SEE 2020 Programming Document 2016-2018

Implementing the Strategy through Flagship Initiatives

November 2015

Contents:

1. INTRODUCTION

1.1. Purpose and Scope

This Programming document for South East Europe 2020 Strategy (SEE 2020 or Strategy) sets out the priority actions for the SEE 2020 implementation identified during the 2015 annual programming cycle. This Programming document is prepared by the RCC Secretariat and covers the three-year period of 2016-2018 with intended updates on a rolling basis over the next five years of implementation.

The actions described herein transpose the political priorities and measures put forth by the SEE 2020 Strategy and result from a wide consultative process involving the representatives of national authorities, regional organizations and structures and international organizations engaged in coordinating and implementing SEE 2020. The Annual Report on Implementation, as the main monitoring tool for tracking SEE 2020 progress, produced and presented to the SEE 2020 Governing Board during 2015, served as the basis for preparation of this document.

In addition to the identification of actions to be implemented during 2016-18, this programming document sets out the method of longer-term coordination and integration between different policy areas along several policy axis – flagships – that will enable a more dynamic and cross-sectoral approach in implementation.

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

1.2. Structure of the document

This document is structured in four main sections: (i) the introductory section outlining the purpose and rationale for programming, identifying the main determinants of the context in which programming takes place and setting out the approach taken when programming interventions; (ii) the section describing the flagship initiatives defining the scope of the interventions, the 'policy mix' in each of the flagships, and providing a summary of actions proposed along with the issues cutting across two or more flagships; (iii) the section summarizing the main risks and constraints associated with the approach; and (iv) the programme of action providing a detailed survey of planned interventions supporting SEE 2020 implementation with the indication of funding and sources, where available.

The document is complemented by an overview of funding commitments from the national budgets along the three SEE 2020 flagships, as presented in the set of Economic Reform Programmes produced in early 2015 by the Western Balkans governments.

1.3. Context and Rationale

The Programming of the SEE 2020 implementation is firmly anchored in the priorities and measures defined in the SEE 2020 Strategy. The implementation of this ambitious agenda will continue to rely on the political commitments, socio-economic developments in the economies concerned (and the

EU), maturity of regional cooperation in different policy areas and the funding realities. This context in which the SEE 2020 programming takes place has in some aspects changed substantially since the adoption of the Strategy in November 2013.

Political developments

Politically, key elements of the Strategy such as transport, energy and trade facilitation have secured support from the Prime Ministers of Western Balkan economies and several EU Member States through the Berlin Process launched in August 2014 and the subsequent follow-up by Ministers under the Western Balkan 6 initiative. The Vienna Summit held during August 2015 provided a further boost with an agreement on a regional core transport network in line with EU recommendations and extending the EU transport corridors to the Western Balkans. Agreement on priority transport projects along these corridors as well as those in the energy sector facilitating integration of power systems were coupled with a funding commitment on the EU side. Furthermore, an agreement was also reached on accompanying measures to open markets and remove barriers. If implemented in full, this enhanced connectivity agenda will result in improved infrastructure, a better business climate and a more integrated regional market with stronger links with the EU – all part of the SEE 2020 agenda.

The EU's enlargement package of October 2014 heralded a move away from a heavy focus on *acquis* transposition and a greater emphasis on fundamentals such as rule of law, economic governance, and public administration reform. The approach to accession that has emerged since has placed a strong focus on ensuring the economic viability and securing long-term socio-economic growth through the sustainable implementation of EU compliant policies and regulations. This year's enlargement package further reinforced this focus on fundamentals. This policy shift is fully in line with SEE 2020's holistic integrated approach across the 5 pillars as illustrated also in the clear link between the Economic Reform Programmes (ERPs) and the SEE 2020 measures and targets. These programmes are envisioned to systemise and prioritize reforms, ensuring policy coherence and allocation of adequate resources towards the implementation of needed reforms. Given the alignment of SEE 2020 with the economic governance priorities, the SEE 2020 Governing Board at its meeting on 21 May 2015 endorsed the proposal to substitute the SEE 2020 National Action Plans with the ERPs as the main tool for implementation of SEE 2020 priorities in the national context.

Socio-economic situation

In terms of economic development and growth, the region as aggregate has continued to stagnate over the past year. Although the regional average growth rate in 2014 was zero per cent, there were notable differences between the economies. While Croatia and Serbia, as the largest economies in the region, recorded negative growth of -0.6 and -2 per cent respectively[1], the rest of the region fared somewhat better with Kosovo* and The Former Yugoslav Republic of Macedonia, leading the pack with growth rates of 5 and 3.5 percent respectively. Bosnia and Herzegovina, Albania and Montenegro were in the middle of the group with growth rates varying between 0.5 and 1.5 per cent. Last year's floods had additionally depressed the economies, particularly in Bosnia and Herzegovina and Serbia, causing devastating damage from which it will take time to fully recover.

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[1] Eurostat, National Statistical Offices, 2015
*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.

Looking forward, the growth forecasts remain cautious, with a growing consensus between different institutions that the 2020 targets could be reached only by making more radical changes in the economies and wider societies.

Regional cooperation

Maturity of regional cooperation in several policy dimensions has been a strong determinant of implementation success. In those dimensions where multilateral cooperation is based on a clear mandate coordinated by well-resourced regional mechanisms with adequate governance structures (those able to secure political commitments and track progress being made), the implementation of SEE 2020 has moved in a satisfactory pace. Good examples of this are transport, energy and trade. RCC continues to provide technical and administrative support in several dimensions to ensure that the momentum of designing and implementing SEE 2020 related work programmes is maintained. New developments in this area include the formal establishment of the regional R&D centre for innovation (WISE) and the Education Reform Initiative for South East Europe (ERI SEE) that are expected to become fully operational during early 2016.

Availability and allocation of funding

The availability of adequate financial resources to prepare and implement the regional actions is a significant constraint on the implementation of the Strategy. The EU's IPA remains one of the most important sources of funding for policy development assistance and capacity building in all of the SEE economies. It is particularly relevant for SEE 2020 as it has the capacity to finance regional programmes as well as national ones. However, with the recent developments in the neighbourhood area and the EU migration crisis, the funding priorities have been changing rapidly throughout 2015, leaving less available resources for the implementation of growth and competitiveness-related actions in the Western Balkans.

One important exception to this has been the 'connectivity agenda' where sizeable allocations were made by the EU during 2015 to contribute towards closer transport and energy integration of the Western Balkans. While a stronger focus on fewer sectors with sound political backing is bound to generate enhanced impact, the shift has also depleted potential resources for other part of the SEE 2020 agenda. This shift is also evident at the national level as reflected in the ERPs produced during 2015, where a large majority of resources has been allocated to the sectors covered by the so called "connectivity agenda"[2].

EU programmes that are open to enlargement region are another possible source of funding for some of the actions proposed in this document. However, several of the EU programmes limit the amount of funding that is made available for the enlargement region and/or the SEE institutions do not have the technical, managerial or financial capacity to meet the eligibility criteria.

Finally, the bilateral donors have a significant role to play. The GIZ Open Regional Funds for Trade, Energy Efficiency, Municipal Development and Legal Reform and USAID's Regional Economic Growth project are good examples of 3rd party financed programmes relevant for SEE 2020 and similar initiatives from other development partners would be welcome. These and other donor-funded

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[2] See Annex: Overview of Economic Reform Programmes

initiatives are also included in the programme of action (section 5 in this document) to provide a consolidated view of SEE 2020 implementation at the regional level.

To further utilize this potential, RCC has initiated coordination with the donors during 2015, with the objective of establishing an on-going structured dialogue with the development partners as part of the annual programming exercise. The scope of this coordination would be limited to regional donor interventions, and would be structured along the lines of SEE 2020 implementation. The next meeting of donor coordination is scheduled for the first quarter of 2016, as a regular component of the programming cycle.

1.4. Approach and methodology

The most important consideration when programming the actions has been the national context and the priorities outlined in the Economic Reform Programmes (ERPs). The introduction of the economic governance pillar of the EU enlargement strategy and the ERP as its main instrument has enabled an enhanced overview and better understanding of national priorities and the measures stemming from these priorities. Based on the decision of the SEE 2020 Governing Board, the National Action Plans for SEE 2020 implementation originally envisioned in the Strategy, have been replaced with ERPs as the main reference documents for SEE 2020 implementation. The ERPs, along with the ECOFIN Council conclusions of May 2015 outlining the priorities for the Western Balkans economies, have thus served as a basis when checking the coherence of regional approaches with the needs and priorities identified at the national level.

When programming the activities to be implemented over the next three year period, RCC and its regional dimension coordinators have taken an approach consistent with their mandate which limits the scope of planned interventions to those implemented at the regional level. The actions presented in the document have thus been consulted within the appropriate structures of regional organizations and initiatives participating in SEE 2020 implementation.

In planning the indicated resources for regional actions, several assumptions were used. The multi-annual aspect of the programme document requires planning of resources beyond the current budgetary frameworks. Thus, many of the funding allocations indicated in the document will need to receive subsequent approvals of the respective governing bodies of regional organizations. Furthermore, in instances where it was impossible to indicate actual funding requirements, an approximation was used based on the previous experience in similar interventions.

During the programming process, a number of actions were proposed by the regional dimension coordinators and their structures, national authorities, international organizations and implementing agencies. In reviewing the regional actions submitted, the RCC has applied the criteria established by the Programming Committee, namely:

- Relevance – Does the proposed action have clear correlation with the SEE 2020 target(s) and priorities, and does it contribute to the implementation of its measures? Does the action help beneficiaries achieve reforms outlined in the ERPs or other national reform priorities?
- Integration – Does the action cut across different policy areas? How many regional structures are involved? Involvement of other implementing agencies?

- Sustainability and impact – What is the potential impact of the action and how sustainable are the results? How feasible is the action and is it cost-effective in regards to the expected result?
- Complementarity – Is the proposed action complementary with other programmes funded through national and/or external sources?

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

2. FLAGSHIP INITIATIVES FOR SEE 2020 IMPLEMENTATION

South East Europe 2020 Strategy relies on five main growth pillars – integrated, smart, sustainable, inclusive growth, underpinned by good governance - and 16 policy dimensions as areas of intervention grouped under these pillars. Integrating activities of various actors represents one of the main challenges of effective coordination of the SEE 2020 process. The implementation of SEE 2020 Strategy requires a focused effort by a number of different stakeholders at the national and regional level. To ensure a coordinated approach, several broad themes have been put in place to help merge the implementation efforts of different stakeholders towards a single set of objectives. These themes – or flagship initiatives – represent joint endeavours by several regional organizations and/or implementers as partners executing mutually reinforcing activities towards the same SEE 2020 goal. The flagship initiatives should enable and incentivise different regional structures and national institutions to design interventions that will allow for a wider-ranging impact across several dimensions and policy areas.

Furthermore, the flagship initiatives should address some of the main areas of constraint identified during the preparation of SEE 2020 (e.g. limited capacity in the public and private sector), or attempt to put forward regional engines to boost growth and create jobs (e.g. increased access to finance for the private sector).

Finally, the flagship initiatives will enable RCC to engage in effective and meaningful coordination of the SEE 2020 process, beyond simply convening different groups of stakeholders and channelling information between and within regional and national levels. The actions to be developed under these flagships would require close coordination between the RDCs at every step of the way – from the conceptual stage through to their implementation and monitoring. A structured process set-up with the National IPA Coordinators (NIPACs) and National SEE 2020 Coordinators to enable programming where national representatives would be invited to review and agree on the actions proposed under the flagships, both at the conceptual as well as mature stage of development.

Based on the measures and policy recommendations contained in the SEE 2020 Strategy, as well as the priorities noted under the national strategic frameworks, RCC has put forward the following flagship initiatives, endorsed by the Governing Board, as main areas of intervention under the SEE 2020 framework:

- Skills and Mobility – This flagship initiative will be directed at addressing some of the main constraints identified during the development of the SEE 2020 Strategy – namely underdeveloped skills base and severely restricted mobility in the region. The flagship will directly contribute to the SEE 2020 headline target of increasing the number of highly qualified persons by 300,000 by 2020. The actions under this flagship will contribute to development of a

competitive skills base in the region through facilitating synergies between the worlds of education and work, enhanced capacities to anticipate future skill needs and match skills and competences with the labour market needs. Furthermore, the actions will aim at creating conditions for automatic recognition of qualifications and improve mobility of workers, students, researchers and citizens in the region. Finally, the interventions under this flagship initiative should help optimize economic and social benefits of mobility across South East Europe.

- Connectivity - To widen access to markets and make the private sectors and societies at large in SEE better integrated regionally and with the EU, the region will need to make substantial upgrades in its connectivity. Poor inter-connectedness of the region's economies by road, rail, water, air and energy networks affects adversely the growth of markets. Moving goods, services, capital and people across the region depends not only on good infrastructure but also on affordable services. Connectivity is a challenge beyond just physical infrastructure – some of the highest telecoms roaming charges in Europe, for instance, hinders working across borders as well. Limited interoperability of our ICT systems presents a substantial obstacle to deploying common services. Environmental and social effects of increased connectivity need to be addressed. The interventions developed under this flagship initiative should address some of these problems and offer practical and cost-effective solutions.

- Competitiveness – Increasing competitiveness and supporting industrial development of the region is the underlying assumption of at least 8 out of 11 headline targets of the SEE 2020 Strategy. Reaching these targets will to a certain degree rely on the right trade and investment policies and industrial development strategies and measures to stimulate emergence of regional value chains and their integration into European and global value chains. However, the success will be heavily dependent on the quality of institutions, general business environment, availability of skilled workers, quality of infrastructure, etc. Interventions designed under this flagship initiative should have the regional economic integration in SEE as their main objective. This flagship should also provide a platform for the development of interventions strengthening regional approaches to trade, investment, industrial and innovation policy, coordination of policies, and enhancing the business environment.

Defined in this way, the flagships would convert a static coordination structure for SEE 2020 implementation into a dynamic platform that combines different policy mixes for attaining the SEE 2020 goals (Figure 1).

Figure 1: Integration of SEE 2020 policy dimensions along flagships
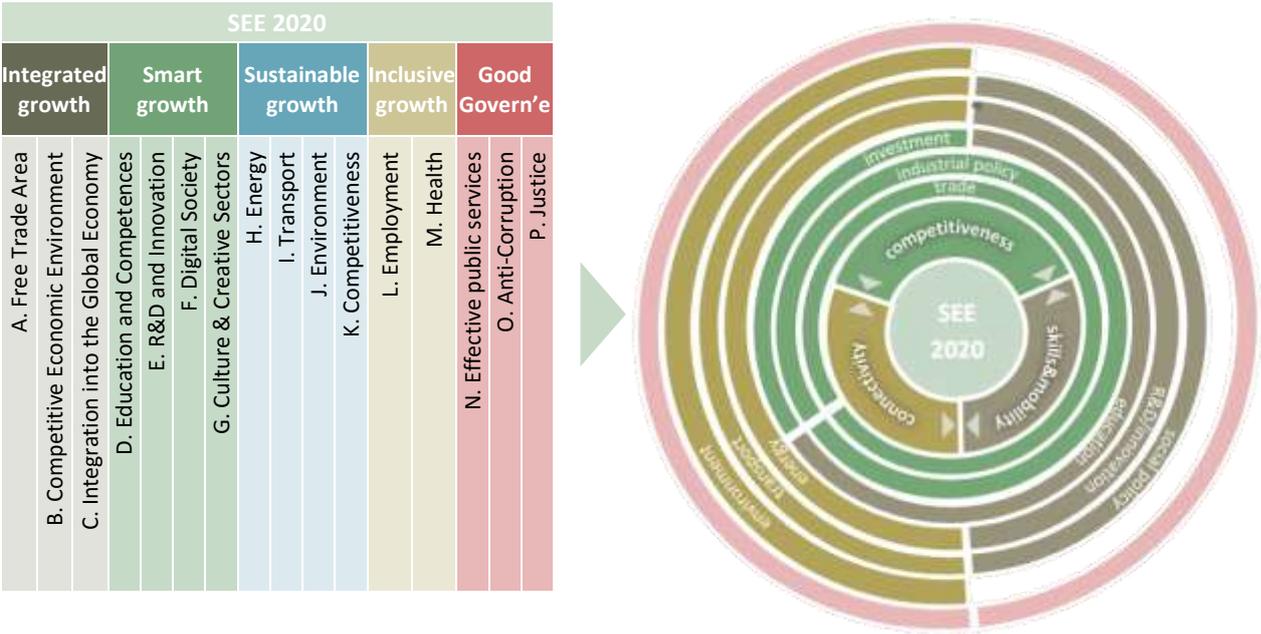
2.1. Flagship: Skills and Mobility

Flagship 'Skills and Mobility' is developed on a premise that the development of education and the improvement of labour force skills is a key factor that will underpin future economic recovery, growth of the SEE economies and the restructuring towards knowledge driven economies. The shift to a knowledge-driven economy requires careful development of education systems able to respond not only to the needs of the current ineffective labour markets, but able to create attractive, globally competitive skills base in the region. The Flagship further recognizes that the labour market supply and demand are no longer a question of an internal labour market only, but increasingly a question of external labour markets as well. As SEE remains a migratory region, mobility of people requires a more proactive management by the policy makers to mitigate or minimize the downside. Facilitating labour mobility within the region would cause a certain amount of redirection from extra-regional mobility to more intra-regional mobility and, therefore, contribute to keeping the skills base and potential workforce in the region and contribute to the attractiveness of the region.

Therefore, the Flagship proposes an innovative approach to the development of a globally competitive skills base in SEE through addressing skills formation in relation to mobility of people in the region.

To address skills formation in relation to mobility of people in a comprehensive manner education, labour market, employment, and mobility and migration policy interventions need to be carefully designed, closely monitored and well-coordinated.

Therefore, the actions proposed under this flagship will aim to contribute to building capacity to design, monitor and coordinate policy interventions in education, labour market, employment, mobility and migration policies. To do so the actions will be aimed at building the evidence base for development and coordination of policies, as data in the region remains limited, inaccessible and often incomparable across the region and with the EU; peer-learning activities and developing mechanisms for coordination, discussion and potential joint action at the regional level.

Objective of the Flagship

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

Approach to 'Skills and Mobility'

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

The challenges posed by the transition to knowledge driven economy and globalisation, have been particularly severe in the transition economies of the Western Balkans. Severe deindustrialisation joined with the recent economic crisis led to further large-scale loss of jobs in traditional industries and created more intense market changes in the region compared to other parts of Europe. Combined with limited investments in upgrading the education systems and the skills of the workforce, the skills base of the workforce has deteriorated leading to high unemployment rates, particularly of youth and mismatch of skills.

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

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

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

"Policy Mix" - Core Policies

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

Related Policies

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

Activities and Structures

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

Areas of intervention 2016 – 2020

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

<u>Building a competitive skills base in the region</u>

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

<u>Building an evidence base for development and coordination of education, labour and social affairs policies</u>

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

Implementing Structures

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

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

To coordinate the regional cooperation in the policy areas addressed by the Skills and Mobility Flagship, RCC will closely coordinate with the **Inter-governmental Social Agenda Working Group (SAWG)**, which has been the prime regional policy dialogue forum for identifying, elaborating and implementing regional actions aimed at furthering the regional labour mobility and labour market governance; **ERI SEE** through which the education policies on recognition of qualifications have been coordinated and support to the development of national qualification frameworks has been provided; **SEECEL** which has acted as the regional leader in supporting the development of entrepreneurial skills and **CEFTA** in particular its Sub-Committee on Trade in Services and its subordinate bodies, which works towards progressive liberalization and mutual opening of trade in services and touches upon one of the key issues related to facilitated service provision and facilitated regional labour mobility of skilled professionals and service providers.

Key regional coordination mechanism – **Joint Working Group on Mutual Recognition of Professional Qualifications -** has been established under the RCC auspices to facilitate increased labour mobility of professionals in the region through broadened and deepened cooperation between CEFTA Subcommittee on Trade in Services, ERISEE and SAWG. The Joint Working Group aims to create conditions for recognition of professional qualifications through conclusion of mutual recognition agreements (MRAs) in selected professions of mutual interest, enhance transparency of national and regional arrangements on recognition of professional qualifications and regional data exchange on

the mobility of professionals and future skills needs in selected professions. Establishing a regional data base which would be vital for creating evidence based policies is important task to be achieved in the coming years.

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

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

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

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

Summary of Actions proposed by RCC for the 2016-2018 period

- **Increased Mobility of Professionals in SEE.** The action will facilitate the development and negotiations of mutual recognition agreements (MRAs) in several professions of mutual interest to SEE economies. The activities will be carried out through the RCC, CEFTA and ERI SEE Joint Working Group on Mutual Recognition of Professional Qualifications operating under the RCC auspices which gathers nationally appointed representatives of Ministries responsible for trade, education and labour. In addition to facilitating mobility of professionals in SEE the activities under this action will contribute directly to the liberalisation of services negotiated under the CEFTA framework.

- **Creating preconditions for automatic recognition in SEE.** The activities under this action will facilitate the development of standards and procedures for automatic recognition of qualifications in SEE in line with the commitments made by the Ministers responsible for higher education within the Bologna process.

- **Regional Observatory on Education, Labour and Social Affairs Policies.** The Regional Observatory will broaden the evidence base and provide comparative thematic analysis needed by the national authorities to design, coordinate and monitor education, labour and mobility policies nationally and regionally. It will also serve as a depository for data, reports and analytics on the region provided by different sources and organisations. It will be

developed in close cooperation with relevant national authorities, regional and international organisations.

- **Employment and Social Affairs Platform.** In this area, RCC intends to contribute to the improvement of policy and institutional settings and outcomes in support of employment, human capital and social development. More specifically this action will aim to enhance regional cooperation and establishment of a structured regional Employment and Social Affairs Platform (ESAP) by supporting the processes for preparation, monitoring and follow up of the integrated ERPs (employment and social component) and monitoring of the current ESRPs; enhancing the capacities of the relevant administrations for improved policy reviews and policy outcomes related to the prioritized employment, human capital and social reforms. Particular focus will be placed on supporting the monitoring of the reforms outlined in the already adopted ESRP and the ESRPs in advanced drafting stage.

- Furthermore, the action encompasses strengthening the existing Public Employment Services through capacity building and peer-learning activities with a long-term view of facilitating preparations for future participation in EURES (European Employment Services Network).

2.2. Flagship: Connectivity

Well developed, interconnected and intermodal transport, energy and ICT infrastructure networks are vital to regional economic integration, competitiveness, sustainable and inclusive growth and attracting new investments. Improving connectivity within the SEE, as well as between the SEE and the European Union will help integrate and entrench the economies of the region into the European and global economies and strengthen their mutual ties.

The 2015 Vienna Summit confirmed the WB governments' political and financial commitments and EU co-financing for a list of "hard infrastructure" transport (sections of the three core network corridors) and energy (selection of most mature PECI projects) priority projects, paralleled with "soft" measures to improve management of infrastructure, trade facilitation and more open markets.

Extending the core network of transport corridors ensures closer integration of SEE with EU, as well as the basis for leveraging investments in transport infrastructure, allowing for speeding up policy and regulatory reforms and concentrating efforts and investments on key corridors and interconnectors. Enhanced connectivity in the domain of energy will lead to establishing a regional energy market and greater energy security, by facilitating integration of power systems (power interconnectors and reinforcement to the region's electricity transmission system) and to improved and diversified gas supply. Concerning telecommunications, enhanced connectivity will be fundamental for maximising the growth potential of the digital economy, supporting trade, facilitating investments and enlarging markets through its ability to facilitate information exchange, to connect people, to support delivery and better access for consumers and businesses to digital goods and services; to create the right conditions and a level playing field for digital networks and innovative services to flourish; and to reduce the cost of business and trade-related transactions.

This Flagship intends to provide results in institutional connectivity, while thematically focusing on the interlinked areas of transport, energy, ICT, trade and investment and environment/climate change. In particular, the Flagship will complement and capitalize on the optimal use of physical

infrastructure and the trade and transport facilitation processes by investigating their wider cumulative economic potentials and gains, developing the concepts of economic corridors and integrated economic networks and supporting their concrete operationalization. In this respect, the Flagship responds to the Vienna Summit conclusions, calling for RCC to coordinate development of the economic corridors concept together with CEFTA, SEETO and participating governments, and to prepare inputs for the next Summit in France.

Objective of the Flagship

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

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

Approach to 'Connectivity'

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

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

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

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

"Policy Mix"

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

Core Policies

- Transport Policy - Providing a coherent and coordinated transport policy in line with EU Transport policy aiming to ensure overall development of the TEN-T Comprehensive Network remains the highest policy-related priority, irrespective of the legal outcome of the Transport Community Treaty, whose primary goal is to prepare the SEE economies to better integrate into the common transport market. In addition, opening of the transport market, establishment of competitive, reliable and safe transport system, improving the efficiency of transport systems and enabling institutional and regulatory reforms in certain transport fields, implementation of the Railway Addendum, increasing the effectiveness of Border Crossing Procedures, addressing the non-physical barriers in transport and road safety auditing are issues of relevance to be considered under this Flagship.

- Energy Policy – Market integration, addressing both EU Member States and Contracting Parties to the Energy Community, is the central target of this Flagship's intervention. It focuses on creating an enabling environment for single market coupling and enforcing of the Regulation on Capacity Allocation and Congestion Managements, as a process of a pan European scale. Beyond legalities, SEE economies decided to establish a regional energy market by promoting sufficiently compatible market designs, setting up power exchanges and a regional balancing mechanism, while making the best use of the already existing Coordinated Auction Office. Implementing the Energy Community *acquis,* developing the regional energy market, reinforcing power interconnectors and the region's electricity transmission system are at the core of energy policy interventions.

- Electronic Communications Policy – In line with the technological progress and market requirements and fully recognizing the competitiveness, innovation and job creation potential of ICTs, the efforts under this Flagship will focus on encouraging a single market for electronic communications, enhancing ICT connectivity and interoperability and promoting integration of digital technology and digital public services.

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

Related Policies

Trade – The main emphasis will be on complementing the significant trade facilitation gains (related to simple, harmonized and standardized trade and customs processes, procedures and information flows and reduced transaction costs) which will be brought forth by the expected signature of the

Trade Facilitation Agreement, pursued within CEFTA[3]. CEFTA Trade Facilitation Agenda, as one of the key priorities of CEFTA, engages both the areas related to trade facilitation as defined by the WTO Trade Facilitation Agreement (TFA) and identification and elimination of the market access barriers.

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

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

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

Activities and Structures

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

Areas of Intervention 2016 - 2020

Adding value to the Core Transport Network
- Opening of the transport market;
- Establishment of competitive, reliable and safe transport system;
- Promoting trade facilitation, which includes supporting the implementation of the CEFTA Trade facilitation Agenda as well as supporting IT Interconnectivity for the Implementation of Additional Protocol 5 on Trade Facilitation;
- Increasing the effectiveness of Border Crossing Procedures;
- Developing viable economic corridors in SEE;
- Climate-proofing of infrastructural investments in SEE.

Promoting further development of the SEE regional energy market
- Spot Market Development;
- Cross-border Balancing;

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[3] CEFTA Parties aim to conclude the negotiations on the additional protocol on trade facilitation (i.e. framework agreement on simplification of border procedures in all clearance stages, electronic exchange of data, and mutual recognition of agreements) by mid-2016.

- Regional Capacity Allocation

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

Implementing Structures

Important actors in this process are mandated to perform specific actions; the **South East Europe Transport Observatory (SEETO)** works on fully integrating South East Europe into the European Transport market, as well as enhancing the overall performance of the transport system and the SEETO Comprehensive Network. Its long-term regional actions derived from the Berlin process include opening of the transport market and establishment of competitive, reliable and safe transport system and increasing the effectiveness of border crossing procedures. The **Energy Community** is expected to take the lead to develop the regional energy market and to help implement 'soft measures' centred at spot market development, cross-border balancing and regional capacity allocation. **Central European Free Trade Agreement (CEFTA)** works towards expanding trade in goods and services and fosters investment by means of fair, clear, stable and predictable rules. It is tasked with providing the enabling framework for the signing and implementation of an Additional Protocol 5 on trade facilitation, Additional Protocol on Trade in Services, elimination of barriers to and distortions of trade, , improve conditions to promote investment, including foreign direct investment by providing fair conditions of competition affecting foreign trade and investment, facilitating movement of experts and professionals, enhancing transparency in all the relevant rules and procedures for trade in the implementation of the Agreement. **WBIF** supports the preparation and implementation of priority infrastructure investment projects. The regional inter-Governmental **e-SEE Initiative** is expected to actively contribute to the ICT-related measures and activities. The main aim of e-SEE Initiative is to better integrate SEE countries into the global, knowledge-based economy by regionally supporting the development of Information Society. **Regional Environmental Center (REC), Global Water Partnership Mediterranean and Standing Working Group for Regional Rural Development** work towards implementing SEE 2020 goals in the environmental dimension. **United Nations Environment Programme (UNEP)**, Regional Office for Europe is active in the sector climate change and infrastructure.

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

Summary of Actions proposed by RCC for the 2016-2018 period

RCC's focus in the upcoming three year period will be predominantly placed on developing viable economic corridors in SEE and facilitating the process of reducing the roaming charges.

- **Development of economic corridors in SEE**. As the development of viable economic corridors in SEE carries the potential of ensuring optimal use of the transport infrastructure and greater returns from improved physical connectivity and in response to Vienna Summit's Conclusions[4], RCC will firstly commission a study on developing the economic corridor concept for SEE. The study is expected to investigate the prospects of a phased corridor development strategy, with initial emphasis on physical connectivity, followed by transport and trade facilitation, and eventual economic corridor development. In this respect, it will entail a situation analysis, i.e., a spatial social and economic analysis of each corridor and its immediate surroundings (e.g. survey/inventory of economic agents and dynamics; overview of logistics and freight forwarding capacities and opportunities/hub potentials of key economic corridors; mapping of economic potentials, assets and industrial structures; trade and export composition; production, processing, market access, export capacities; assessment of agglomeration of industries, industrial inter-linkages; assessment of opportunities for enhanced cross border links in production, processing, marketing, etc.) all along the territory of the three core network corridors. The findings of the study will also identify policy instruments (e.g. cross-border economic zones, industrial parks, regional clusters, etc.) for operationalization of the economic corridor concept. RCC will involve and utilize the institutional platforms/working groups on investments, trade and industrial policy, and will closely coordinate with SEETO and CEFTA structures, throughout the entire processes for developing and operationalizing the economic corridors concept and embedding it in the national and regional policy agendas. . In that context, CEFTA will advocate that the promotion of the regional trade and supporting the investment inflows to the region should be made in an inclusive manner in elaborating the selectivity criteria for support measures to the development of economic corridors. Thus, CEFTA will offer application of both trade facilitation and liberalisation of trade in services related measures at equal level to the measures to be accounted for the development of economic corridors.

- **Reduction of roaming charges in the Western Balkans**. In an effort to contribute to improved ICT connectivity and sustainable policies on roaming services, strengthen the legal basis and potentially extend the geographic scope of the regional agreement on reduction of roaming charges, and in response to the mandate entrusted to RCC e-SEE Initiative Ministerial Conference[5], RCC will concentrate its efforts on improving the pre-conditions for the long term, viable and marked-based implementation of the roaming policies and the Regional Roaming Agreement. In this respect, RCC's contribution will be focused on establishing and facilitating inclusive regional roaming policy dialogue frameworks to steer the process of furthering the current roaming agreement, improving the legislative and policy frameworks that underpin the agreement and delivering analysis to contribute to informed policy making and definition of future steps, along with a roaming roadmap. In particular, RCC will develop a legal, institutional and policy analysis of the roaming services' policies in the WB region, as well as a market impact study on the effects and prospects of the current Regional Roaming Agreement and its future sustainable application. In line with

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[4] Conclusion No 28: 28. Growth: The Western Balkan countries will work to complement the trade and transport facilitation with other instruments such as special economic zones - cross border economic zones, export processing zones, and industrial parks. This will foster further development of regional value chains called for in the Berlin Conference. The Western Balkan countries task the RCC to coordinate development of the economic corridors concept together with CEFTA, SEETO and participating governments, and prepare inputs for the next Summit in France.

[5] 30.09.2015, Przno, Montenegro

the studies' outcomes and recommendations, RCC will facilitate and support the subsequent regional policy coordination and negotiation process and will establish an inclusive regional Roaming Platform (including the line ministries, regulators, operators) to steer the process, follow up the elaboration of the study and implement the agreed recommendations by 2019. In the broader ICT connectivity sphere, RCC, in partnership with the Electronic South East Europe Initiative (e-SEE), will also support concrete regional cooperation initiatives and actions aimed at intensified regional policy exchange on progress towards meeting SEE2020 Digital Society dimension objectives and EU's Digital Agenda for Europe goals, including regional programmes aimed at creating a single information space, enabling environment for cross-border e-services in SEE, enhancing interoperability, supporting broadband infrastructure development, etc.

2.3. Flagship: Competitiveness

Flagship 'Competitiveness' clearly recognizes that industrial competitiveness, innovation and entrepreneurship are the keys to SEE's economic recovery.

The starting point in conceptualizing the Flagship has been the assumption that the core determinant of competitiveness at all levels is productivity. Productivity growth on the other hand is strongly related to the capacity to innovate. Since resources are limited, the long-term growth is determined by an economy's ability to produce output through a superior and innovative combination of existing resources.

The efforts of the Flagship will therefore focus on strengthening the region's industrial base, encouraging creation and growth of enterprises, improving conditions for investment, enhancing the Region's innovation performance and increasing its share of international trade.

The Flagship's mandate is to work with the SEE governments on ways to establish the conditions that maximize SEE's attractiveness as a destination for new investment, and raise productivity through greater openness to talent, capital and innovation.

Objective of the Flagship

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

Approach to 'Competitiveness'

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

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

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

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

"Policy Mix"

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

Core Policies

- Industrial Policy – The efforts will focus on promoting regional dialogue among the SEE economies and information exchange on economic transformation and diversification as well as on effective industrial policy design. While an important objective is to improve existing and introduce new policy instruments to expand production base, the industrial policy is not limited only to manufacturing. Concepts will be developed in close coordination with the connectivity flagship to upgrade existing transport and develop the so called economic corridors while exploring the possibilities for creating regional clusters and promote establishment of special economic zones. Industrial policy structure will also address issues related to the priority sectors and those related to SME development and entrepreneurship.

- Trade Policy – The main emphasis will be on efficient implementation of CEFTA agreement involving further liberalization of trade in services, promoting trade facilitation and speeding up removal of non-tariff barriers to trade in the Region. These areas will be taken as an instrument to contribute the efforts to promote the regional trade. The Flagship coordination will seek for synergies between trade policy and the rest of the policy fields, especially with investment and industrial policy.

- Investment Policy - Regional cooperation will be fostered with the objective to improve policies conducive to FDI inflow, i.e. investment entry, protection and incentives, whilst promoting links with and impact of investment policy on the entire "policy mix". The Flagship will seek to establish a coordination mechanism for targeted investment promotion in the selected priority sectors. Promotion of investment will be used as the key message to substantiate the efforts of outreach and visibility in CEFTA. In addition, CEFTA Secretariat will focus on preparing CEFTA Investment report in coordination with UNCTAD and other

international partners. The main objective of the Report is to present the CEFTA stakeholders, investment partners and wider business audiences with relevant information on current and projected regional investment trends and to promote the region as an attractive destination for foreign direct investments.

- SME and Enterprise Development Policy – The Flagship will support regional dialogue on improvement of SME policies, while addressing the main issues hindering development of SMEs and entrepreneurship, e.g. enhancing business environment, up-grading entrepreneurial culture, enabling access to finance, creating linkages with FDI and facilitating access to domestic and international markets. At the outset, the SME policy and relevant structures will be part of the industrial policy framework.

- Innovation Policy – The Flagship will aim at shaping the foundations for the development of innovative entrepreneurship, grounded on modern information and communication technologies, for advancement of creative industries. Priority actions will be synchronised with those aiming at industrial development.

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

Related Policies

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

Activities and Structures

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

Areas of intervention 2016 - 2020

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

Encouraging creation and growth of SMEs
- Supporting implementation of SBA;
- Facilitating SMEs for access to resources;
- Promoting entrepreneurial culture and entrepreneurship education;

- Improving SME performance through increased use of e-business, skill formation and international cooperation;

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

<u>Increasing share in international trade</u>
- Further facilitating trade and liberalising trade in services within CEFTA;
- Promoting implementation of WTO and PEM Convention;
- In a permanent regional dialogue preventing obstacles to trade before they arise;
- Trade promotion by organisation of 2 Thematic Private-Public Sector Conferences/Workshops for Trade Promotion and Investment;
- Promoting internationalisation of small and medium-size business;
- Improvement of regulatory cooperation in services sectors by exploring the potentials for opening door to the plurilateral and multilateral forms of cooperation which could lead to removing of barriers and boosting regional trade;
- Developing a regional brand/product/offer of priority sectors for the global market.

<u>Improving conditions for investment</u>
- Setting reform priorities towards achieving greater harmonization and integration of investment policies;
- Developing and implementing regional investment policy reform agenda, through a regional reform dialogue and policy advocacy;
- Supporting horizontal implementation of investment policy reforms in the SEE economies;
- Improving the effectiveness of investment promotion efforts to translate investment policy reforms into increased investments on the ground;
- Enhancing reporting systems and developing dissemination platforms for investment related data with the objective to support the in depth analysis of investment policies and trends and further investment promotion.

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

Implementing Structures

<u>South East Europe Investment Committee - SEEIC</u>

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

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

All of the decisions of the SEEIC (based on proposals provided by its technical groups) are subject to endorsement of the SEEIC Ministerial forum, meeting on an annual basis and comprised out of SEE's Ministers of Economies, providing a political endorsement and commitment of the involved economies for implementation of proposed policies, measures, and activities.

Regional Partners

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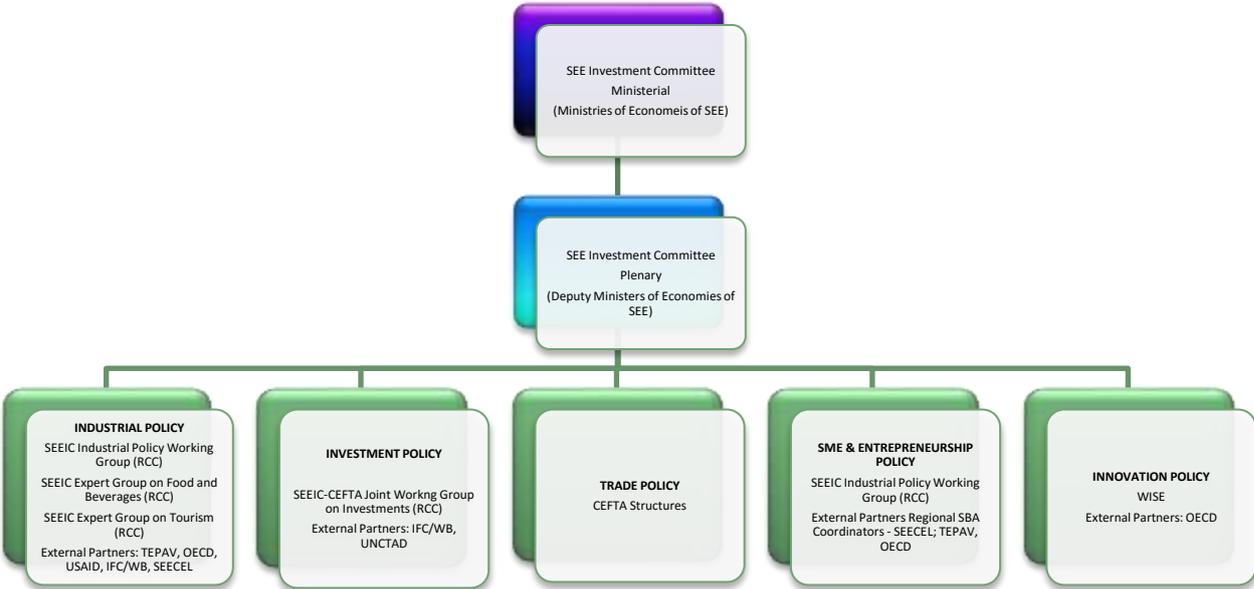
Support Structure

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

Summary of Actions proposed by RCC for the 2016-2018 period

- **Improvement of investment policies**. Focus of the RCC's activities for the upcoming three year period will be on the support to the improvement of the investment policies in the region, namely those pertaining to investor entry, protection and investment incentives schemes, anticipating to become a subject of a prospective articulate investment agreement/protocol among the economies of the region. This activity will be conducted through a regional dialogue of the involved economies and relevant international partners, backed by drafting of substantial investment reform agenda and horizontal implementation. Alongside the reforms on the macro-level, the RCC will support the investment reform activities on the micro level in the involved economies, namely on municipal level.

- **Developing the industrial base**. Furthermore, the RCC will focus on the improvement of the industrial base in the region, namely through support to the development of new and/or redesigning of existing industrial policies, and with direct support to the SEE 2020 sectors by supporting their internationalization, FDI attraction through targeted investment promotion activities, and addressing main barriers that are hindering not only the development of these sectors per se, but also creation of the regional value chains. Activities that are not in the "jurisdiction" of the RCC will be implemented by relevant SEE 2020 Regional Dimension Coordinators and/or international partner organizations. These activities are included in the flagship with the objective of seeking for relevant synergies and interdependencies in a coordinated process of programming and implementation among the involved stakeholders.

3. CROSS-CUTTING ISSUES

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

The scope and nature of these interventions makes them difficult to categorize within a single flagship, and were thus systemized as 'cross-cutting issues' in the programming process. These interventions will have a shared objective of building the necessary preconditions for successful implementation of the SEE 2020 agenda through regional approaches. As most of the policy areas covered by the cross cutting issues sit firmly within the national domain (such as public administration reform, anti-corruption, regulatory reform, judiciary, etc.) it is necessary to apply rigorous criteria in selecting only those actions that address shared national challenges within the SEE 2020 context.

Activities and Structures

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

Areas of intervention during 2016-2020

<u>Better regulation for competitiveness and growth</u>

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

<u>Increased transparency and information exchange</u>

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

Implementing Structures

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

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

4. RISKS AND CONSTRAINTS

The main risks and constraints identified during the programming process can be grouped in the following main categories:

Availability of funding

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

  Furthermore, different donor partners have varied approaches in terms of both the geographic scope of their interventions and the timing of programming and contracting cycles, thus requiring additional flexibility in blending various sources of funding. This is particularly important in those areas where funding is secured, but will not become available in the short-

term, leaving considerable gaps to be bridged by short term preparatory interventions financed either through the RCC's budget, budgets of partner RDCs, or those donors able to mobilize in a shorter time-frame.

Commitment of the governments

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

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

Coordination and consultation

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

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

5. PROGRAMME OF ACTION FOR THE PERIOD 2016-2018 WITH INDICATED FUNDING

Area of intervention/Action	Implementing/ coordinating structure	2016	2017-2018
Skills and Mobility			

Area of intervention/Action	Implementing/ coordinating structure	2016	2017-2018
1. Increased labour mobility in the region			
1.1. Removal of obstacle**s** to (short-term) mobility of professionals in the region	RCC	60,000	250,000
1.2. Mobility of Health professionals	RCC	9,000	25,000
1.3. Creating preconditions for automatic recognition of qualifications	ERI SEE	45,000	1,000,000
1.4. Mobility of high skilled labour (PhD, researchers and academics)	RCC	60,000	120,000
2. Building a competitive skills base in the region			
2.1. Employment and Social Affairs Platform	RCC	500,000	1,000,000
2.2. Strengthening the VET system for Employment through system of work based learning	ERI SEE	30,000	60,000
2.3. Support to candidate countries in achieving the medium term deliverables agreed in Riga, June 2015.	ETF	TBC[6]	TBC
2.4. Graduate employability in SEE	WB PET	N/A	N/A
2.5. Build entrepreneurial skills in SEE[7]	SEECEL	1,500,000	4,000,000
2.6. Coordination platform of regional actors in Education (RCC, ETF, ERI SEE, DG EAC, DG EMPL, DG NEAR)	RCC	5,000	10,000
Connectivity			
1. Adding value to the Core Transport Network			
1. Opening of the transport market			
1.1. Implementation of rail reform strategy	SEETO	110,000	N/A
2. Establishment of competitive, reliable and safe transport system			
2.1. Improvement of road safety	SEETO	125,000	N/A
2.2. Trade and Transport Facilitation	SEETO	20,000[8]	N/A
2.3. Intelligent Transport System (ITS) deployment on the Core Network	SEETO (CONNECTA)	1.000.000[9]	N/A
2.4. Establishment of functioning maintenance system ensuring no section in poor/very poor condition by 2020	SEETO	1,000,000[10]	N/A

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[6] The Working Plan and the budget for 2016 of ETF is to be adopted at the ETF Governing Board meeting on the 24th November 2015.

[7] The funding covers the period of 2017-19. Part of this budget is allocated to encouraging creation and growth of SMEs.

[8] Support to meetings of Transport Facilitation Working Group only

[9] Part of the overall total 1,000,000 budget for SEETO from CONNECTA, available from April 16

[10] Part of the overall total 1,000,000 budget for SEETO from CONNECTA, available from April 16

Area of intervention/Action	Implementing/ coordinating structure	2016	2017-2018
	(CONNECTA)		
3. Promoting trade facilitation			
3.1. Support to facilitation of trade	CEFTA	3,000,000[11]	
3.2. Project on National Committees of Trade Facilitation (USAID/IFC)	CEFTA	300,000[12]	
3.3. Maintenance+	CEFTA	700,000[13]	
3.4. SEED+	CEFTA		5,000,000[14]
4. Increasing the effectiveness of Border Crossing Procedures			
4.1. Effective Border Crossing Agreements	SEETO/CEFTA (CONNECTA)	1,000,000[15]	N/A
4.2. Implementation of Integrated Border Management (IBM) strategy	CEFTA/SEETO	N/A	N/A
5. Developing viable economic corridors in SEE			
5.1. Developing economic corridors	RCC/SEETO/CEFTA	300,000	2,500,000
5.2. Climate-proofing of infrastructural investments in SEE	RCC/UNEP	1,000,000	3,000,000
6. Promoting further development of the SEE regional energy market			
6.1. Awareness raising for energy efficiency	ECS		6.000.000
6.2. Spot Market Development	ECS (CONNECTA[16])		2,400,000
6.3. Cross-border Balancing	ECS (CONNECTA[17])		1.250.000
6.4. Regional Capacity Allocation	ECS (CONNECTA[18])		500.000

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[11] Implementation period for this action is 2016-2018.

[12] Implementation period for this action is 2016-2017.

[13] Implementation period for this action is 2016-2018.

[14] Implementation period for this action is 2018-2020.

[15] Part of the overall total 1,000,000 budget for SEETO from CONNECTA, available from April 16

[16] 1,000,000 Grant Agreement with ESC from CONNECTA will be dedicated to financing the regional energy market measures, available as of Q1 2016. The direct grant from EC will be utilized to address the needs for further development of the SEE regional energy market, with additional allocations being secured from national sources.

[17] 1,000,000 Grant Agreement with ESC from CONNECTA will be dedicated to financing the regional energy market measures, available as of Q1 2016. The direct grant from EC will be utilized to address the needs for further development of the SEE regional energy market, with additional allocations being secured from national sources.

Area of intervention/Action	Implementing/ coordinating structure	2016	2017-2018
6.5. Cross-cutting measures	ECS (CONNECTA[19])		600.000
7. Bringing the single electronic space to SEE by supporting further reforms in the field of roaming			
7.1. Market impact assessment study on the effects and future prospects of the regional roaming agreement	RCC/E-SEE	100,000	150,000
7.2. Establishing and operationalizing an inclusive Roaming Platform	RCC/E-SEE	50,000	100,000
Competitiveness			
1. Strengthening industrial base			
1.1. Regional Industrial Policy Harmonization and Sectoral Dialogue	RCC	85,000	160,000
1.2. Industrial policy analysis and establishment of the regional observatory on the state of industrial policy in the region	OECD[20]	TBC	TBC
1.3. Development of regional industrial development instruments	RCC	60,000	
2. Encouraging creation and growth of SMEs			
2.1. SME Policy Index	OECD	TBC	TBC
2.2. Supporting development of best policy practices in women entrepreneurship in line with the SBA	SEECEL	3,000,000[21]	
3. Supporting strategic sectors			
3.1. Regional Sectoral Activity Mapping (SEE 2020 Priority Sectors)	RCC	30,000	
3.2. Policy recommendations, action plans, and pilot projects to foster sectoral competitiveness	OECD	TBC	TBC
3.3. Addressing market access barriers in selected supply chains	CEFTA	500,000	
3.4. Investment promotion efforts in specific regional value chains (one of SEE 2020 priority sectors)[22]	RCC/WB		500,000

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[18] 1,000,000 Grant Agreement with ESC from CONNECTA will be dedicated to financing the regional energy market measures, available as of Q1 2016. The direct grant from EC will be utilized to address the needs for further development of the SEE regional energy market, with additional allocations being secured from national sources.

[19] 1,000,000 Grant Agreement with ESC from CONNECTA will be dedicated to financing the regional energy market measures, available as of Q1 2016. The direct grant from EC will be utilized to address the needs for further development of the SEE regional energy market, with additional allocations being secured from national sources.

[20] OECD financing agreement with the European Commission is yet to be concluded

[21] SEECEL has a 3-year programme cycle so the indicated budget covers years 2016-2018

[22] Action under discussion for potential funding through MB IPA 2016

Area of intervention/Action	Implementing/ coordinating structure	2016	2017-2018
3.5. Promotion of business and trade in priority sectors	RCC	70,000	100,000
3.6. Tourism Joint Regional Offer with relevant economic and policy implications	RCC		3,000,000
3.7. Food and beverages processing industry	RCC	7,000	3,000,000
4. Increasing share in international trade[23]			
4.1. Capacity building	CEFTA	432,000	1,100,000
4.2. Market access analysis	CEFTA		200,000
4.3. Liberalisation of trade in services	CEFTA	100,000	
4.4. Trade promotion	CEFTA	80,000	
4.5. Creating CEFTA Finance Facility for SMEs to Promote Regional Trade	CEFTA		10,000,000
4.6. Establishment of Business Centres for Trade in CEFTA Parties	CEFTA		3,000,000
4.7. Improvement of regulatory cooperation in services sectors	CEFTA		150,000
4.8. Transparency		250,000	250,000
5. Improving conditions for investment			
5.1. Regional Investment Policy Review (Benchmark Analysis)	RCC	100,000	100,000
5.2. Regional Dialogue on Improving Conditions for Investments and Investment Promotion	RCC	122,000	250,000
5.3. Development and implementation of a regional investment policy reform agenda[24]	RCC/WB		2,000,000
5.4. Business-friendly certification services and e-building permit system	RCC/GIZ		7,000,000
5.5. Investment related statistics	CEFTA	50,000	50,000
6. Enhancing Innovation Performance			
6.1. Aligning the regional R&D and innovation priorities with those of the industrial development and priority sectors	RCC/WISE	25,000	N/A
Cross cutting issues			
1. Better regulation for competitiveness and growth			
1.1. RIA – Competitiveness proofing of legislation	RCC/ReSPA	50,000	72,000
2. Increased transparency and information exchange			
2.1. Regional Observatory on economic policies	RCC	100,000	750,000
2.2. Introduction of E-services in support to increased	RCC/ReSPA	N/A	300.000

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[23] Majority of action under this area of intervention involve also Trade Facilitation constituting part of the Connectivity Flagship.
[24] Action under discussion for potential funding through MB IPA 2016

Area of intervention/Action	Implementing/ coordinating structure	2016	2017-2018
transparency and better services to the citizens and business			
2.3. Decentralization observatory	RCC/NALAS	48,000	70,000
2.4. Awareness raising on corruption (whistle-blowers protection)	RCC/RAI	25,000	75,000
2.5. Institutionalising dialogue with private sector in CEFTA	CEFTA		308,000

■ Allocated, with existing funds

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

■ Forecasted, no funding secure

ANNEX: OVERVIEW OF ALLOCATIONS IN THE ECONOMIC REFORM PROGRAMMES ALONG THE FLAGSHIP INITIATIVES[25]

The brief analysis presented herein allows comparisons of sectoral and financial overview of structural priority measures identified in the pilot ERPs in relation to SEE2020 flagships, aggregates and per each economy. Budget estimations are calculated using the conservative approach, implying that the budgetary allocations are not 100% accurate as the financial information provided in the ERPs was not consistent and uniform. Nevertheless, they are still indicative of the general trends and enable comparison.

Aggregate overview of ERP budget allocations per flagship and SEE 2020 dimension (in EUR)

Competitiveness Flagship	Budgetary implications/ (2015-2017)	% of total	% of sub-total
Dimension A - Free Trade Area	1,291,250.00		2,6
Dimension B - Competitive Economic Environment	502.000,00		0,2
Dimension C - Integration into Global Economy	2.724.000,00		1,0
Dimension K - Competitiveness	254.345.750,00		96,2
Sub-Total	**258.863.000,00**	**5,76**	**100,0**
Connectivity Flagship			
Dimension H - Energy	771.073.702,00		18,4
Dimension I - Transport	3.333.293.966,00		79,7
Dimension J - Environment	72.558.018,00		1,7
Dimension A - Free Trade Area	5.837.000,00		0,1
Sub-Total	**4.182.762.686,00**	**93,07**	**100,0**
Skills and Mobility Flagship			
Dimension L - Employment	20.000.000,00		38,0
Dimension D - Education and Competences	22.862.570,00		43,5
Dimension E - R&D and Innovation	8.740.000,00		16,6
Dimension F - Digital Society	1.000.000,00		1,9
Sub-total	**52.602.570,00**	**1,17**	**100,0**
Total	**4.494.228.256,00**	**100**	

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[25] Bosnia and Herzegovina did not provide the budgets per each of the ERP measure

Skills and Mobility Flagship – Overview of ERP budget allocations per each Western Balkans Economy (in EUR)

Human Capital	Montenegro	The Former Yugoslav Republic of Macedonia	Albania	Kosovo*	Serbia	Region
Dimension L	20.000.000					**20.000.000**
Dimension D		10.483.000	4.773.570	2.300.000	5.306.000	**22.862.570**
Dimension E				8.000.000	740.000	**8.740.000**
Dimension F			1.000.000			**1.000.000**
					TOTAL Flagship Skills and Mobility	**52.602.570**

Dimension L – Employment; Dimension D – Education and Competences; Dimension E – R&D and Innovation; Dimension F – Digital Society

Connectivity Flagship – Overview of ERP budget allocations per each Western Balkans Economy (in EUR)

Physical capital	Montenegro	The Former Yugoslav Republic of Macedonia	Albania	Kosovo*	Serbia	Region
Dimension H	105.000.000	55.650.000	551.923.702	58.500.000	/	**771.073.702**
Dimension I	821.602.000	1.466.441.966	216.650.000	828.600.000		**3.333.293.966**
Dimension J	34.300.000		3.258.018	35.000.000		**72.558.018**
Trade Integration						
Dimension A		5.837.000				**5.837.000**
					TOTAL Flagship Connectivity	**4.182.762.686**

Dimension H – Energy; Dimension I – Transport; Dimension J – Environment; Dimension A – Free Trade

Competitiveness Flagship – Overview of ERP budget allocations per each Western Balkans Economy (in EUR)

Better Industrial Structures	Montenegro	The Former Yugoslav Republic of Macedonia	Albania	Kosovo*	Serbia	Region
Dimension B						**/**
Dimension K	168.435.000	10.219.750	36.670.000	17.280.000	15.150.000	**247.754.750**
Good Business Environment						
Dimension B			502.000			**502.000**
Dimension C		1.060.000				**1.060.000**
Dimension K		3.791.000				**3.791.000**
Trade Integration						
Dimension A		341.250 EUR	950.000			**1.291.250**
Dimension C	280.000		1.384.000			**1.664.000**
Dimension K	2.800.000					**2.800.000**
					TOTAL Flagship Competitiveness	**258.863.000**

Dimension A – Free Trade Area; Dimension B - Competitive Economic Environment; Dimension C – Integration into Global Economy; Dimension K - Competitiveness

Competitiveness Flagship	
Dimension A	**1.291.250**
Dimension B	**502.000**
Dimension C	**2.724.000**
Dimension K	**254.345.750**
Total	**258.863.000**