and cooperating with educational institutions in revising university, high school and elementary school curricula according to the needs of the software industry.

Throughout the region USAID has had a number of skills enhancing and training initiatives aimed at various groups, while the British Council has launched its "21 Century School" programme in the whole Western Balkans in order to introduce digital skills in elementary schools.

IV.3.1.2 Gaps and needs

The approach to developing e-skills in WB6 has been unsystematic and frequently driven by donors' priorities. Inclusion of ICT in curricula is erratic, with outdated programmes and almost no use of ICT in acquiring knowledge on other topics.

WB6 economies have made very little progress in adopting policies for e-inclusion and even less in implementing activities that support participation in the digital economy of all population groups at risk of exclusion due to age, gender, geographic or ethno-cultural diversity.

There is a need for a more systematic approach towards e-skills development. There is also a need to develop the potential for participating in EU programmes and initiatives such as EU Code Week, and pilot cross-border traineeships within the newly established Digital Opportunity Scheme (a pilot project open to all Erasmus+ Programme Countries⁵⁷ and to the Horizon 2020 Associated Countries).⁵⁸

IV.3.1.3 Recommendations

- Initiate regional cooperation on certified re/qualification digital skills and pilot a regional intervention aimed at enhancing basic digital skills for citizens to engage online. The intervention can be based on the EU DigComp framework,⁵⁹ and should connect with related EU initiatives and resources.⁵⁹

⁵⁷Currently only The Former Yugoslav Republic of Macedonia is an Erasmus+ Programme Country, while Albania, Bosnia and Herzegovina, Kosovo*, Montenegro and Serbia are programme partners that can take part in certain actions under Erasmus+, subject to specific criteria or conditions.

⁵⁸Iceland, Norway, Albania, Bosnia and Herzegovina, The Former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey, Israel, Moldova, Switzerland, Faroe Islands, Ukraine, Tunisia, Georgia, Armenia.

⁵⁹The DigComp - Digital Competence Framework 2.1 with eight proficiency levels for citizens, published in May 2017 aims to help citizens with "Learning to swim in the digital ocean". In 2014, the Basque Country in Spain created a free online Self Diagnosis Tool for testing one's level of

- Pilot a regional intervention aimed at enhancing skills for IT specialists. Build on the examples from the region to ensure close links to the digital business community and demand from businesses in the WB6 region and the EU.
- Set up and implement a regional training and employability enhancement programme with particular emphasis on the unemployed and underemployed population. Scale up pilots already implemented in the region such as WoW, aiming to mobilise and upskill youth, women, and people with disabilities. Scale up the British Council's pilot project on digital literacy and skills.
- Better integration of WB6 economies in the EU Digital Skills and Jobs Coalition initiative.⁶⁰

IV.4 DIGITISATION, DATA ECONOMY, STANDARDS AND INTEROPERABILITY, INNOVATION

IV.4.1 Promote uptake of smart technologies and accelerate digitisation

The WB6 economies are lagging behind in creating building blocks for a successful digital economy. Even though e-government projects have made substantial changes in the functioning of economies and their business sectors, further efforts are required at both regional and national levels in terms of taxation, social systems, labour laws, modernisation of education, support for innovation, PPP and social dialogue to prepare for the digital and sharing economy and e-business.

IV.4.1.1 State of play

All WB6 economies have adopted strategies that support the ICT sector directly or indirectly. Serbia and Kosovo* have adopted strategies dedicated to the development of the IT industry, driven by the industry itself, promoting exports and outsourcing services. The other four economies have incorporated ICT sector support measures in their broader digital strategies. Serbia has adopted the Action Plan for 2018 for implementation of the Strategy for development of IT industry for the period 2017-2020.

Implementation of all of these strategies is still at an early stage. They all focus on supporting ICT-related start-ups and establishing innovation funds or hubs and technology parks to facilitate digital entrepreneurship. However, scarcity of financial resources has limited the results. International donor and private sector corporate social responsibility project financing often precedes government policies, enabling development of numerous incubators and innovation hubs across the region.

digital competence based on the DigComp framework. After taking a 15-minute online test, the results are available in a simple format to evaluate one's skills and identify training opportunities. Mid 2015, more than 10 000 individuals have already taken the test. Currently, the EU is planning to implement a similar tool, which will eventually be available for all citizens in their own languages.

⁶⁰ The Digital Skills and Jobs Coalition brings together Member States, companies, social partners, non-profit organisations and education providers, who take action to tackle the lack of digital skills in Europe. They pledge to undertake certain actions to tackle digital skills gap (trainings for unemployed, coding classes, and cutting edge trainings for ICT specialists).

All WB6 economies have adopted e-authentication frameworks and made progress in improving their e-authentication schemes. E-signature legislation is adopted and e-government services are gradually being aligned with the National Interoperability Frameworks that were adopted in all WB6 economies. The interoperability framework is functional in Albania, The Former Yugoslav Republic of Macedonia, and to a certain extent in Serbia where e-government services are not yet deployed on the e-NIF framework.

Bosnia and Herzegovina adopted a National Interoperability Framework (NIF) as part of its Strategy and Action Plan for Public Administration Reform, and established the Office for Supervision and Accreditation of Verifiers, but e-Signature legislation has not been updated since 2006. Kosovo* has made significant progress by adopting new state-of-the-art biometric e-ID technology regulation and is currently piloting its use. Montenegro needs to update its framework in order to accelerate the pace of e-government development.

The whole region has achieved only a moderate level of preparedness in the area of promoting uptake of smart technologies and accelerating digitisation, with Bosnia and Herzegovina lagging slightly behind and being at the early stages of preparedness.

A group of organisations consisting of major private ICT companies present in the region, chambers and other organisations including RCC⁶¹ has committed to support a Study on Potentials of Digital Transformation of WB6 plus Slovenia and Croatia. The Study on the Effects of Digital Transformation will be finalised by end of February 2018⁶² and followed by a promotional campaign, as well as by a presentation during the Western Balkans Digital Summit to take place in April in Skopje.

With respect to Data Economy, except for Kosovo*, all WB6 economies are members of the Open Government Partnership initiative, though Montenegro is currently inactive. All open data portals are ranked at the Open Data Barometer with ranks between 48 for The Former Yugoslav Republic of Macedonia and 100 for Bosnia and Herzegovina. Establishing standards for data structures for publishing specific types of datasets as well as standards for metadata for open data could be regionally important and The Former Yugoslav Republic of Macedonia can offer sharing of knowledge and experience in developing own standards.

RESPA launched the E- to Open Government - Regional Comparative Analysis Report in 2016. Based on the Report, the e-Government Working Group members and ReSPA staff discussed and jointly formulated future ReSPA activities, including e-Government / Open Government / Open Data, and e-Participation.

⁶¹ Deutsche Telekom AG, Ernst & Young GmbH, SAP Deutschland SE & Co. KG, Telekom Austria AG, Telekom Serbia, Telenor ASA, Delegation der Deutschen Wirtschaft in BiH, Deutsch-Kroatische Industrie- und Handelskammer, Deutsch-Serbische Wirtschaftskammer, Croatian Chamber of Commerce, Ost-Ausschuss der Deutschen Wirtschaft, Serbian Chamber of Commerce and Regional Cooperation Council.

⁶² Research team working on the Study: Ms. Maruška Vizek, the Institute of Economics, Zagreb; prof. Florian Bieber, Karl Franzens University Graz; and Mr. Vladimir Gligorov, the Vienna Institute for International Economic Studies (WIIW)

In Montenegro, UNDP is implementing (2015-2018) an e-governance project – Single Information System (SIS) for Electronic Data Exchange among State Bodies and Administrative Authorities worth €0.9 million.

Across the region there are several digital hubs and innovation parks. Most have been developed with donor funding (GIZ, USAID, EU, the World Bank, bilateral donors and private sector companies). Some small-scale regional cooperation has been funded through EU cross-border projects and by bilateral donors.

The EU's Smart Specialisation Platform on digital hubs includes 11 innovation hubs from the WB6 region in its Europe-wide map encompassing more than 500 innovation hubs. The pan-European network of Digital Innovation Hubs Catalogue Project also lists around 20 hubs from the region and provides opportunities for cooperation, as do Horizon 2020 and EU Territorial and Cross-border Programmes.

IV.4.1.2 Gaps and needs

A more systematic regional approach is needed in assessing the potential gains that digitisation would bring to the region, as well as regional coordination that would result in regional interoperability standards.

The same applies to digital hubs, start-ups and innovation parks. A more strategic approach needs to be implemented with more coordination and cooperation within and among WB6 economies, as well as with the EU counterparts and initiatives.

IV.4.1.3 Recommendations

- Assess the business environment and the multi-faceted benefits an accelerated and regional digital transformation would create in the Western Balkans.
- Organise annual regional WB6 Digital Summits so as to contribute to a continuous multi-stakeholder dialogue on digitisation in the WB6 region.
- Improve the quality of open data portals through regional cooperation and best practice exchange on big data, open data and open government to create an open data region.
- Coordinate regional activities on interoperability standards and facilitate alignment of standards, complementarity of interoperability frameworks and introduce a pan-European dimension, in line with the European Interoperability Framework (EIF).
- Support regional cooperation among digital hubs including pilot twinning initiatives among regional technology/innovation parks.
- Assess the regulatory and institutional framework in the WB6 economies and identify hurdles for investments in research and innovation and the creation of start-ups. Also assess demand for and prospects of establishing regional digital innovation hubs.

IV.5 MAIN FINDINGS AND CONCLUSIONS: DIGITAL INTEGRATION

The WB6 economies are, generally speaking, at a moderate level of preparedness for attainment of objectives included in the Digital Integration Component of the MAP.

Bosnia and Herzegovina lags behind in few areas while one or two economies have made relatively good progress in some areas, such as Albania and The Former Yugoslav Republic of Macedonia in the digitisation, standards and interoperability, Montenegro in cybersecurity, or Serbia in spectrum use. The situation is the best with respect to institutional setup and policy and strategic documents. The level of preparedness with respect to laws is slightly lower, with very low to almost no preparedness at the level of secondary legislation and implementation.

Due to political changes, progress in the past has been uneven with economies making significant strides in some areas over certain years and then having almost no progress in the following years. It is important to keep in mind that the unprecedented speed of development of digital technologies requires a rapid and efficient legislative process, followed by a swift and effective implementation of the adopted laws. This is much more the case in digital than in any other area. Tardiness has quite serious consequences for the advancement of the digital agenda and the chances for digital integration of the region into the Digital Single Market. There is actually a serious risk of the divide between the WB6 region and the EU becoming larger rather than smaller if the regulatory activity and its implementation do not become more dynamic.

Still, in the region as a whole, there are a number of good practices that can be replicated throughout the region, or scaled up to cover the whole region. These would require no or very little modification, much less than taking best practices from other regions, and would allow for very rapid implementation and regional catch-up with the EU. A dynamic and ambitious action plan for regional cooperation, coordination and exchange of experiences and good practices would at this stage be most beneficial, and its implementation needs to be supported by international donors, and most of all by the EU, through participation in EU programmes and initiatives.

The inclusion of the WB6 economies in calculation of DESI - Digital Economy and Society Index would be most beneficial for the region, as it would provide for structured comparison of the region's digital performance with the EU, a clearer identification of gaps in the evolution of the region's digital competitiveness and an easier formulation of remedial measures. Equally, inclusion of the WB6 economies in EU initiatives aimed at realising the Digital Single Market would help the region begin to catch up and gradually narrow the existing gap with the EU. If left to its own resources, the region could not achieve the rapidity needed for catching up, and the gap would become even wider.

To make progress in Digital Integration, it is instrumental that policy and regulatory activities are complemented by funding opportunities for infrastructure development. In the resource constrained WB6 region, with a number of critical issues in each economy, it is difficult to secure funds for highly capital-intensive broadband and other infrastructure development. And yet, integration of the region into the Digital Single Market without the appropriate digital infrastructure cannot be expected. On this note, there is a compelling case for more significant allocation to digital and digital infrastructure priorities within the pre-accession assistance, much like the case of the previous enlargement rounds. There is also a compelling case for mainstreaming digitisation within the pre-accession assistance to WB.

V COORDINATION AND OTHER HORIZONTAL ISSUES

The overall coordination for the MAP implementation in each WB6 economy is the responsibility of the MAP Coordinator, being often in the Prime Minister's Office, to ensure high-level cross-sectoral coordination. In addition to the MAP Coordinator, each economy has designated the MAP Component Contact Points for each of the four MAP components to steer the work of various working mechanisms within Trade, Investment, Mobility and Digital Integration areas of the MAP. The MAP Coordinators meet in regional MAP Coordinators' meetings at least twice a year, facilitated by the RCC Secretariat, to review progress and address actions under potential implementation risk. Coordination, reporting and monitoring in each participating economy is ensured at two principal levels. The first takes place between the representatives in the regional mechanisms and the MAP Component Contact Points, respectively, and the second one among the Component Contact Points and the MAP Coordinator. On regional level, the coordination role for Trade component will be performed by CEFTA Secretariat, while the Investment, Mobility and Digital Integration components will be coordinated by RCC Secretariat.

Other economic reform policy coordination mechanisms exist in all WB6 economies, including Economic and Investment Councils, National Investment Committees, as well as Foreign Investment Councils or Advisory Committees in different areas, bringing on board the private sector as well. These mechanisms may play an important role in fuelling the discussions within each economy and reinforce the monitoring of the economic reform agenda in general and the MAP implementation in particular.

To be effective the MAP structures in each economy will need to be aligned and coordinated with the main policy making processes in the WB6 economies related to EU accession, namely the structures and processes around the Economic Reform Programmes (ERPs), regional initiatives, in particular structures under the SEE 2020 National Coordinator in each economy, and other coordinating mechanisms existing in each economy.

In 2015 the Western Balkan economies embraced new approach to the economic governance in Enlargement Strategy, through preparation of Economic Reform Programmes, which should enable them to improve their economic policies and bring them closer to the European Semester practice. ERPs, prepared annually on a three-year rolling base, are specifying medium-term macroeconomic projections, budgetary plans and a structural reform agenda and as such provide overall framework for the most important actions to be implemented in order to ensure economic growth and boost competitiveness.

Being the main guidance of economic governance in the respective economies, preparation of ERPs falls within the responsibility of a wide range of public administration entities, with the involvement of wider public and civil society sector (involved via public consultations) and expertise provided by the European Commission via OECD and CEF. The entire process is coordinated by appointed National ERP Coordinator, being a high-level government official.

In Albania the process is coordinated by the Ministry of Finance and Economy; in Bosnia and Herzegovina Directorate for Economic Planning coordinates the work on

ERP; in Kosovo* the role of the national ERP Coordinator is performed by the Minister of Finance who is supported by the Strategic Planning Office within the Office of Prime Minister; in Montenegro the process is coordinated by the Prime Minister's Office; in Serbia the work has been coordinated by the Public Policy Secretariat and the Ministry of Finance while in The Former Yugoslav Republic of Macedonia preparation of ERP 2017 was coordinated by the Ministry of Finance.

Taking into consideration relatively small sizes of national administrations in the region and necessity for strong coordination and interlinkages of important strategic and policy documents it is vitally important that the MAP and its actions are linked with and reflected in the important economic governance document of participating economies. In addition to this, it is equally important that the MAP structures have direct and continuous communication, exchange, coordination and cooperation with the structures dealing with economic governance issues in Western Balkan economies in case these structures do not have identical compositions.

In this respect close linkages and alignment between the MAP and the Economic Reform Programmes (ERPs) are of outmost importance for sustainability of MAP actions and for alignment of MAP monitoring process with the processes of ERP preparation and implementation. A number of 2017 ECFIN Council Recommendations are in areas of direct relevance for MAP, including the recommendations for harmonising the national rules with Directive 2014/61 on cost reduction measures for the development of high-speed electronic communication networks (MNE) and for introducing e-payment services on taxation and fully implementing the law on electronic signature (Bosnia and Herzegovina), a functioning comprehensive land and property cadastre and e-cadastre by 2019 (Albania).

Close links between the MAP actions and ERPs could be identified annually in order to ensure synergies. The cross-reference analyses show that direct and indirect linkages with the MAP actions are prominent in the proposed draft ERPs 2018-2020.⁶³ The MAP measures having most direct link with ERP 2018-2020 reform measures concern the trade, investment and digital agendas of the economies. In summary, the ERP measures on trade are mainly focused on trade facilitation agenda and implementation of the Additional Protocol 5; the measures on investment are to a large extent dedicated to the reduction of administrative barriers to business and removal of red tapes with a view to improve business environment and create better conditions for investment, additionally complemented with measures on business development policies and business innovation; the measures on digital are mainly oriented towards legislative alignment and improvement in IT infrastructure and e-services. The measures on mobility are less reflected in ERPs, with only one concrete measure proposed by Albania.

An extended list of ERP actions having secondary relevance to the MAP actions will also contribute towards the implementation of the MAP, including but not limited to establishment of e-services for the fiscal cadastre, consolidation and defragmentation of agricultural land, strategic industrial policies, activities reflecting the NPL in the banking sector, securing rights to property by addressing informality in the

⁶³ Draft ERPs as available in January 2018

immovable property sector, inspection reforms, quality and competitiveness in higher education, tax administration reforms, public procurement (and e-services), qualifications system, electronic fiscalisation, etc. More detailed information can be found in Annex 4 to this report.

An additional review of the projects under the national single project pipelines (NSSPS) shows that although the projects proposed under the SPPS are national and tackle specific heavy infrastructure matters, some of the projects reflect the actions proposed under the MAP such as in the area of digital agenda. More detailed information can be found in Annex 3 to this report.

VI CONCLUSIONS

The MAP implementation is an ambitious endeavour. This report has identified significant gaps in the current state of play and further measures will be required to achieve the MAP objectives. To achieve this, firm commitment will be needed from the responsible stakeholders based upon the principles of national ownership. Efforts will need to be stepped up on all sides, and the whole process will require effective coordination from the top levels within each economy, but also constructive engagement in a process of regional cooperation that will represent a path-breaking achievement for mutual benefit and the common good.

The whole process will need to be closely aligned with the existing policy making processes, in particular the Economic Reform Programme (ERP) framework, as the key framework on economic dialogue with the EU. The future editions of the ERPs should therefore continue to be designed to reflect the key MAP actions in the areas of relevance for MAP. Correspondingly, administrative capacities should be strengthened both within each economy and between economies on the basis of enhanced regional cooperation. Financial assistance will need to be stepped up to ensure the achievement of the MAP objectives. Both bilateral and regional assistance should be increasingly programmed around the MAP objectives, and national budget and mid-term budgeting programmes should be designed to also reflect MAP needs.

In order to develop a regional investment reform agenda in the WB6 region, key policy barriers to attracting foreign investment to the region should be mapped and identified, and a regional investment reform agenda should be agreed upon. A study should be carried out on appropriate instruments to deliver the agreed regional investment reform agenda. A dialogue mechanism under the South East Europe Investment Committee (SEEIC) should become the main instrument to support the regional investment reform agenda. The mechanism would involve ministries of economy, investment or trade, ministries of finance as well as investment promotion agencies. The capacities of the relevant institutions should be strengthened through joint regional meetings and workshops. Impact assessments should be carried out to review progress in implementing the regional investment reform agenda, supported by technical assistance. An analysis of priority investment sectors and possible areas of cooperation should explore the possibilities for joint action in investment promotion leading to a regional investment promotion initiative. Enhanced cooperation among the region's Investment Promotion Agencies should be established to promote the WB6 region as a prime investment destination. This collaboration should aid the creation of a database of suppliers in the WB6 region and organisation of regional B2B meetings between local suppliers and foreign investors. The capacities of

investment promotion agencies should be strengthened, and their promotion activities aligned with those of WBCIF to maximise the impact. The investment platform should be established based on contemporary investment promotion tools and techniques.

Further assessments to identify gaps and opportunities for broader capital market development is needed to explore potentials for regional capital market development. The study should identify a sequence for stages of cooperation in this area and technical assistance and capacity building should be provided to WB6 authorities. Smart Specialisation Cooperation Networking workshops and events should be organised in the WB6 economies to increase active participation of the business as well as the research and innovation communities. Technical assistance should be provided to implement S3 strategies.

In view of the essential contribution of researcher mobility to improving the research capacity of the region, increased funding for research mobility should be a priority. Bilateral agreements between the WB6 region and the EU should be strengthened. The internationalisation of research in the WB6 region should be promoted by removing barriers to incoming mobility of excellent researchers from the EU. This should be done through appropriate adjustments to work permit and residence permit regimes, requiring where necessary amendments to the relevant laws to allow unfettered mobility of researchers and automatic granting of permits with a minimum of administrative hurdles and potentially designing an incoming mobility scheme. Access to MSCA and COST programmes for outgoing mobility should be improved by organising training sessions throughout the region on how to make applications. Merit-based recruitment and career progression should be strengthened in line with the European Charter for Researchers and the Code of Conduct for the Recruitment of Researchers. Working Groups should be established in each economy (apart from Montenegro where this has already been done) to map the regional research infrastructure and develop a regional roadmap for creating regional research infrastructures, which should be linked to the European Strategy Forum on Research Infrastructures. Centres of Excellence should be developed and opened up to researchers from the region through multilateral agreements. These centres of excellence should be networked and coordinated on a regional basis, and opened up to incoming mobility of researchers from other WB6 economies, with appropriate logistical and financial support to cover salaries, research costs and living expenses. Information on researcher job vacancies should be made available through the EURAXESS portal. Capacities of EURAXESS offices should be strengthened by opening sufficient new job positions to deal with an increasing flow of work.

Technical assistance should be provided to develop the roadmap for regulated professions in economies where this has not yet been done. Economies should be supported to create a list of regulated professions. The capacities of ENIC/NARIC centres should be strengthened to deal with requests for recognition of professional qualifications. Negotiations should be opened on MRAs for the four professions included in the MAP. A regional database on professional qualifications and mobility should be established. Staff should be trained to establish a database and input data into it. National legislation on recognition processes should be reviewed and legislation should be amended where it does not follow the LRC principles. Training should be provided to HEI officers in charge of recognition to ensure they are

properly implementing the LRC. Maximum time limits for recognition decisions should be reduced. Recognition processes should be improved by using digital technologies. Where appeal procedures are not provided free of charge, support should be provided to enable them to be so. The role of quality assurance in assessing recognition processes in HEIs should be supported.

Policy and regulatory measures to incentivise investments in high-speed broadband networks should be supported, including transposition of Directive 2014/61/EU. Outstanding broadband infrastructure mapping should be completed and broadband markets should be analysed to identify gaps in network coverage and policy measures required to bridge those gaps. Business incentive models for rural and underserved areas to address low connectivity should be supported. Economies should participate in the new EU BCO Network initiative and establish their own Broadband Competence Offices. A regional dialogue on commercialisation of spare fibre optic assets should be established and legal and regulatory constraints should be identified. The agreed commercialisation model should be implemented. Regulatory dialogue should be strengthened among all WB6 regulators, and all WB6 economies should be present at BEREC meetings in order to be able to coordinate regulatory efforts with the EU. Regional interconnection and integration into the pan-European GÉANT should be completed. In order to facilitate the whole process WBIF should be opened in practice for digital projects in the region.

Spectrum policy should be harmonised and DSO should be finalised in the whole region to boost deployment of standardised 5G networks. A study on how to free the 700 MHz spectrum band should be carried out. Early consultations among regulators should be organised ahead of ECO CEPT meetings, while WRC should align regional positions for issues of joint interest. Policies towards a roaming free area should be developed and roaming charges should be reduced with the aim to create a roaming free region and connect it with the EU following RLAH model. A regional multi-stakeholder dialogue should be established to reach an agreement on how to reduce international roaming charges and achieve compliance with the EU RLAH model. Action plans for establishing a roaming free area within the region should be adopted with support from RCC.

Technical assistance should be provided to support WB6 economies to identify and ensure protection of critical IT infrastructures. CSIRTs capacities should be improved and regional CSIRT network, NIS dialogue and information exchange should be set up. Cooperation with ENISA including on NIS alignment process should be established.

Regional cooperation on certified re/qualification of digital skills should be initiated and a regional intervention aimed at enhancing basic digital skills for citizens to engage online should be piloted. A regional intervention aimed at enhancing skills for IT specialists should be piloted. A regional training and employability enhancement programme should be designed and implemented with emphasis on unemployed people. Pilot projects already implemented in the region, aiming to mobilise and upskill youth (such as British Council's project), women (such as WoW), and people with disabilities should be scaled up.

The business environment and the multi-faceted benefits that an accelerated and regional digital transformation would create in the WB6 region should be assessed.

Annual Western Balkans Digital Summits should be organised to contribute to a multi-stakeholder dialogue in the region. Big data, open data and open government should be fostered and the quality of open data portals should be improved through regional cooperation to create an open data region. Standards should be aligned, interoperability frameworks complemented and a pan-European dimension introduced in line with EIF. Regional activities on interoperability standards should be coordinated and developed. Cooperation among digital hubs should be supported to facilitate business investments in research and innovation and in the creation of start-ups. Regional cooperation initiatives among technology parks and innovation parks should be piloted. Prospects for the establishment of regional digital innovation hubs should be further assessed.

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ANNEX 1: MAP REA NEEDS ASSESSMENT TABLES FOR EACH ECONOMY AT POLICY LEVEL

Policy II.1. Investment Policy

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building needed (Yes/No)
Albania	Law on the Establishment and Functioning of Economic Zones (Law No. 9789, dated 19.07.2007) Law on Some Changes and Amendments to Law no. 9789 dated 19.07.2007 “On the Establishment and Functioning of Economic Zones” (Law No. 54/2015 dated 28.05.2015) Law on Strategic Investments (Law No. 55/2015) Law on Foreign Investments (Law No. 7764 dated 02.11.1993)	National Strategy for Development and Integration 2014-2020 ⁶⁴ ECONOMIC REFORM PROGRAMME 2017-2019 ⁶⁵ Draft ECONOMIC REFORM PROGRAMME 2018-2020	Ministry of Energy and Industry Ministry of Finance and Economy Financial Supervisory Authority Ministry of Infrastructure and Transportation Albanian Investment Development Agency-AIDA	YES (Need to support MFE with technical assistance to include MAP objectives and actions into next ERP or other strategic documents)
Bosnia and Herzegovina	Law on Free Zones in Bosnia and Herzegovina (OG BiH 99/09); FBiH (OG FBiH 02/95, 37/04, 43/04, 10/16); RS (OG RS 65/03) Company Law of FBiH (OG FBiH No. 81/15); Company Law of RS (OG RS 127/08, 58/09, 100/11 and 67/13) Law on the Policy of Foreign Direct Investment of Bosnia and Herzegovina (OG BiH 17/98, 13/03, 48/10 and 22/15) Law on Foreign Investments of FBiH (OG FBiH 61/01, 50/03 and 77/15) Law on Foreign Investments of RS (OG RS 25/02, 24/04, 52/11 and 68/13) Law on Corporate Income Tax of FBiH (OG FBiH 15/16) Law on Corporate Income Tax of RS (OG RS 95/15, 1/17)		Ministry of Development, Entrepreneurship and Crafts of Federation of BiH Ministry of Finance (state level) Ministry of Finance of Republika Srpska Ministry of Finance of Federation of BiH Republika Srpska Securities Commission Banja Luka Stock Exchange Sarajevo Stock Exchange Ministry of Labour and Social Policy of Federation of BiH Ministry of Trade of Federation of BiH Ministry of Science and Technology of Republika Srpska Foreign Investment Promotion Agency (FIPA) Ministry of Foreign Trade and Economic Relations (MoFTER)	Yes

⁶⁴ https://shtetiweb.org/wp-content/uploads/2014/06/NSDI_2014-2020_version_JUNE-2013.pdf

⁶⁵ <https://shtetiweb.org/wp-content/uploads/2016/02/Albanias-Economic-Reform-Programme-2016-2018.pdf>

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building needed (Yes/No)
Kosovo*	Law No. 05/L-079 on Strategic Investments in the Republic of Kosovo* Law No. 04/L-159 on Economic Zones (dated 04.03.2013) Law No. 05/L -029 on Corporate Income Tax (dated 22 July 2015) Law No. 04/L-220 On Foreign Investment (December 2013)	National Development Strategy 2016-2021 ⁶⁶ National Strategy for Innovation (being drafted) Kosovo* IT Strategy	Ministry of Trade and Industry Ministry of Economic Development Ministry of Entrepreneurship and Innovation Ministry of Diaspora and Strategic Investment Ministry of Finance Central Bank Ministry of Education, Science and Technology Investment and Enterprise Support Agency (KIESA)	Yes
The Former Yugoslav Republic of Macedonia	Law on Technological Industrial Zones (OG RM 14/07, 103/08, 130.08, 139/09, 155/10, 127/12, 41/14, 160/14, 72/15, 129/15, 173/15, 192/15) Law on Corporate Profit Tax (OG RM 112/14)	Plan for Economic Growth Draft ECONOMIC REFORM PROGRAMME 2018-2020	Office of Deputy Prime Minister for Economic Affairs Ministry of Economy Investment Promotion Agency Ministry of Finance Securities and Exchange Commission Stock Exchange Central Bank	Yes
Montenegro	Foreign Investment Law (OG ME 18/11) Law on Capital Transactions Law on Privatisation Regulation on Business Zones (OG no. 55/2015) Law on Free Zones (OG ME 42/04, 11/07, 76/08); a revised Law on Free Zones was adopted in July 2016 Regulation on Fostering Direct Investments (OG ME 80/2015)	Draft ECONOMIC REFORM PROGRAMME 2018-2020	Ministry of Economy Central Bank of Montenegro Ministry of Finance Securities and Exchange Commission Stock Exchange Montenegro Investment Promotion Agency (MIPA) Statistical Office of Montenegro Central Register of Enterprises Tax Administration Authority	Yes

⁶⁶ http://www.kryeministri-ks.net/repository/docs/National_Development_Strategy_2016-2021_ENG.pdf

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building needed (Yes/No)
Serbia	Law on Free Zones (OG RS 62/2006) Law on Investment Policy (OG RS 89/2015) and Regulation on Incentives for Attracting Investment (OG RS 110/2016) Law on Corporate Profit Tax (OG RS 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/11, 119/12, 47/13, 108 / 13, 68/14, new law 142/14, 91/15, - authentic interpretation 112/15) Law on Regional Development (OG RS No. 51/2009 and 30/2010) and Decree on Programme of Incentives for Regional and Local Development in 2017	Draft ECONOMIC REFORM PROGRAMME2018-2020	Office of Prime Minister Ministry of Economy Ministry of Trade, Tourism and Telecommunications Serbia Development Agency (RAS – Investment Promotion Agency) Ministry of Finance Securities Commission Belgrade Stock Exchange	Yes
WB6		SEE2020 Western Balkans Regional R&D Strategy for Innovation October, 2013 MAP-REA	RCC CEFTA WB CIF OECD	- Capacity building on IIAs - Capacity building on mechanism for investor-state dispute settlement (ISDS) - Capacity building for IPAs in WB6 - Technical assistance for statistical offices and national banks - Technical assistance for investment legal base analyses - Technical assistance in capital market development - Awareness raising on smart specialisation strategies - Capacity building on setting up a governance system for smart specialisation strategies - Peer-learning and capacity building on setting up innovation funds and innovation voucher schemes tailored to national needs

Policy III.1. Mobility of Researchers

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building needed (Yes/No)
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	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building needed (Yes/No)
Albania	Law 80/2015 on Higher Education and Research in the Institutions of Higher Education of the Republic of Albania (adopted in 2015)	National Strategy for Development and Integration 2015-2020	Ministry of Education, Sports and Youth National Agency for Scientific Research and Innovation (NASRI), (until 09/2016 known as the Agency for Research, Technology and Innovation) (hosts EURAXESS Service Centre)	Yes
Bosnia and Herzegovina	Framework Law on Higher Education in Bosnia and Herzegovina, 2007 The Framework Law on Scientific Research Activities and the Coordination of Internal and International Scientific Cooperation of Bosnia and Herzegovina, 2009 The Law on Scientific Research Activities and Technological Development of RS, 2011	Revised Strategy for Development of Science, 2017-2022 Strategy for scientific and technological development of RS 2016-2021 Strategy of Scientific Development of FBiH, 2011-2021, Draft	The Republika Srpska, the ten cantons in the Federation of BiH and the Brčko District of BiH have full and undivided competence in education in Bosnia and Herzegovina Ministry of Civil Affairs – on central level Ministry of Education and Culture of Republika Srpska – governing laws and policies on entity level Ministry of Science and Technology of Republika Srpska – governing laws and policies on entity level Federal Ministry of Education and Science – governing/coordinating laws and policies on cantonal level	Yes
Kosovo*	Law on Scientific Research Activities ⁶⁷	National Programme for Research National Strategy for Innovation (drafted)	Ministry of Education, Science and Technology	Yes
The Former Yugoslav Republic of Macedonia	The Former Yugoslav Republic of Macedonia has signed bilateral agreements for scientific and technological cooperation with all Western Balkan economies		EURAXESS Centre	
Montenegro		Strategy for the Development of Higher Education in Montenegro 2016-2020	EURAXESS Centre	Yes
Serbia	Law on Scientific and Research Activities New law to be adopted on research funding from 2020	Scientific and Technological Development Strategy of the Republic of Serbia, 2016-2020	Ministry of Education, Science and Technological Development EURAXESS Centre	Yes

⁶⁷ Law no. 04/L-135 on Scientific Research Activities, Kosovo* OG, No. 11, 2 May 2013

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building needed (Yes/No)
WB6	n/a	SEE 2020 Strategy; WB Strategy on R&D and Innovation; MAP-REA	Western Balkans Steering Platform on Research and Development Ad hoc Working Group on Mobility to be formalised in 2018	<ul style="list-style-type: none"> - Capacity building for administrative staff and EURAXESS offices staff to support Horizon2020 applications in particular in finding and establishing meaningful partnerships - Capacity building for administrative staff, higher education staff and researchers to increase capacity to successfully apply and establish meaningful partnerships in Horizon2020 and MSC actions - Financial support to map research infrastructure nationally - IT support to make the map of the research infrastructure publicly available and interoperable with other research infrastructure maps in particular to enable creating a regional research infrastructure map - Investment into development of centres of excellence with technical assistance in developing criteria for centres of excellence, capacity building of centres of excellence - Capacity building on open access policies to research infrastructure to create opportunities to researchers from the region to use the existing regional infrastructure

Policy III.2. Removal of Obstacles to Recognition of Professional Qualifications

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building required (Yes/No)
Albania	The Law on Foreigners No. 108/2013 dated 28 March 2013 Law No. 1017, dated 22.10.2009, amended, on the regulated professions in the Republic of Albania		Ministry of Health Chamber of Physicians of Albania Chamber of Dentists of Albania Ministry of Urban Development Chamber of Architects	Yes

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building required (Yes/No)
Bosnia and Herzegovina	Law on Aliens	Employment Strategy of RS 2016-2020	Ministry of Civil Affairs (state level) Ministry of Health of the Federation of Bosnia and Herzegovina Ministry of Health and Social Protection of Republika Srpska Republika Srpska Medical Chamber Chamber of Dentists of Republika Srpska Chamber of Dentists of Federation of BiH Association of Architects of Federation of Bosnia and Herzegovina Association of Architects of Republika Srpska	
Kosovo*	The Law on Regulated Professions (05/L-066, of November 2016) ⁶⁸ The Law on Permit and License System (04/L-202, of December 2013) ⁶⁹ , The basic Law on Health in Kosovo* (04/L-125, of December 2012) ⁷⁰ and The Law on Chambers of Health Professionals (04/L-150 of May 2013) ⁷¹ Law on Foreigners (04/L-209)		Ministry of Health Ministry of Environment and Spatial Planning Kosovo* Association of Architects Chamber of Engineers	Yes

⁶⁸ <https://gzk.rks-gov.net/ActDetail.aspx?ActID=13072>

⁶⁹ <http://www.kuvendikosoves.org/common/docs/liset/04-L-202%20a.pdf>

⁷⁰ <http://msh-ks.org/wp-content/uploads/2013/11/Law-on-Health.pdf>

⁷¹ <http://msh-ks.org/wp-content/uploads/2013/11/Law-on-Chambers-of-healthcare-professionals.pdf>

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building required (Yes/No)
The Former Yugoslav Republic of Macedonia	Law on Foreign ⁷² Citizens Law on Recognition of Professional Qualifications Medical Doctors and Dentist: - Law on Health Care - Rulebook on the manner of issuing, renewal and revocation of the license for work and bylaws Civil Engineers: Law on Constructions Law on Energy Guidelines for confirmation of license of foreigners Forms for request - Law on Health Protection - Rulebook on the manner of issuance, extension, renewal and revocation of the operating license and other laws -Law on Constructions -Law on Energy		Ministry of Health Chamber of Doctors of Medicine Chamber of Architects and Engineers Ministry of Internal Affairs Ministry of Education and Sciences Ministry of Labour and Social Policy Employment Service Agency	
Montenegro	Law on Foreigners which came into effect on 1 st April 2015 Law on Recognition of Foreign Educational Certificates and Equivalence of Qualifications of 2011 and the Law on Amendments adopted by the Ministry of Education of Montenegro in July 2016	National Employment and Human Resources Development Strategy 2016–2020	Ministry of Health Medical Chamber of Montenegro Chamber of Dentists Chamber of Engineers Chamber of Architects Chamber of Civil Engineers	
Serbia	Recognition of professional qualifications is not regulated by any of the laws in the Republic of Serbia Draft Law on Regulated Professions is prepared by the Ministry of Education, Science and Technological Development Law on Health Care		Ministry of Health Serbian Medical Chamber Serbian Dental Chamber Ministry of Construction, Traffic and Infrastructure Serbian Chamber of Engineers	Yes

⁷² Official Gazette of The Former Yugoslav Republic of Macedonia, No. 217, 2015

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building required (Yes/No)
WB6	n/a	SEE 2020 Strategy / MAP-REA	CEFTA/ ERI-SEE/ RCC Joint Working Group on Mutual Recognition of Professional Qualifications	<ul style="list-style-type: none"> - Capacity building of the responsible ministries for recognition of professional qualifications in line with the EU Directive on Professional Qualifications - Capacity building of the sectoral ministries and professional chambers in particular health and construction on recognition of professional qualifications - Investment into IT infrastructure to develop the national Database on Professional Qualifications aligned with the EU Database on Professional Qualifications - Capacity building for developing and managing the Database on Professional Qualifications

Table 2.3: Policy III.3. Removal of Obstacles to Recognition of Academic Qualifications

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building required (Yes / No)
Albania	Law #9741 on Higher Education (adopted in 2007, later amended) Law No. 10 247, dated 4.3.2010 on Albanian Qualifications Framework (AQF) is following the legal procedures for its approval in Parliament	National Strategy for Development and Integration 2015-2020	Ministry of Education Sports and Youth ENIC/NARIC Centre The updated information on licensing and accreditation of higher education institutions and study programmes https://www.ascal.al/sq/ Public Accreditation Agency of Higher Education (PAAHE)	Yes

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building required (Yes / No)
Bosnia and Herzegovina	<p>Recommendations on the Criteria for Assessment of Foreign Higher Education Qualifications in the Procedure of Recognition for the Purposes of Employment and Further Education (OG 59/07 & 59/09)</p> <p>Recommendations on the Use of Qualifications Frameworks in the Procedure of the Recognition of Foreign Higher Education Qualifications in Bosnia and Herzegovina (OG 59/07 & 59/09)</p> <p>Recommendations on the Recognition of Foreign Higher Education Qualifications in Bosnia and Herzegovina to the Persons with Insufficient Documentation or Without Documentation (OG 59/07 & 59/09)</p> <p>Recommendations on the Recognition of Foreign Higher Education Qualifications Acquired through Cross-border Education (OG 59/07 & 59/09)</p> <p>Recommendations on the Recognition of Foreign Higher Education Qualifications Acquired through Joint Programmes (OG 59/07 & 59/09)</p>		<p>Ministry of Civil Affairs (state level)</p> <p>Centre for Information and Recognition of Qualifications in Higher Education (ENIC/NARIC Centre)</p> <p>Agency for the Development of Higher Education and Quality Assurance (HEA) of Bosnia and Herzegovina</p> <p>Ministry of Education and Culture of Republika Srpska – governing laws and policies on entity level</p> <p>Ministry of Science of Republika Srpska – governing laws and policies on entity level</p> <p>Ministry of Education and Science of the Federation of BiH - governing/coordinating laws and policies on cantonal level</p>	
Kosovo*	Law No. 04/L-037 on Higher Education	Kosovo* Education Strategic Plan 2017-2021 ⁷³	<p>Ministry of Education, Science and Technology</p> <p>ENIC/NARIC Centre</p> <p>Kosovo* Accreditation Agency (KAA)</p>	Yes
The Former Yugoslav Republic of Macedonia	<p>Law on Higher Education</p> <p>Decree on National Higher Educational Qualifications</p> <p>Law on National Qualifications Framework</p> <p>Bilateral Agreements (Serbia, Albania)</p>	<p>Strategy for Education 2016-2020 is under development</p> <p>Comprehensive education strategy 2018-2025</p>	<p>Ministry of Education and Science</p> <p>ENIC/NARIC Centre</p> <p>Board of Accreditation and Evaluation of Higher Education (HEAEB)</p>	
Montenegro	<p>Higher Education Act (Official Gazette of the Republic of Montenegro 60/03, Official Gazette of the Republic of Montenegro 45/10 and 47/11),</p> <p>Act on Recognition of Foreign Educational Certificates and Harmonisation of Qualifications (Official Gazette of MNE 57/11).</p> <p>National Qualifications Framework Act</p> <p>Law on Recognition of Foreign Educational Certificates and Equivalence of Qualifications of 2011</p>	<p>Strategy for the Development of Higher Education in Montenegro 2016-2020</p> <p>The Strategy for National Qualifications Framework establishment</p>	<p>Ministry of Education</p> <p>ENIC/NARIC Centre Montenegro</p>	Yes

⁷³ Kosovo* Education Strategic Plan 2017-2021, Ministry of Education, Science and Technology, Pristina, July 2016

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building required (Yes / No)
Serbia	Law on Higher Education Adoption of the Law on National Qualifications System in progress	Strategy for Education Development in Serbia 2020	Ministry of Education, Science and Technological Development ENIC/NARIC Centre Serbia Commission for Accreditation and Quality Assurance of the Republic of Serbia (KAPK)	Yes
WB6	n/a	SEE 2020 Strategy: MAP-REA	RCC Working Group on Academic Qualifications	- Capacity building of ENIC/NARIC staff to ensure recognition in line with the Lisbon Recognition Convention and re-orientation towards learning outcomes based recognition - Capacity building of HEIs to ensure recognition in line with the Lisbon Recognition Convention and re-orientation towards learning outcomes based recognition - Capacity building of QA bodies in the region to ensure alignment with the European Standards and Guidelines - IT infrastructure investments for ENIC/NARIC offices and QA bodies to ensure transparency of information and its availability to the public

Policy IV.1.1. Digital Environment Networks and Services, Connectivity and Access

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building needed (Yes/No)
Albania	Law on Electronic Communications in the Republic of Albania, No.9918, 19.05.2008 Law on the development of high-speed electronic communication networks and the provision of the right of way, No. 120/2016 (adopted on 24 th November 2016) Law on Audio-visual Media in the Republic of Albania, No. 97/2013 Plan to change laws to enable lowering of roaming charges	The national Broadband Plan approved in May 2013 and amended in April 2015. Strategy of switchover from analogue to digital broadcasting (Decision of Council of Ministers no. 292/2.5.2012) Digital Agenda Strategy 2015-2020, Decision of Council of Ministers no. 284/1.4.2015 Open Data Policy, , Decision of Council of Ministers no. 147/17.2.2015	Ministry of Infrastructure & Energy Electronic and Postal Communications Authority (AKEP) An ad hoc Committee for the switchover from analogue to digital broadcasting Authority for the Audio visual Media	Yes

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building needed (Yes/No)
Bosnia and Herzegovina	Law on Communications (Official Gazette of BiH, No. 31/03 and 75/06)	Electronic Communications Sector Policy and the Action Plan 2017-2021 (23.5.2017) Strategy on the digital switchover within frequency bands of 174-230 MHZ and 470-862 MHZ. adopted in Council session 91, 17 th June 2009	Ministry of Communications and Transport Communications Regulatory Agency of Bosnia and Herzegovina (CRA)	Yes
Kosovo*	Law on Electronic Communications 04/L-109 (November 2012) Regulation No.05/2017 on the Construction, Installation and Supervision of Electronic Communications Infrastructure Law on Digitalisation of Terrestrial Broadcasting Transmissions No.05/L-027	Electronic Communication Sector Policy: Digital Agenda for Kosovo* 2013-2020	Ministry of Economic Development Regulatory Authority of Electronic and Postal Communications (RAEPC) Independent Media Commission	Yes
The Former Yugoslav Republic of Macedonia	The Electronic Communications Act 2014	Short-term ICT Strategy 2016-2017 National Strategy for Next Generation Broadband Internet 02/2009	Ministry of Information Society and Administration Electronic Communications Agency (AEK)	Yes
Montenegro	Law on Electronic Communications (Official Gazette No.40/2013)	Information Society Strategy 2012-2016 Information Society Strategy 2017-2020	Ministry of Economy Agency for Electronic Communications and Postal Services (EKIP)	Yes
Serbia	Electronic Communications Law 05.08.2010. (Official Gazette of the Republic of Serbia, No. 44/10)	Electronic Communications Strategy (Official Gazette of the Republic of Serbia, No.68/10) Strategy of Broadband Network and Service Development in the Republic of Serbia by 2016 (Official Gazette of the Republic of Serbia, No. 81/14)	Ministry of Trade, Tourism and Telecommunications Regulatory Agency for Electronic Communications and Postal Services (RATEL)	Yes

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building needed (Yes/No)
WB6		SEE 2020 Strategy; MAP-REA		<ul style="list-style-type: none"> - Mapping of existing infrastructure, zoning (white, grey and black zones) and identification of adequate economic models (based on the size of the settlement, internet speed, etc.) - Transfer of EU experience related to implementation of Communication on EU Guidelines for the application of State aid rules in relation to the rapid deployment of broadband networks (2013/C 25/01) - Development a regional study on 5G spectrum policy and how to free up the 700 MHz band for mobile services (knowledge and experience from Serbia can be useful) - Support to line ministries and regulators in defining a common regional position on disaster, emergency and security spectrum allocation and joint position at meetings organised by ITU, CEPT, ECO and WRC

Policy IV.2. Trust and Security in Digital Services

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building required (Yes/No)
Albania	Law No. 2/2017 on Cybersecurity 26.01.2017 Regulation on technical and organisational measures to guarantee the security and integrity of electronic communication networks and/or services, 2015, approved by AKEP, Decision of Board	National Cyber Security Strategy 2014-2020	The National Authority for Electronic Certification and Cyber Security (AKCESK) Authority for Electronic and Postal Communication (AKEP)	Yes
Bosnia and Herzegovina	Decision on Establishment of Computer Emergency Response Team, March 2017		Ministry of Security of Bosnia and Herzegovina, Department for Informatics and Telecommunication Systems	Yes

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building required (Yes/No)
Kosovo*	Draft Law on Critical Infrastructure was approved on 20.10.2017, and is awaiting the Assembly approval Regulation for technical and organisational standards for security and integrity of electronic communication networks and services No. 25	National Cybersecurity Strategy and Action Plan 2016-2019 (Decision No.03/71 22.01.2016)	National Council for Cybersecurity	Yes
The Former Yugoslav Republic of Macedonia	No overarching law on cybersecurity; instead, a number of Laws relate on specific issues Law on Personal Data, Law on Electronic Commerce, Law on Electronic Communications, Law on Interception of Communications, Law on Free Access to Public Information, Law on Data in an Electronic Form and Electronic Signature		Cybercrime and Digital Forensic Department, Ministry of Interior Directorate for Personal Data Protection Ministry of Economy, MISA, Ministry of Defence, Ministry of Interior (OTA)	Yes
Montenegro	Law on Information 2010 Regulation on Information Security Measures adopted in 2010	Cybersecurity Strategy for Montenegro for the period 2013-2017 (October 2013) with Action Plan for Strategy implementation for the period 2013-2015	IT and Digital Evidences Unit, Special State Prosecutor's Office	Yes
Serbia	Information Security Law (Official Gazette of the Republic of Serbia, No. 6/1 and 94/2017) Law on Electronic Document, Electronic Identification and Trust Services in Electronic Business (Official Gazette of the Republic of Serbia, No. 94/2017)	Information Security Strategy May 2017	Serbian Government Office for IT and e-Government	Yes
WB6		SEE 2020 Strategy: MAP-REA		- Building of capacities of CSIRTs to timely respond and exchange information on potential computer incidents and supporting development of national CSIRTs networks as well as cooperation with EU networks - Guidelines and training on how to use Horizon 2020, which is available for the cybersecurity area, and investigate option for strengthening cooperation with other organisations (NATO, ITU, Council of Europe, OSCE, etc.) active in cybersecurity area

Policy IV.3. Digital Economy and Society, Inclusive Digital Society

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building required (Yes / No)
Albania		Digital Agenda of Albania 2015-2020		
Bosnia and Herzegovina		Policy for the development of Information Society in BiH 2017-2021		Yes
Kosovo*		Electronic Communication Sector Policy - Digital Agenda for Kosovo* 2013-2020		
The Former Yugoslav Republic of Macedonia		National Strategy for e-Inclusion 2011-2014 (05/2011)		
Montenegro		Information Society Strategy until 2020 (07/2016)		
Serbia		Information Society Strategy (Official Gazette of the Republic of Serbia, No.51/10) IT Industry Strategy 2017-2020		
WB6		SEE 2020 Strategy; MAP-REA		

Policy IV.4.1. Promote Uptake of Smart Technologies and Accelerate Digitisation

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building required (Yes / No)
Albania	Law on State Databases (2010) Law on Data in Electronic Form and Electronic Signature (2001) Law on Electronic Commerce No. 10128/2009 as amend Law on Electronic Signature no. 9880/2008 Law on Electronic Identification and Trusted Services No. 107/2015	Albania Digital Agenda 2015-2020 National Interoperability Framework (2014)	For Database Law: the Coordinating and Regulatory Body for State Databases Administration of the system of State Databases For eID and trust services as well as for e-signature AKCESK (www.cesk.gov.al)	Yes
Bosnia and Herzegovina	Law on Electronic Signature (2006)	Interoperability Framework of Bosnia and Herzegovina (07/16)		Yes

	Relevant laws and regulations	Relevant strategies	Relevant administrative bodies	Capacity building required (Yes / No)
Kosovo*	Law on the Information Society Services – Electronic Commerce in General (2005)	Electronic Communication Sector Policy - Digital Agenda for Kosovo* (2013-2020) Interoperability Framework of Kosovo* (2012)	Agency for Information Society	Yes
The Former Yugoslav Republic of Macedonia	Law on Electronic Commerce (Official Gazette 133/07) Law on Data in Electronic Form and Electronic Signature (Official Gazette 34/01)	Interoperability Framework of The Former Yugoslav Republic of Macedonia (2015)		Yes
Montenegro	Law on e-Government (July 2014) Electronic Identification and Electronic Signature Law (2017)	Information Society Strategy until 2020 National Interoperability Framework Dec. 2011 - Dec. 2013		Yes
Serbia	Law on Electronic Document, Electronic Identification and Trusted Services in Electronic Business (Official Gazette of the Republic of Serbia, No. 94/17).	Information Society Strategy (Official Gazette of the Republic of Serbia, No. 51/10) IT Industry Strategy 2017-202 National Interoperability Framework (January 2014)		Yes
WB6				Yes

ANNEX 2: IPA FUNDED PROJECTS IN EACH COMPONENT - BILATERAL AND MULTI-COUNTRY

Overview of IPA⁷⁴ funded projects in each component - bilateral envelopes

Economy	IPA reference ⁷⁵	Scope and objective	Value in million EUR
TRADE			
Albania	IPA 2013	Upgrading the capacities of the Albanian Customs Administration to further align the custom legislation with the EU legislation, to upgrade the administrative capacity of the Albanian Customs Administration and to introduce the fully integrated tariff management system (ITMS). The project will introduce a fully EU compliant system due to the fact that no important changes of the IT package called ITMS (tariff, quotas, binding itineraries, chemical substances, etc.) are forecasted in the near future (the target architecture is stable and will not involve more than normal maintenance and law alignment purposes).	4.5
	IPA 2012	Modernise the Albanian Customs Administration (ACA) to further align the Albanian custom legislation with the EU legislation, to upgrade the administrative capacity of ACA to prepare the path for future ICT development projects. The project will ensure a closer alignment of customs legislation and procedures with the EU acquis, it will increase the technical and operational capacity of the Anti-Contraband Directorate and it will introduce the skills to handle ICT development projects.	3.5
	IPA 2011	Support to the Albanian Customs Administration in order to improve the performance of the Albanian Customs Administration according to European standards	3
Bosnia and Herzegovina	IPA 2014	<ul style="list-style-type: none"> Support to the Indirect Taxation Authority (ITA) supply of equipment for customs laboratory and Technical assistance for development and implementation of New Computerised Transit System (NCTS) 	• 1 • 2.1
Kosovo*	IPA 2011 & 2013	Technical Assistance to Further Development of Kosovo*'s Trade Policy to assist the Ministry of Trade and Industry to develop its institutional capacity to prepare negotiating positions and to implement agreed policy initiatives in line with international trade requirements and EU practices.	2.8
	IPA 2012	Support to the free movement of goods with a view to reduce barriers to trade, improve Kosovo*'s business environment and its	2.5

⁷⁴ Information is based on inputs provided by the EU Delegation in each economy

⁷⁵ Information takes stock from IPA 2011

Economy	IPA reference⁷⁵	Scope and objective	Value in million EUR
		competitiveness in international markets and improve the Quality Infrastructure System in Kosovo* in line with EU requirements, including market surveillance and consumer protection.	
	IPA 2013	Increase of competitiveness and export promotion aiming to supporting Kosovo* companies in improving their performance and overall competitiveness and increase exports of products and services generated in Kosovo*, as a means of reducing the trade deficit.	1.9
Serbia	IPA 2013	<ul style="list-style-type: none"> • Technical Assistance for Establishing the Institutional Framework for the Implementation of AIS/AES • Supply for AIS/AES <p>The purpose of the project is to provide technical assistance and, particularly, create conditions for implementation of AIS (Automated Import System) including ICS (Import Control System), AES (Automated Export System) including ECS (Export Control System) and Customs Authorisation (Decision) Management Information System.</p>	• 1.5 • 1.3
	IPA 2013	Creating conditions for strengthening the capacity of Serbian Customs Laboratory - Strengthen capacities of the Customs Laboratory in order to set the foundations for work improvement and capacity building necessary for the future performing of complex tasks in line with standards implemented in Customs Laboratories in the EU Member States.	Twinning light - 0.25
	IPA 2011	Technical Assistance to the Customs Administration of Serbia to Support the Modernisation of the Customs System - Provide technical assistance support to CAS to strengthen the administrative and operational capacity of the Customs Administration and relevant stakeholders with the aim to meet the EU requirements in the areas of New Computerised Transit System (NCTS), Authorised Economic Operator (AEO), trade facilitations.	2
The Former Yugoslav Republic of Macedonia	IPA 2012-2013	Facilitation of cross-border trade by upgrade the customs clearance facilities and the border crossing points Tabanovce (with Serbia) and Kafasan (with Albania) . This will enable better services to the economic operators to move their goods faster across the border, and enhanced protection for its citizens.	3.5
	IPA 2013	Strengthen the administrative capacity of the Customs Administration and its capacity to perform effective and efficient controls, including post-clearance and audit and risk analysis and management; enhancing the training of the customs officers and improving the laboratory equipment of the Customs Administration; further facilitate trade by keeping the right balance between trade facilitation and efficient customs control.	2
Montenegro	IPA 2011	Support to the development of IT Strategy aligned with the Business Strategy for the Customs Administration of Montenegro - Drafting the ICT strategy which will be in line with the EU requirements and standards in order to facilitate trade as well as introduce paperless operations.	0.15
	IPA 2012	Support to the capacity building and accreditation of the customs laboratory of Montenegro - Preparation of documentation for	0.02

Economy	IPA reference ⁷⁵	Scope and objective	Value in million EUR
		accreditation and certification, establishing of QMS (Quality Management System), according to ISO 9001; training of the Customs laboratory staff on standards and testing methods that would lead to enhanced capacities for physical and chemical analyses.	
	IPA 2012	Approximation of the Legislation with EU Acquis on Free Movement of Services and Competition Protection - Address the requirement for the Montenegrin administration to align the national legislation to the EU acquis on the freedom to provide services; provide technical assistance to the Ministry of Economy as lead government structure responsible for the approximation to the EU Service Directive.	1.19
	IPA 2014	Support to the Customs Administration – Implementation of New Computerised Transit System (NCTS) ; provide and implement IT solution of the New Computerised Transit System (NCTS) with all necessary modules for its functioning in the customs system of Montenegro in order to facilitate and speed up the transit procedure.	2.37
	IPA 2014	Support to the Customs Administration - Support to accession to Common Transit Convention and Convention on Facilitation of Trade in Goods ; improve administrative capacities of the Customs Administration in order to be prepared for accession to the Common Transit Convention and the Convention on Facilitation of Trade in Goods; support the amendment of legislation, drafting guidelines, training of stakeholders, as well as ensuring the quality of project implementation of the IT solution of New Computerised Transit System - NCTS.	0.6
	IPA 2014	Support to the Customs Administration - supply of IT equipment in order to support the NCTS project	0.33
	IPA 2015	Customs Administration of Montenegro - Sector Budget Support to Integrated Border Management ; support the alignment of the legislative and regulatory framework with the EU acquis and enhanced capacity for border control and internal inspections at Border Control Points (BCPs).	2
INVESTMENT			
Serbia	IPA 2013	Support to Implementation of the Action Plan for Improving Business Environment Project stemming from the recently adopted Government Strategy for SME Development. Project aims to: (1) improve transparency of business administrative procedures, (2) establish system for their permanent optimisation, (3) support on-going reforms and further enhancements in key business related areas such as building permits, inspection oversight, labour legislation, tax related issues for businesses and public procurement for SMEs. Project started on 14 August 2017 with duration of 30 months.	2.25 and 0.25 co-financing
MOBILITY			

Economy	IPA reference ⁷⁵	Scope and objective	Value in million EUR
Albania	...	...	...
Bosnia and Herzegovina ⁷⁶	...	...	...
	<u>Erasmus+ 2014</u>	Strengthening of Internationalisation in B&H Higher Education (STINT) project Strengthening and improving the process of internationalisation of BiH universities. The BiH Centre for Recognition of Qualifications in Higher Education	0.7
	<u>IPA 2016</u>	Strengthening Institutional Capacity for Recognition of Qualifications in Higher Education Improve student, academic staff and labour mobility in Bosnia and Herzegovina (BiH) through recognition of foreign higher education qualifications in line with the provisions of the Lisbon Recognition Convention (LRC) and its subsidiary documents.	0.6
Kosovo*	IPA 2013 II	Diploma Acceptance – Pre-University Education Facilitate access to education institutions and labour markets in Kosovo* and Serbia of students and graduates from pre-university education and training institutions of both jurisdictions ⁷⁷ .	0.3
Serbia	...		
The Former Yugoslav Republic of Macedonia	IPA 2011	Implementation of the legislation on mutual recognition of professional qualifications The project was implemented in 2016-2017 and aimed to harmonise the national legislation on mutual recognition of professional qualifications with the acquis and to strengthen institutional capacities for implementation of the adopted legislation.	1.1

⁷⁶ Erasmus+ SQUARE project is ongoing and ENIC/NARIC centres are involved in this Project. No specific details provided.

⁷⁷ In line with the newly expanded agreement that was initially concluded between Pristina and Belgrade at the beginning of 2016, the project covers the field of pre-university education (ISCED 0-3)

Economy	IPA reference ⁷⁵	Scope and objective	Value in million EUR
Montenegro	...		
DIGITAL INTREGRATION			
Albania	...	...	...
Bosnia and Herzegovina	...	...	...
Kosovo*	IPA 2013	Information Communication Technology and eLearning in Education Project – Phase 2 Support Kosovo* in improving the quality and efficiency of education and training services through the integration of ICT technology into the teaching and learning process.	0.9
	IPA 2013	Supply of IT Equipment and LAN Infrastructure to Schools and Training Centre in Kosovo*- LOT 1" Improve the quality and efficiency of education and training services through the integration of ICT technology into the teaching and learning process, thereby improving lifelong learning and employability perspectives. The subject of the contract is the supply, delivery, installation and training by the Contractor of 31 local area networks, in 30 different schools throughout Kosovo* and 1 training centre in Pristina.	0.18
	IPA 2013	Supply of IT Equipment and LAN Infrastructure to Schools and Training Centre in Kosovo*- LOT 2 The objective of the project is to improve the quality and efficiency of education and training services through the integration of ICT technology into the teaching and learning process, thereby improving lifelong learning and employability perspectives.	0.55
Serbia	...		
The Former Yugoslav Republic of Macedonia	IPA 2012	Supply of equipment for a system of monitoring the media content for the purposes of the Agency for Audio and Audio - Visual Media Services (AAAMS) Monitoring and storing of the content in order to fully implement the legal obligations of the AAAMS and to further build a system for reception, transcoding, segmentation, recording, transfer of signal, as well as analysing and storing.	0.85
Montenegro	...		

Overview of IPA MC support envelopes 2017 & 2018

	Project title	Objective	Implementation	Value in million EUR
2017				
1.	Support to CEFTA Secretariat	Contribution will allow CEFTA Secretariat to cover part of its running costs, thus supporting the Western Balkans to continue benefiting from all of its structures.	Direct Grant to CEFTA	0.2
2.	The Western Balkan Enterprise Development and Innovation Facility (WB EDIF) Competitiveness, Guarantees, Venture Capital Ecosystem	Provide acceleration services to innovative start-ups and SMEs at early stages of development, with the objective of helping them to grow. Provide investment readiness training to improve innovative start-ups and SMEs get access to external sources of funding such as equity, as well as networking effects.	EBRD & EIF	28
3.	SEED+	The Trade Facilitation Agreement responds to the need to support harmonisation and transparency in trade among beneficiaries and its implementation is granted by the proposed SEED+ initiative.		4.8
2018				
1.	Support to the Economic Reform Programmes – improving the integration of structural reforms of ERPs into the fiscal frameworks	To address fiscal implications of structural reforms soundly and consistently	Direct grant to Centre of Excellence in Finance	2.5
2.	Strengthening the institutional capacities of Western Balkans central banks	To improve the functioning of the Central Banks in line with EU standards and norms	Direct Grant to Deutsche Bundesbank acting in partnership with other National Central Banks from the EU	2
3.	Support to CEFTA Agreement	The provisions of the CEFTA Agreement as prioritised by the Action Plan on the Regional Economic	Direct Grant to	2.8

	Project title	Objective	Implementation	Value in million EUR
		Area and the South East Europe 2020 strategy are soundly implemented.	CEFTA	
4.	Support to the Western Balkans Chamber Investment Forum with focus on services to SMEs	Improving the delivery of services from Chambers supporting regional business cooperation, supporting the actions of the WB6 CIF in taking up its role in public-private dialogue related to establishment of REA, promoting the benefits of the regional economic integration in the context of REA in the regional and foreign business community and building capacity of the WB6 CIF and its members.	Direct Grant to WBCIF	2.5
5.	Support to smart specialisation and Regional Proof of Concept Scheme	A regional grant scheme for PoC projects will be established in the Western Balkans (individual grants ranging from EUR 20 000 to EUR 50 000).	Administrative arrangement JRC	4
6.	Small business act assessment for the Western Balkans and Turkey and Competitiveness Outlook for the Western Balkans	To contribute to better policies and reforms for economic competitiveness (e.g. trade, investment, transport, energy, competition, tax, access to finance)	Direct Grant to OECD SEE division	6

ANNEX 3: PRIORITIES/PROJECTS AS PART OF NATIONAL SINGLE PROJECT PIPELINE (NSSP)

Economy	Sector	Project	Description	Total Investment Cost in million EUR	Project Status	Strategic Importance	MAP Component
Albania	Business infrastructure sector	Regional Broadband Infrastructure Development Project	The project aims to improve the digital connection in the cross-border area by creating conditions for cross-border services within Albania.	65.8	Premature	National	Digital
Albania	Business infrastructure sector	Improving tourism and business related infrastructure in the cross-border area in Korca, Albania	The project aims to improve the digital connection in the cross-border area by creating conditions for cross-border services in Albania. It will support the strengthening of economic and social development of the said region and increase potentials for increased cross-border service with the neighbouring economy, The Former Yugoslav Republic of Macedonia.	26.5	Mature	National/ Regional	Digital
Serbia	Competitiveness sector projects	Regional and rural broadband development - municipal access networks		3.85	Ready for preparation of technical documentation	National	Digital
Serbia	Competitiveness sector projects	Enhancing AMRES wireless eduroam infrastructure		3.1	Technical documentation prepared, ready for tender preparation or tendering	National	Digital

Serbia	Competitiveness sector projects	Infrastructure development of Apatin industrial zone		11.1	Spatial planning documentation completed with preconditions for land acquisition in place	National	Investments
Serbia	Competitiveness sector projects	Denino Brdo business zone in Kragujevac		4.6	Spatial planning documentation completed with preconditions for land acquisition in place	National	Investments
Serbia	Competitiveness sector projects	Čukarka industrial zone, Presevo		2.2	Preparation of technical documentation ongoing, and ready for tendering when finished	National	Investments
Serbia	Competitiveness sector projects	Development and infrastructure arrangement of Jug industrial zone in Vladicin Han		10.1	Gaps in spatial planning documentation with preconditions for land acquisition still pending	National	Investments
Serbia	Competitiveness sector projects	Infrastructural equipping of Vranje, Bunusevac 2 and Bunusevac 3 free zones		1.33	Gaps in spatial planning documentation with preconditions for land acquisition still pending	National	Investments
Serbia	Competitiveness sector projects	Finalising the industrial zone in Bor		1.64	Spatial planning documentation completed with preconditions for land acquisition in place	National	Investments

Serbia	Competitiveness sector projects	Cvetojevac business zone, Kragujevac		15	Spatial planning documentation completed with preconditions for land acquisition in place	National	Investments
Serbia	Competitiveness sector projects	Industrial Zone East - Brownfield Revitalisation of the former EI Niš complex		10	Spatial planning documentation completed with preconditions for land acquisition in place	National	Investments
Serbia	Competitiveness sector projects	Arrangement of Kučevište industrial zone		4.7	Spatial planning documentation completed with preconditions for land acquisition in place	National	Investments

ANNEX 4: REFORM MEASURES INCLUDED IN ERP IN EACH ECONOMY

Reform measure	Direct relevance	Indirect relevance	No relevance
ALBANIA			
4.3.1. Public Finance Management			
Reform 01: Establishment of a fiscal cadastre		X	
4.3.2. Energy and transport market reforms			
Reform 02: Further liberalisation of the energy market			X
Reform 03: Diversification of energy sources (gasification)			X
Reform 04: Feasibility study for the construction and upgrade of the Adriatic-Ionian Corridor			X
Reform 05: Rehabilitation and construction of the railway segment Tirana-TIA-Durrës			X
4.3.3. Sectorial development			
Reform 06: Consolidation and defragmentation of agricultural land		X	
Reform 07: Introduction of strategic policies for non-food industry		X	
Reform 08: Reform of water and wastewater sector			X
4.3.4. Business environment and reduction of informal economy			
Reform 09: Reduce regulatory burden to business	Investments		
Reform 10: Effective implementation of the national plan to reduce the level of NPL in the banking sector		X	
4.3.5. Research, development and innovation (RDI) and digital economy			
Reform 11: Improve the institutional capacity of research and innovation system	Mobility		
Reform 12: Adoption of legal and regulatory framework for the development of broadband infrastructure	Digital Agenda		
4.3.6. Trade-related reforms			
Reform 13: Facilitate trade and reach greater synergy in the implementation of national trade facilitation	Trade		

Reform measure	Direct relevance	Indirect relevance	No relevance
measures and MAP REA			
4.3.7. Education and skills			
Reform 14: Drafting and implementation of a competence based curricula and training of teachers			X
Reform 15: Improve the quality and coverage of VET while ensuring linkages with the labour market			X
4.3.8. Employment and labour markets			
Reform 16: Modernise public employment services, increase employment of women, youth and vulnerable people			X
4.3.9. Social inclusion, poverty reduction and equal opportunities			
Reform 17: Strengthening social protection and social inclusion measures			X
BOSNIA AND HERZEGOVINA			
4.3.1. Public finance management			
1. Strengthening public finance management			X
2. Reducing the burden on Labour			X
3. Health sector reform			X
4.3.2. Energy and transport market reform			
4. Transport market reform			X
5. Increasing energy efficiency and use of renewable sources of energy			X
4.3.3. Sectoral development			
6. Improving agriculture, forestry and water management	Trade		
7. Introducing tighter prudential requirements of the banking operations and regulating the bank restructuring procedure		X	
8. Environment – Conserving, protecting and improving environmental quality			X
4.3.4. Business environment and reduction of informal economy			

9. Improving the business environment and reducing the informal economy	Investments		
4.3.5 Research, development and innovation (RDI) and digital economy			
10. Establishing a more efficient management system of scientific research and innovation potential in the Republika Srpska	Investments		
4.3.6 Trade related reforms			
11. Trade liberalisation	Trade		
4.3.7 Education and skills			
12. Improving links between education and labour market		x	
4.3.8. Employment and labour markets			
13. Improving the labour market efficiency			x
4.3.9. Social inclusion, poverty reduction and equal opportunities			
14. Improving population health			x
15. Establishing an efficient, financially sound and sustainable system of pension and disability insurance in FBiH			x
16. Improving the functioning of the social protection system in FBiH			x
KOSOVO*			
4.3.1. Public Finance Management			
Measure 1: Improvement of public procurement through application of electronic procurement	Digital agenda		
4.3.2. Energy and transport market reforms			
Measure 2: Reducing energy consumption through energy efficiency measures			x
Measure 3: Further development of energy generation capacities			x
4.3.3. Sectorial development			
Measure 4: Investment in agricultural infrastructure and agro-processing			x
Measure 5: Expanding farms through consolidation and regulation of agricultural land			x
Measure 6: Boosting private sector competitiveness through industrial development for SMEs	Investments		

Reform Measure 7: Development of tourism products in Kosovo* tourist regions			X
4.3.4. Business environment and reduction of informal economy			
Measure 8: Adoption of evidence-based policies and addressing administrative burdens		X	
Measure 9: Securing rights to property by addressing informality in the immovable property sector		X	
Measure 10: Increase judicial efficiency through reduction of court case backlog			X
Measure 11: General inspection reform		X	
4.3.5. Research, development and innovation (RDI) and digital economy			
Measure 12: Improve entrepreneurship and innovation environment	Investments		
Measure 13: Expansion of relevant ICT infrastructure networks for socio-economic development	Digital agenda		
4.3.6. Trade-related reforms			
Measure 14: Trade facilitation - increasing the cost-effectiveness of international trade transactions	Trade		
Measure 15: Further improvement of quality infrastructure and strengthening the role of authorities for market surveillance, with focus on construction products	Trade		
4.3.7. Education and skills			
Measure 16: Harmonisation of skills supply and demand by drafting occupational standards and reviewing curricula			X
4.3.8. Employment and labour markets			
Measure 17: Reform in pre-university education through curriculum development and implementation, TPD and quality assurance through monitoring and evaluation, and inclusion			X
Measure 18: Increasing the quality and competitiveness in higher education		X	
4.3.9. Social inclusion, poverty reduction and equal opportunities			
Measure 19: Increasing the access of young people and women to the labour market through the provision of quality employment services, active employment measures and entrepreneurship			X
MONTENEGRO			
4.3.1. Public Finance Management			
Measure 1: Introducing an e-procurement system		X	

4.3.2. Energy and transport market reform			
Measure 2: Improving the legislative/regulatory and institutional framework for integration into the regional electricity market			X
Measure 3: Adopting secondary legislation on a single window for formalities in maritime transport			X
Measure 4: Creating an efficient and independent rail transport regulatory and safety authority			X
4.3.3. Sectoral development			
Measure 5: Fostering investments in the industrial sector	Investments		
Measure 6: Supporting the development and modernisation of the industrial sector	Investments		
Measure 7: Supporting investments in the food production sector in order to reach EU standards			X
Measure 8: Diversifying the tourist product		X	
Measure 9: Encouraging resolution of NPL by enhancing the framework for prudential supervision and solvency of banks			X
4.3.4. Business environment and reduction of informal economy			
Measure 10: Introducing e-services into the work of cadastral offices	Digital Agenda		
Measure 11: Adopting the Law on Issuing Electronic Fiscal Invoices and implementing electronic fiscal invoices system		X	
Measure 12: Improving financial support for the sector of small and medium-sized enterprises	Investments		
Measure 13: Improving non-financial support to the sector of small and medium-sized enterprises	Investments		
Measure 14: Introducing a single information system in the area of planning and building construction	Digital		
4.3.5 Research, development and innovation (RDI) and digital economy			
Measure 15: Establishing a Science and Technology Park (STP) in Podgorica	Investments		
Measure 16: Improvement of legislative and regulatory framework with the aim to reduce the costs of deploying high-speed electronic communications networks	Digital Agenda		
4.3.6 Trade related reforms			
Measure 17: Implementation of CEFTA Additional Protocol 5 and adoption of CEFTA Additional Protocol 6	Trade		
4.3.7 Education and skills			

Measure 18: Development of qualifications in accordance with labour market needs			X
Measure 19: Implementation of practical training with employers			X
4.3.8. Employment and labour markets			
Measure 20: Implementation of legal arrangements in the area of labour market			X
4.3.9. Social inclusion, poverty reduction and equal opportunities			
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA			
4.3.1. Public finance management			
Measure 1: Harmonisation of the public procurement legal framework with the aquis		X	
Measure 2: Improvement of internal financial control			X
4.3.2. Energy and transport market reform			
Measure 3: International rail transport facilitation			X
Measure 4: Increasing the competitiveness of electricity market			X
Measure 5: Promotion of renewable energy sources and improvement of energy efficiency			X
4.3.3. Sectoral development			
Measure 6. Improving of irrigation systems			X
Measure 7: Consolidation and defragmentation of agricultural land			X
Measure 8. Agricultural cooperatives			X
Measure 9: Supporting activities for attracting FDIs and investments by domestic companies	Investments		
Measure 10: Support for investments	Investments		
Measure 11: Improving the effectiveness of inspection oversight	Investments		
4.3.3.3 Services sector development			
Measure 12: Increasing competitiveness in tourism and hospitality sector			X
4.3.4. Business environment and reduction of informal economy			
Measure 13: Development of a national e-services portal	Digital Agenda		
4.3.5 Research, development and innovation (RDI) and digital economy			

Measure 14: Improving infrastructure and access to finance for research, development and innovation	Investments		
Measure 15: Triple helix partnership - Establishment of the National Office for Transfer of Technologies	investments		
4.3.6 Trade related reforms			
Measure 16: Simplification of procedures for access to markets in the region	Trade		
4.3.7 Education and skills			
Measure 17: Further development of the qualifications system		X	
4.3.8. Employment and labour markets			
Measure 18: Upgrading the active measures included in the Operational Plan for Active Employment Programmes and Measures and Labour Market Services			X
Measure 19: Youth guarantee			X
4.3.9. Social inclusion, poverty reduction and equal opportunities			
Measure 20: Enhancement of financial benefits in the field of social protection			X
SERBIA			
4.3.1. Public finance management			
Measure 1. Tax Administration transformation		X	
Measure 2. Improved capital investment management			X
4.3.2. Energy and transport market reform			
Measure 3. Energy market development coupled with energy infrastructure construction			X
Measure 4. Improving the capacity and quality of infrastructure and services in the area of transport			X
Measure 5. Reform of railways			X
4.3.3. Sectoral development			
Measure 6. Improvement of competitiveness and status of agricultural holdings			X
Measure 7. Raising competitiveness of processing industry		X	
4.3.4. Business environment and reduction of informal economy			
Measure 8. Package of measures to improve access to finance for SMEs	Investments		

Measure 9. The introduction of corporate governance in public enterprise		X	
Measure 10. Simplification of procedures and other conditions for doing business	Investments		
Measure 11. Enhance efficiency of inspection		X	
Measure 12. Improvement of geospatial sector as support to investment decision-making process		X	
4.3.5 Research, development and innovation (RDI) and digital economy			
Measure 13. Programme supporting innovation and technological development in the public and private sectors	Investments		
Measure 14. Development and improvement of the national broadband communications infrastructure	Digital Agenda		
4.3.6 Trade related reforms			
Measure 15. Improving the conditions for product safety and removing barriers to trade	Trade		
4.3.7 Education and skills			
Measure 16. Qualifications oriented to the labour market requirements		X	
4.3.8. Employment and labour markets			
Measure 17. Improving the effectiveness of active labour market policies with special emphasis on youth, redundant workers and the long-term unemployed			X
4.3.9. Social inclusion, poverty reduction and equal opportunities			
Measure 18. Improving the adequacy, quality and targeting of social protection			X

ANNEX 5: LIST OF CONSULTED PERSONS IN EACH ECONOMY

The detailed list of all contacted people is available upon request