

## Minutes from the Third Meeting on Donor Coordination in the Western Balkans

Sarajevo, 16 March 2017

The Third Meeting on Donor Coordination in the Western Balkans was held in Sarajevo on 16 March 2017. The main objective of the meeting was to discuss the ongoing regional work, trends and needs of South East Europe in several areas that follow the commitments stemming from the SEE 2020 Strategy and other regional frameworks, which also reflect the ‘fundamentals first’ approach of the EU Enlargement Strategy.

The meeting gathered all major donors, financial institutions, implementing organisations and agencies active in the Western Balkans as well as representatives of international organisations and SEE 2020 beneficiary governments. RCC was represented by the Secretary General and the team engaged in the implementation of SEE 2020 Strategy.

In his opening remarks RCC Secretary General emphasised the need to discuss the trends and needs of the SEE in different areas, which follow the commitments stemming from the SEE 2020 Strategy and other regional frameworks and reflect the ‘fundamentals first’ approach of the European Union’s enlargement policy. He also reflected on the upcoming Trieste Summit under the Berlin process and outlined the commitments of the WB6 governments to enhance regional economic integration. Welcoming remarks were also provided by the DG NEAR representative. He praised the developments in regional cooperation in roaming, broadband as well as removing barriers to trade, thus emphasising that the region can unlock its true economic potentials through regional cooperation.

### **Panel on Economic Development: needs and priorities in the region**

Following the opening remarks, the meeting focused on contextual overview of the ongoing trends, needs and work done in terms of sustainable economic development, covering the aspects of human capital development, investments and digitalisation of the economies.

The session provided presentation of the EIB Economic Resilience Initiative the aim of which is to provide loans and grants to support growth, employment, infrastructure and social cohesion in the economies of the Southern Neighbourhood and Western Balkan in the following sectors: health, education, human capital, SMEs and microenterprises, water, sanitation & waste, post disaster/conflict recovery and risk reduction, energy and transport, in the amount of 2 billion EUR for the SEE region by 2020.

The participants were informed on the challenges in business environment in South East Europe. The Western Balkans enjoys big potential for development of business environment, but the opportunities are scarce as a result of limited confidence of the investors linked to the legacy of financial crisis of 2008 and internal hindrances such as tariff and nontariff barriers. Removing these barriers would enable more efficient allocation of resources within the regional markets.

The need for reliable data was also discussed as well as the importance of investing in social dialogue and making good use of diaspora. It is crucial for the region to tackle marginalised groups, subsidise their employment, provide trainings and give grants for self-employment and start-ups. Hence, investing in human capital is vital to fighting unemployment.

The opportunities under the Western Balkan Investment Framework (WBIF) were also presented. In that sense, the priority of addressing the legal and regulatory framework before updating the existing or building new infrastructure was stressed, as the optimal policy framework is a prerequisite for investments. However, although the funds are available for infrastructural projects, the main criteria for funding are the maturity of projects and their regional benefits, as well as the legal and regulatory reform performances by the economies. Additionally, the important issue of costs of environmental approximation particularly in the context of connectivity and future investments was also raised during the panel.

The digital connectivity as a crucial part of the regional agenda was also discussed. It was pointed out that with good technology, investing in human capital and in good broadband connectivity, jobs could be created with fewer costs and geographical constraints. Good broadband connectivity is also vital for creating an investment friendly environment as well as for competitiveness. The importance of the RCC led study on roaming, delivered earlier this year, was stressed along with hopes that the digital agenda will assume a more prominent part in the connectivity agenda.

Finally, the panel provided discussion on the roles of the regional organizations which are dealing with specific pillars under the SEE 2020 Strategy, therefore providing a discussion on the challenges they face for the implementation of certain measures.

The panel was moderated by Minister of European Affairs of Montenegro, H.E. Aleksandar Andrija Pejović and included the following panellists: Mr. Matteo Rivellini, Head of Division Lending Operations in Slovenia, Croatia and Western Balkans, European Investment Bank; Ms. Lada Buševac, Senior Country Officer, World Bank Group; H.E. Arban Abrashi, Minister of Labour and Social Welfare of Kosovo<sup>\*</sup>; Mr. Nicholas Cendrowicz, Deputy Head of Unit, DG NEAR, European Commission; H.E. Milena Harito, Minister for Innovation and Public Administration of Albania.

### **Panel on Rule of Law and Security: achievements and demands**

The session gave an overview of the ongoing trends, needs and work done in the area of public administration reform, rule of law and freedom of expression as part of the fundamentals first approach of the EC enlargement strategy.

The participants were briefed on the strong commitment of all WB economies towards reform of public services. Public reform administration stays as one of three main preconditions for the successful integration in the EU along with economic governance and rule of law.

The rationale for regional cooperation in the judiciary sector was also discussed. Actions are taken in specific sectors and coordination mechanisms are in place. It was stated that the region's perception is that there is low confidence in the judiciary, based on the data of the Balkan Barometer Survey 2017. It was said that foreign investment cannot be encouraged without transparent and effective judiciary systems.

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

The needs, priorities and funding opportunities were discussed in the area of anti-corruption. The strategic framework and project portfolio contributing to the rule of law, good governance and anticorruption of the Austrian Development Agency (ADA) were presented, concluding that follow-up activities will depend on the results of the pilot project.

Examples of how the timely response of Civil Society Organisations assures protection of democracy and sustains EU enlargement efforts were provided at the meeting. Various indicators pinpoint to backsliding of democracy in the WB. Civil Society needs to build stronger relations with politicians and governments in line with democratic standards, solidarity and EU integration within economies and cross borders. There is a need for the CSOs to be included in the Berlin process through their contribution as an equal partner to the follow-up implementation of the agreed initiatives ultimately aimed at enhancing democracy and social cohesion in the region.

Finally, it was outlined that violent extremism undermines social inclusion. The participants were informed that preventing and countering violent extremism, by using the approach of more genuine response rather than oppressive force, is of highest importance for security and stability in the region. The need for preventive strategies and avoiding possible duplication of work were also emphasised.

The second panel was moderated by Ms. Sanja Dimitrievska, State Secretary, Ministry of Interior of The Former Yugoslav Republic of Macedonia and included the following panellists Ms. Ratka Sekulovic, Director, Regional School for Public Administration; Mr. Gazmend Turdiu, Head of Programme Department, Deputy Secretary General, Regional Cooperation Council Secretariat; Ms. Monika Tortschanoff, Programme Manager Western Balkans/Danube Region, Austrian Development Agency; Ms. Hedvig Morvai, Executive Director, European Fund for the Balkans; Mr. Mario Janeček, Counter-Terrorism Coordinator, Ministry of Security of Bosnia and Herzegovina.

### **Conclusions and Follow-Up**

The Third Meeting on Donor Coordination in the Western Balkans concluded with the following recommendations and conclusions:

1. Support is available via EIB Resilience Initiative, i.e. 2 billion EUR for the region is already secured. Now the challenge for the region is to find the best possible way to utilise these funds;
2. It was concluded that it is important to remove internal and external barriers in order to increase FDI in the region. In this context projects which will assist in overcoming the obstacles in order to attract investments either by investment policy harmonisation and reforms or investment promotion, such as the one presented by the World Bank, were welcomed;
3. The funds provided to the region by the European Commission for the connectivity agenda (primarily energy and transport) are only available once several preconditions are fulfilled (optimal policy framework put in place). One billion EUR has been committed over 6 years, and the region together with the EU should work on simplification of procedures in order to make funds operational faster and increase investments in infrastructure. Importance of regional cooperation within the existing platforms in the field of enforcement of environmental legislation and need for their further support and development was also raised;

4. Digital agenda is getting higher at the priority list for the entire region. This growing prioritization should be accompanied by increased financial support for the digital integration of the Western Balkans region;
5. Public administration reform is one of the fundamentals and also challenges for further progress towards the EU integration. Further efforts and support are needed in this area in the years to come;
6. Further strengthening of capacities of judiciary in the region is necessary. The need for further work in the area of combating environmental crime through strengthening and increase of efficiency of the state environmental enforcement and judicial institutions was also raised;
7. The participants were informed that anti-corruption is in the focus of donors, such as Austria. Still, there is a need to keep working together further in order to continue to fight corruption for the benefit of all our citizens and our economies;
8. This donor coordination format should also include private donors that are mostly covering the areas of fundamental rights, including freedom of expression, media, etc.;
9. The meeting reconfirmed that there is a great need for enhanced practical cooperation and coordination in prevention and countering violent extremism and in security cooperation in SEE in general. Therefore, all stakeholders – international and regional organisations and initiatives, national governments, members of academic community, media, and civil society engaged in dealing with this complex problem – should make sure that projects to which they are about to commit their resources and efforts have a real added value, and consider how they can complement other, already existing efforts, building on their achievements;
10. Attention was drawn to the SEE 2020 Programming Document distributed to the participants of the donor coordination meeting, laying down the priorities for the 2017-2019 implementation of the SEE 2020 Strategy. RCC will conduct individual consultations with donors on the contents of the programming document as part of the donor coordination mechanism.