

Project Identification fiche – IPA National programmes / Component I

1 IDENTIFICATION

Project Title	Next Generation Competitiveness project
MIPD Sector Code	3. Private Sector Development
Indicative total cost (VAT excluded)¹	EUR 5.000.000
Indicative EU contribution	EUR 4.900.000
Management mode	Joint management
Implementation management	OECD in joint management with the European Commission
Implementing modality	Stand alone project
Zone benefiting from the action(s)	Western Balkans: Albania, Bosnia and Herzegovina, Croatia, Former Yugoslav Republic of Macedonia, Montenegro, Serbia as well as Kosovo*

2 RATIONALE

2.1 SUMMARY

The Next Generation Competitiveness project in the Western Balkans (NGC) is a follow-up project to the Regional Competitiveness Initiative (RCI) 2010 – 2012 funded under IPA and the Sector Specific Sources of Competitiveness (SSSC) project 2008-2010. The NGC will assist the beneficiaries to meet their commitments contained in the South East Europe (SEE) 2020 Vision (see annex 2) by addressing the lack of a competitive and innovative private sector in the Western Balkans.

Main objectives:

- Strengthen the competitiveness of key economic sectors in the Western Balkans; and
- Monitor, evaluate and assess the policy reforms and institutional settings which are necessary for meeting the commitments contained in the SEE 2020 Vision.

Expected results:

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

¹ The total project cost should be net of VAT and/or of other taxes. Should this not be the case, clearly indicate the amount of VAT and the reasons why it is considered eligible.

- Measurement of overall progress in achieving SEE 2020 commitments and identification of actions required to meet those commitments (at both regional and national level).
- Identification of economic sectors and sub-sectors with the most potential to contribute to the achievement of the SEE 2020 Vision's goals;
- Assessment of key barriers to investment in these priority economic sectors and definition of actions required to remove these impediments to growth and competitiveness; and
- Launch and implementation of capacity building pilot projects in each identified economic sector to remove barriers to growth;

2.2 LINK WITH MIPD AND NATIONAL SECTOR STRATEGIES

The NGC project will address the MIPD priority:

“Help Beneficiaries overcome the economic and financial crisis and prepare for sound recovery by jointly working on increasing competitiveness and investments in infrastructure.”²

The specific MIPD sector that the project addresses is 3.4 Private Sector Development. The results of the SEE 2020 monitoring and benchmarking process will support DG Enlargement in identifying priorities for IPA and monitoring the progress of reforms.

The NGC project directly supports the objectives of the MIPD by addressing structural economic problems such as a lack of private sector innovation and pervasive skills gaps. The NGC will focus its interventions in three specific economic sectors deemed to possess comparative advantages vis-à-vis EU members and other international actors and where regional value chains exist. By supporting the implementation of the SEE 2020 Vision, which is directly inspired by the Europe 2020 agenda, the NGC project will assist the beneficiaries to implement reforms in order to take on the obligations of eventual EU membership.

The NGC complements the sector strategies included in National Development Plans and National Plans for the Adoption of the Acquis. For example, several National Development Plans target the agrifood and tourism sectors as strategic sectors where policy support is being directed.³

2.3 LINK WITH ACCESSION PARTNERSHIP (AP) / EUROPEAN PARTNERSHIP (EP) / STABILISATION AND ASSOCIATION AGREEMENTS (SAA) / ANNUAL PROGRESS REPORT

The NGC will address the following Annual Progress Report priorities: Chapter 1 - Free movement of goods; Chapter 2 - Freedom of movement for workers; Chapter 3 - Right of establishment and freedom to provide services; Chapter 4 - Free movement of capital; Chapter 7 - Intellectual property law; Chapter 8 - Competition Policy; Chapter 16 – Taxation; Chapter

² Instrument for Pre-Accession Assistance (IPA), Multi-Annual Indicative Planning Document 2011-2013, Multi-Beneficiary, Section 2.6. Selected priorities for EU assistance, fifth bullet point, pg. 13

³ Without prejudice to the final selection of sectors by the beneficiaries, these sectors could be the ones covered by the NGC provided they prove to possess a comparative advantage and contain a regional value-chain.

19 - Social Policy and employment; Chapter 20 - Enterprise and industrial policy; and Chapter 25 - Science and research.

The NGC contributes to national plans and EU integration by establishing three regional industry working groups. The groups will be inspired by the structure of EU industry working groups under the auspices of DG Enterprise.⁴

2.4 PROBLEM ANALYSIS

The recent economic crisis exposed several structural weaknesses in the Western Balkans including poor business innovation and pervasive skills gaps. To address these weaknesses and help the Western Balkan beneficiaries raise productivity, the NGC project will provide capacity building support in the form of pilot projects to remove specific barriers to growth in three economic sectors deemed to contain cross-border value chains and linkages to the EU. The NGC project will also develop a tailored monitoring framework using a mix of quantitative and qualitative indicators to assess where the Western Balkan beneficiaries stand in relation to the commitments made in the SEE 2020 Vision. Following this assessment phase, the NGC project will define reform priorities and specific recommendations which the Western Balkan beneficiaries should implement in order to meet commitments made in the SEE 2020 Vision.

2.5 COMPLEMENTARITY OF THE PROJECT

The NGC will complement EU-funded work in the area of regional value-chain identification by the CEFTA Secretariat. The NGC will benefit from projects of the European Training Foundation (ETF) and the South East Europe Centre for Entrepreneurial Learning (SEECCEL) for skills needs assessment. For instance, the analytical results from the CEFTA value-chain analysis will provide guidance on where trans-national business linkages in the Western Balkans exist. The main project steering committee for the NGC will be the RCI Steering Committee.⁵ Consultation will also be made with DG Enlargement's Private Sector Programming Group to avoid duplication of actions.

2.6 LESSONS LEARNED

Relevant lessons learned from previous projects include the importance of high-level political commitment, local ownership and the development of tailored development tools. In addition, a strong focus on the regional aspect is needed in the design phase. The lessons learned from previous evaluations will be specifically reflected in the structures established to implement this project. The OECD will rely on the composition of RCI Steering Committee to ensure continuity with previous actions and will encourage greater participation from women.

⁴ See: http://ec.europa.eu/enterprise/sectors/automotive/working-groups/index_en.htm as an example of the automotive industry group. Where appropriate, the NGC will seek inspiration from other EU instruments and actions such as the EU Small Business Act, the Competitiveness and Innovation Framework Programme (CIP), and PRO-INNO.

⁵ The RCI Steering Committee is comprised of the beneficiaries, EC, OECD and RCC. Representatives from ETF, SEECCEL, CEFTA Secretariat, and the Business Advisory Council for South East Europe also attend meetings.

2.7 STAKEHOLDERS ANALYSIS

The primary stakeholders are civil servants in such ministries responsible for economic affairs; officials of universities and research facilities; and representatives of business organisations. The OECD has consulted the RCI Working Group on Innovation (on 9-10 June 2011) and the RCI Steering Committee (on 13 December 2011) on the design of the NGC project. In January 2012, a specific Task Force was set up, comprising officials from four beneficiaries⁶, the RCC, the EC, ETF and the OECD to discuss the proposal again. The draft PIF was emailed to the Private Sector Programming Working Group for review on 15 February 2012.

3 DESCRIPTION

3.1 OVERALL OBJECTIVE OF THE PROJECT

The overall purpose of the NGC project is to improve the competitiveness of the Western Balkan economies by supporting the implementation of the SEE 2020 Vision.

The NGC is important for the beneficiaries as it will help remove structural barriers to growth. This is consistent with the Copenhagen Criteria which call for the development of a functioning market economy and the capacity to meet the competitive pressures of the Single Market.

The concrete public benefits which the project will bring include:

- An open, sector-based, regional network of Western Balkan businesses and government officials to promote competitiveness and sharing of best practices;
- A set of policy tools which can be transferred and applied in other economic sectors to increase their competitiveness; and
- A transparent and publically-accessible monitoring process to ensure the SEE 2020 Vision is being implemented.

3.2 SPECIFIC OBJECTIVE(S) OF THE PROJECT

The specific project objectives for the NGC include:

- Expediting the implementation of policy reforms consistent with the goals of the SEE 2020 Vision with a focus on at least three specific sectors deemed to possess comparative advantage;
- Development of a monitoring tool to track implementation of the SEE 2020 Vision on the basis of the five pillars contained within the Vision (see Annex 2);
- Implement the SEE 2020 Vision monitoring framework and prioritising policy reforms under five thematic pillars.⁷

3.3 RESULTS

⁶ Albania, Bosnia and Herzegovina, Croatia, and Serbia

⁷ I) Smart growth, II) Sustainable growth, III) Inclusive growth, IV) Integrated growth and V) Governance for growth (see Annex 2).

Expected results:

- Using the approach developed for the Investment Reform Index (IRI), the NGC will measure overall progress in achieving SEE 2020 commitments based on five thematic growth pillars (*Smart, Sustainable, Inclusive, Integrated, and Governance*) and identification of policy constraints and reform priorities;
- Based on the assessment described above, the NGC will identify specific actions, policy guidance, and recommendations under each of the five thematic pillars to support the full implementation of the SEE 2020 Vision, leading to reforms such as better intellectual property enforcement to motivate innovation or improvements in curriculum to better meet business needs. These recommendations can inform the priority-setting for IPA programming and reform progress monitoring;
- Identification of three sectors with the most potential to contribute to the SEE 2020 Vision's goals and establishment of three regional, sector-based, industry working groups modelled after the EU's industry groups;⁸
- Assessment of key barriers to investment in the three sectors noted above with an emphasis on those barriers with intra and extra regional value chains; and
- Launch and implementation of regional capacity building pilot projects in three selected sectors to remove barriers to investment and growth (e.g., a regional investment promotion project involving a network of investment promotion agencies, an initiative to improve mobility of professionals across the region to allow skill pooling, harmonisation of technical standards to reduce non-tariff barriers to trade etc.);

Performance indicators will be developed for all levels of the log frame in partnership with the beneficiaries through such structures as the RCI Steering Committee.

3.4 MAIN ACTIVITIES

SEE 2020 monitoring actions

1. Development of an assessment framework with over 150 quantitative and qualitative indicators which benchmark the degree to which Western Balkan economies have met commitments made in the SEE 2020 Vision. This would involve reviewing existing IRI indicators and where appropriate eliminating some or including new ones in areas covering innovation policy, poverty reduction and governance issues for instance.
2. Implementing the evaluation through self-assessment by beneficiary governments, assessment by private sector representatives, and independent third-party experts.
3. Organisation of reconciliation meetings in each beneficiary economy involving government representatives, the private sector and independent third party experts. The purpose of these meetings is to clarify appropriate scores for each indicator and foster dialogue between the stakeholders about the different perceptions which creates learning and opportunity for reform and improvement.

⁸ See the types of sector working groups established in the EU: http://ec.europa.eu/enterprise/sectors/automotive/working-groups/index_en.htm. Without prejudging the eventual sectors, examples of working groups could be established in sectors covering agri-food, tourism, energy, or automotive.

4. Following the reconciliation meetings, the OECD will produce a first draft assessment. This assessment will be sent to beneficiaries, EC, and other international institutions for consultation.
5. The final assessment will be released in the form of a publication to the South East Europe Investment Committee and thereafter each individual beneficiary.
6. The OECD will facilitate a consultation process in each beneficiary government to agree on where policy reforms need to be made and what steps need to be taken to support implementation.
7. The final result will be a detailed list of priority actions and policy recommendations to meet commitments in SEE 2020 at the regional and individual beneficiary level.

SEE 2020 Sector specific capacity building actions

1. Under the auspices of the RCI Steering Committee, three regional sector specific working groups will be created taking into account analysis of where regional value chains exist and the national economic interests of each beneficiary.
2. Identification of sector working group membership. Membership will comprise of at least one industry representative per beneficiary and one government official per beneficiary.
3. Each sector specific working group will identify key constraints to growth and productivity.
4. Each working group will identify one capacity building pilot project for implementation. The pilot projects will involve participation from each beneficiary and the OECD. An example of a pilot project could include implementing a skills gap analysis for one sector across the Western Balkans with a view to developing an internship scheme. Another example project could involve developing a regional investment promotion strategy for a specific sector.
5. The sector specific working groups would also facilitate the creation of a pipeline for regional projects which would exploit opportunities for greater regional co-operation.

3.5 SUSTAINABILITY

Key elements and conditions which will ensure the sustainability of the project's results:

- Use of existing regional structures like the RCI Steering Committee as the NGC's oversight body as well as the South East Europe Investment Committee for monitoring commitments made under the SEE 2020 Vision;
- A mix of public and private sector participation in the industry working groups;
- Consultation with the business community and independent experts in the Western Balkans as a means of verifying implementation of SEE 2020 commitments;
- Involvement of EC experts during the life of the project to ensure that the policy actions recommended are fully compatible with EU and other international commitments.

3.6 ASSUMPTIONS AND PRECONDITIONS

The main risks associated with the project include:

- A lack of political commitment

To mitigate this, a senior minister, such as the Minister of Economy in each beneficiary, will need to endorse the NGC project.

- Poor administrative capacity

The use of regional, sector-specific pilot projects will ensure that activities can proceed with a critical mass of beneficiaries who are able to commit the necessary resources.

- Lack of interest of the business community

The active involvement of the business community throughout the region will be encouraged from the very start.

3.7 BUDGET

The total budget for the NGC is estimated at EUR 5 million, with an EU contribution of EUR 4.9 million and the remainder to be co-financed by other donors. The beneficiaries will provide in-kind contributions in the form of staff time and provision of facilities for meetings.

4 DOCUMENTS ANNEXED TO THE PROJECT IDENTIFICATION FICHE

- *Annex 1 - Preliminary Log frame*
- *Annex 2 - SEE 2020 Vision and Action Plan*

ANNEX 1: Logical framework matrix in standard format – to be completed to the extent possible at the project identification stage

LOGFRAME PLANNING MATRIX FOR Project Fiche		Next Generation Competitiveness Initiative		
		Contracting period expires 30/11/2014		Execution period expires 30/11/2016
		Total budget	EUR 5.000.000	
		IPA budget:	EUR 4.900.000	
Overall objectives	Objectively verifiable indicators (OVI)	Sources of Verification		
To strengthen the competitiveness of key economic sectors in the Western Balkans and support the implementation of the SEE 2020 Vision.	Positive macro-economic benefits: improved trade performance (through increased export sophistication), increased government receipts from a more productive business sector, and positive developments as regards labour market outcomes (which would in turn have positive impacts on government accounts).	EC Progress Reports National Offices of Statistics National Central Banks EU Innovation scoreboard		
Specific objectives	Objectively verifiable indicators (OVI)	Sources of Verification		Assumptions
SEE 2020 Sector Specific policy reform: Expediting the implementation of policy reforms consistent with the goals of the SEE 2020 Vision with a focus on at least three specific sectors deemed to possess comparative advantage; SEE 2020 Monitoring: Development of a monitoring tool to track implementation of the SEE 2020 Vision on the basis of the five pillars	SEE 2020 Sector Specific Policy Reform: functioning regional sector-specific working groups in three sectors; new and/or adapted policy actions which support value chain development in three sectors involving all beneficiaries; identification of synergies at regional level and policy recommendations to expedite development of key sectors. SEE 2020 Monitoring: a	EC Progress Reports Reports on meetings of the sector specific working groups. Reports on the general progress of the project (OECD semi-annual progress and final reports)		Political commitment from beneficiaries Sufficient administrative capacity in the beneficiaries Local ownership of programme outputs Interest of the Business Community Coordination with related activities

contained within the Vision and prioritising reforms to see that the commitments contained in the Vision are met;	revised Investment Reform Index which contains at least eight policy dimensions with a mix of qualitative and quantitative indicators; clear recommendations on priority reforms and actions to meet the commitments contained in SEE 2020.		
Results	Objectively verifiable indicators (OVI)	Sources of Verification	Assumptions
SEE 2020 Sector Specific Policy Reform: Identification of three sectors with the most potential to contribute to the SEE 2020 Vision's goals; Assessment of key barriers to investment in the three sectors noted above; and launch of regional capacity building actions; SEE 2020 Monitoring: Strengthened capacity of beneficiary governments to monitor, prioritise, and implement competitiveness-enhancing reforms which meet the commitments contained in SEE 2020 Vision;	SEE 2020 Sector Specific Policy Reform: Establishment of three regional, sector-based, industry working groups modelled after the EU's industry groups; Identification of barriers which limit the development of regional value chains in the three specific sectors noted above; Implementation of regional capacity building projects in three selected sectors; SEE 2020 Monitoring: Developing policy practioner-oriented guidance and recommendations for the implementation of the SEE 2020 Vision in at least eight policy dimensions leveraging the methodology used for the IRI; and identification of specific policy constraints and reform priorities which should enable the full implementation of SEE 2020 in accordance with the five pillars of the strategy;	SEE 2020 Sector Specific Policy Reform: Progress reports of the European Commission; sector specific reports; strategy reports; records of working groups' proceedings. SEE 2020 Monitoring: Progress reports of the European Commission, reports of the South East Europe Investment Committee, publication of the Investment Reform Index in 2013.	Political commitment from beneficiaries Sufficient administrative capacity in the beneficiaries Local ownership of programme outputs Interest of the Business Community Coordination with related activities
Activities to achieve results	Means / contracts	Costs	Assumptions

<p><i>Preparatory phase:</i> Regional value chain analysis and short-listing of target sectors</p> <p>Mapping of institutions, programmes and existing donor initiatives that support the short-listed sectors.</p> <p>Roundtable consultations in each of the beneficiaries to identify three most relevant sectors.</p> <p>Organisation of NGC Steering Committee meeting to agree on three industry working groups.</p> <p>Designation of membership for each sector specific working group.</p> <p>Review of existing IRI measurement framework and adaptation to SEE 2020 pillars.</p> <p>Revision of policy dimensions and indicators to reflect five pillars contained in SEE 2020 in consultation with beneficiaries and international experts.</p> <p>South East Europe Investment Committee to endorse monitoring framework including policy dimensions and indicators.</p> <p><i>SEE 2020 Sector Specific Working Groups:</i></p> <p>Activity 1: Set up Sector Specific Regional working groups</p>	<p>Preparatory phase: OECD staff; consultants; desk and field research; country missions; regional meetings.</p> <p>Sector Specific Policy Reform: OECD staff, international and local consultants, sector experts' interviews; country and regional missions; Organisation of sector specific working groups; Government staff dedicated to implementation of activities, pilot projects, and participating in sector specific working groups;</p> <p>SEE 2020 Implementation: OECD Staff; international and local consultants, business surveys, country missions and regional missions; Government staff dedicated to completing questionnaires and identifying priority reforms;</p>	<ul style="list-style-type: none"> • Staff costs (management, technical and administrative staff); • Consulting costs (international and local); • Travel costs (staff & consultants); • Meeting costs (regional & national) • Miscellaneous costs (company surveys, documentation, publications). 	<p>Political commitment from beneficiaries</p> <p>Sufficient administrative capacity in the beneficiaries</p> <p>Local ownership of programme outputs</p> <p>Interest of the Business Community</p> <p>Coordination with related activities</p>
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Activity 2: Identification of key constraints hampering the competitiveness of each of the three specific sectors
 Activity 3: Definition of sector strategy and action
 Activity 4: Design of regional pilot projects in each sector specific working group
 Activity 5: Identification of project teams in each beneficiary
 Activity 6: Implementation of pilot projects
 Activity 7: Formal review of pilot
 Activity 8: Monitor reform implementation

SEE 2020 Monitoring:

Activity 1: Distribute framework questionnaire to governments, independent experts, and business associations in the Western Balkans
 Activity 2: Conduct first assessment based on responses
 Activity 3: Organise missions in each beneficiary to reconcile assessment scores
 Activity 4: Determine final scores and present to South East Europe Investment Committee
 Activity 5: Publish IRI 2013
 Activity 6: Organise roundtables in beneficiaries to identify reform priorities based on IRI 2013
 Activity 7: Define reform priorities with recommendations on policy actions for each beneficiary.
 Activity 8: Present policy recommendations and actions

to South East Europe
Investment Committee for
endorsement.

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ANNEX 2: SEE 2020 Vision

BUILDING A 2020 VISION FOR SOUTH EAST EUROPE

- STATEMENT BY THE CHAIR -

On the occasion of the conference on “A 2020 Vision for South East Europe” held in Paris on 24 November 2011, co-organised by the Organisation for Economic Co-operation and Development (OECD) and the Government of the Republic of Slovenia, the Chair issues the following Statement on behalf of participating Ministers and high-ranking officials from the economies of South East Europe.

During the conference, delegates:

1. **Recalled** that economic prosperity is essential to long term stability and democracy in the region and part of the European stabilisation and association process, as expressed in the EU-Western Balkans Summit Declaration in Thessaloniki on 21 June 2003 and as declared by the South East Europe Cooperation Process (SEECP) Summit of Heads of States and Governments in Zagreb, on May 11th 2007;
2. **Affirmed** the importance of regional co-operation, dialogue, openness, and good-neighbourly relations as expressed in the SEECP Bucharest Charter on good Neighborly Relations, Stability, Co-operation and Security, signed on February 12 2000 and noted in the Budva Declaration on 30 June 2011;
3. **Highlighted** the positive impact of economic reforms, market liberalisation and cross-border co-operation on growth and investment for all economies of the region in the past decade and the need to pursue structural reforms whatever the external economic environment;
4. **Underscored** the contribution of international, regional and domestic investment toward broader economic and social development and of open trade and investment policies;
5. **Took note** of the valuable contribution of the OECD Investment Compact and the South East Europe Investment Committee (SEE IC) to improving the investment environment in the region and expressed their gratitude to the OECD and the supporting institutions and governments;

6. **Welcomed** the handover of the SEE IC to the Regional Co-operation Council (RCC) as a sign of progress and of enhanced regional ownership;
 7. **Recognised** the progress of the countries of the region towards European integration, as evidenced by the successful accession of Bulgaria and Romania, soon to be followed by Croatia, and of the importance of further alignment with the EU *acquis* as expressed by the European Commission Enlargement Strategy 2011-12;
 8. **Underlined** the impact of the global economic crisis in South East Europe and the inherent economic vulnerabilities it has revealed, especially with regard to regional competitiveness and future growth prospects;
 9. **Emphasised** the value of continued private-public sector dialogue and co-operation towards growth and development;
 10. **Acknowledged** the progress made by the Parties to the Central European Free Trade Agreement (CEFTA 2006) to create an open, liberal and integrated regional market;
 11. **Stressed** the importance of good governance in the pursuit of sustainable economic growth;
 12. **Noted** the Chair's statement following the High-Level Meeting on the Western Balkans in Sarajevo on 2 June 2010, stating that a regional recovery and development strategy should follow the main parameters of the Europe 2020 growth strategy and take into account the specific characteristics of the Western Balkan countries;
 13. **Endorsed** a common regional vision for South East Europe as outlined in sections I, II, and Annex I of this statement;
- I. Conference participants agreed that continued economic reforms should be based on a common regional vision for South East Europe. The vision calls for the consistent implementation of economic reforms to foster integrated, smart, sustainable and inclusive growth underpinned by good governance and the rule of law. The specific elements contained in the vision include the following:

- i. **Integrated growth** through deeper regional trade and investment linkages and policies that are non-discriminatory, transparent and predictable and enhance the flow of goods, investment, services and persons within the region.
- ii. **Smart growth** through a commitment to innovate and compete on value-added rather than labour costs in the long run. Retaining the best and brightest talent that the SEE region has to offer is inextricably linked to raising the absorptive capacity of business and research communities to use existing technologies and develop new ones.
- iii. **Sustainable growth** through raising the level of private sector competitiveness, entrepreneurship and a commitment to greener and more energy-efficient development.
- iv. **Inclusive growth** through skills development, employment creation and labour market participation by all, including vulnerable groups and minorities.
- v. **Governance for growth** through improving the capacity of public administrations to strengthen the rule of law and reduce corruption so as to create a business-friendly environment. Good governance practices should also include promotion of balanced development at the territorial level to overcome internal disparities of SEE countries.

II. Participants agreed that greater alignment and convergence with the Europe 2020 strategy will be important for the region as it moves forward with a new economic vision. Participants requested that the SEE IC, under the auspices of the RCC and with the support of the CEFTA Secretariat, OECD, European Training Foundation (ETF) and other relevant regional partners, and in close consultation with the European Commission, report back to Ministers and high-level officials by November 2012 with:

1. A detailed assessment of the degree of economic convergence between South East Europe and the EU-27 on the basis of targets used in the Europe 2020 Strategy.
2. A proposed set of ambitious headline targets for a regional 2020 Strategy taking into account the specificities of SEE economies.

3. The results of eliminating non-tariff barriers, including the removal of remaining horizontal and sector-specific barriers to deeper regional trade and investment integration in the SEE region, with an emphasis on those barriers holding back value-chain development.
4. A map of existing and potential centres of industrial agglomeration and knowledge creation accompanied by recommendations on measures which will support:
 - i. strengthening regional business networks
 - ii. fostering clustering activity between industry and academia
 - iii. development of academic centres of excellence.

Participants invited the SEECP Chairmanship in Office and the RCC to build support for the implementation of the principles included in this Chair's Statement (see proposed Action Plan in Annex I) among SEECP members and within the framework of cooperation amongst them.

Annex 2 bis
Action Plan for Implementation of a SEE 2020 Strategy

To transform the vision outlined in sections I and II of this statement into reality, conference participants agreed that the following Action Plan should be pursued at regional and national levels:

1. **Integrated growth** underpinned by deeper trade and investment linkages should be pursued by:
 - i. Removing trade distortive non-tariff barriers and facilitating cross-border movement of goods in a timely fashion;
 - ii. Undertaking concerted efforts for the liberalisation of trade in services, under the auspices of CEFTA;
 - iii. Creating a regional strategy for investment promotion that builds on the work that has already been conducted by the regional working groups under the auspices of the Investment Compact and the SEEIC;
 - iv. Enforcing laws and regulations to protect intellectual property;
 - v. Supporting the work of all CEFTA bodies and structures to fulfil their respective mandates; and
 - vi. Developing a single regional capital market;

2. **Smart growth** should be built on knowledge and innovation by:
 - i. Promoting ‘triple helix’ linkages between academia, industry and policy makers;
 - ii. Promoting free flows of talent in the region by encouraging SEE economies in achieving bilateral/multilateral universal recognition of diplomas and abolishment of unnecessary visas and permits for students, academia and the business community;
 - iii. Encouraging “brain gain” through targeted networking with the diaspora and creating conditions favourable to eventual return, in particular through the establishment of a supportive entrepreneurial environment;
 - iv. Supporting private and public sector investment in R&D via coherent and regionally co-ordinated policies to enhance innovation and promote the knowledge economy and society;
 - v. Facilitating the participation of enterprises and scientific institutions from SEE in EU programmes and EUREKA and developing effective linkages with European institutions fostering innovation and knowledge (e.g., the European Institute for Innovation and Technology);

- vi. Raising the level of knowledge absorption via policies that support existing clusters, networks, and centres of excellence to establish a regional cooperation framework fostering knowledge communities;
 - vii. Promoting natural science, maths and engineering studies while enhancing the quality of education provision and existing quality assurance mechanisms;
 - viii. Using available resources and private sector expertise to substantially increase the level of combined public-private sector investment in R&D as a percentage of GDP; and
 - ix. Considering measures to support business investment in R&D.
3. **Sustainable growth** which raises competitiveness, entrepreneurship, and promotes greener and more energy efficient technologies should be supported - among others – by policy priorities conducive to doing business and investment by:
- i. Diversifying export markets, and promoting regional co-operation whenever possible to help businesses access those markets;
 - ii. Developing measures such as export guarantee schemes to support the private sector;
 - iii. Supporting private sector competitiveness by helping firms, and in particular SMEs, find niches in which they can be successful in global terms (e.g. through support of strategic consulting services);
 - iv. Strengthening regional value chains by actively supporting the creation of transnational clusters and business networks;
 - v. Promoting venture capital and business angel networks;
 - vi. Reducing the tax wedge on labour to improve competitiveness;
 - vii. Accelerating the development of critical infrastructure;
 - viii. Helping businesses develop and adopt renewable & green technologies;
 - ix. Encouraging education and training systems to deliver ‘green’ and ‘white’ skills; and
 - x. Integrating green development priorities into long-term policy making, utilising available European and international expertise, and interacting with all stakeholders of the economy on the national level.
4. **Inclusive growth**, centred on skills development, should be enhanced by:

- i. Monitoring and tracking skills needs at the regional level;
- ii. Developing mechanisms for regional dialogue between employers and policy makers on ways to minimise skills gaps and address skills mismatches through customised training and curricula reform;
- iii. Raising the attractiveness of vocational training and increasing employment opportunities for younger workers and promoting early contact with the labour market, including through measures for facilitation of school-to-work transitions and removing obstacles to internships in particular;
- iv. Promoting in-company training and up-skilling of employees;
- v. Promoting the inclusion and retraining of older workers in the labour market;
- vi. Promoting women's employment and entrepreneurship and employment of vulnerable groups, in particular the Roma;
- vii. Developing regional strategies to support continuous education and lifelong learning and recognition of non-formal and informal educational paths;
- viii. Developing entrepreneurial learning as one priority for education reform;
- ix. Increasing high quality tertiary education levels;
- x. Providing opportunities for student exchanges enabling students to study in the region and in OECD countries; and
- xi. Reducing the number of individuals who leave school early, with a special focus on students with disabilities, learning disabilities and socio-economic, cultural and/or linguistic disadvantages.

5. **Governance for growth** stresses the importance of good corporate and public governance as a basis for achieving the goals of smart, sustainable, inclusive and integrated growth through:
- i. Supporting the capacities of public administrations to design and implement development policies;
 - ii. Finding complementarities and synergies with other regional initiatives and mechanisms such as the Western Balkan Investment Framework and the Western Balkan Regional Competitiveness Initiative;
 - iii. Promoting the effective implementation of existing legislation governing competition, including improvement of judiciary capacities and giving high priority to enforcing the rule of law and anti-corruption measures; and

iv. Responsible fiscal and monetary policies.