



RegionalCooperationCouncil



SOUTH EAST EUROPE 2020



**JOBS AND PROSPERITY IN
A EUROPEAN PERSPECTIVE**

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Executive Summary

The SEE 2020 Strategy outlined in this document reflects the determination of all the governments in South East Europe to embrace the bold policy approaches required to attain the levels of socioeconomic growth necessary to improve the prosperity of all its citizens and to facilitate eventual integration with the European Union (EU). The past two decades have seen much progress in South East Europe and many significant achievements; however the region still faces some formidable challenges. The SEE 2020 Strategy clearly demonstrates recognition on the part of governments in the region that close cooperation in selected areas can overcome some of these challenges and accelerate the attainment of goals in key sectors.

The adoption of the SEE 2020 Strategy is a significant step forward in a process aimed at political and economic cooperation that was launched by the countries of the region in 2011. The process takes its inspiration from the EU's Europe 2020 Strategy, both in terms of the issues addressed and the concept of expediting progress through better cooperation in areas that are of common interest. As requested by the region's Ministers of Economy in November 2012, under the auspices of the Regional Cooperation Council (RCC), national administrations, regional bodies and relevant initiatives have engaged in a collaborative process to prepare this Strategy. The overriding principles that have guided its development are the need to boost prosperity and job creation and to underscore the importance of adopting a European perspective to the region's future.

A strategy to expedite progress by enhancing national efforts through a shared approach...

The Strategy pursues a holistic pattern of development for the region and seeks to stimulate the key long-term drivers of growth such as innovation, skills and the integration of trade. Like the Europe 2020 Strategy, it is centred on a set of interlinked development pillars.

- Integrated Growth: through the promotion of regional trade and investment linkages and policies

that are non-discriminatory, transparent and predictable.

- Smart Growth: by committing to innovate and compete on value-added rather than labour costs.
- Sustainable Growth: by raising the level of competitiveness in the private sector, development of infrastructure and encouraging greener and more energy-efficient growth.
- Inclusive Growth: by placing greater emphasis on developing skills, creating employment, inclusive participation in the labour market and health and wellbeing.
- Governance for Growth: by enhancing the capacity of public administration to strengthen the rule of law and reduce corruption, the creation of a business-friendly environment and delivery of public services necessary for economic development.

All of these issues are central to the socioeconomic policies of each SEE country and are also critical elements of the EU accession process. Therefore, in essence, the SEE 2020 Strategy provides a framework to assist governments in the region to implement their individual development strategies, including EU accession related goals, by enhancing national efforts through focused regional cooperation on those specific issues that can benefit from a shared approach. A number of specific sectoral dimensions suitable for regional cooperation have been identified under each pillar and activities in these dimensions are expected to contribute to the achievement of the headline targets that were set for each pillar in the November 2012 Ministerial Statement (see Table 1). The five pillars are interlinked: an action in one pillar is likely to have an impact on issues in most of the other pillars. This is particularly true for the Governance for Growth pillar. Key objectives have been identified for each pillar and where possible specific measures to be undertaken have been outlined.

Table 1

OVERVIEW OF THE SEE 2020 STRATEGY

| | | | | | |
|---------------------------------|---|---|---|---|---|
| Overall targets: | (i) Increase SEE average GDP per capita relative to the EU average: from 36.4% to 44% in 2020 (ii) Boost total SEE trade in goods and services: from EUR 94.4 billion to 209.5 EUR billion in 2020 (iii) Reduce SEE trade deficit: from -15.7% (the average in 2008-2010) to -12.3 % of GDP in 2020 (1 million new jobs to be created in the SEE region) | | | | |
| Pillars: | Integrated Growth | Smart Growth | Sustainable Growth | Inclusive Growth | Governance for Growth |
| Pillar-specific targets: | (iv) Increase SEE intra-regional trade in goods by more than 140% (v) Increase overall annual FDI inflows to the region by at least 160% | (vi) Increase GDP per person employed by 32% Add 300,000 (vii) highly qualified people to the workforce | (viii) Increase net enterprise creation (new businesses per year) from 30,107 to 33,760 (ix) Increase exports of goods and services per capita from the region from EUR 1,780 to EUR 4,250 | (x) Increase in the overall employment rate, as a percentage of the 15+ population, from 39.5% to 44.4% | (xi) Improve government's effectiveness as measured by the World Bank Governance Index from 2.33 to 2.9 by 2020 |
| Dimensions: | A. Free Trade Area | D. Education and Competences | H. Energy | L. Employment (labour mobility, labour market policies, social economy) | N. Effective Public Services |
| | B. Competitive Economic Environment | E. R&D and Innovation | I. Transport | M. Health | O. Anti Corruption |
| | C. Integration into Global Economy | F. Digital Society | J. Environment | | P. Justice |
| | | G. Culture and Creative Sectors | K. Competitiveness | | |

A tailored approach, building on existing commitments and identifying new ambitions

Some of the objectives and measures outlined in the Strategy are already present in the existing regional agreements such as the Central European Free Trade Agreement (CEFTA) and the Energy Community Treaty. Thus, the Strategy provides a welcome opportunity to reinforce government efforts to achieve ambitious commitments already agreed to in these challenging times. In other areas, the Strategy provides an opportunity to jointly identify and pursue new commitments that will benefit from regional cooperation.

The approach to each pillar has been tailored to the specific circumstances prevailing in that policy area and therefore the objectives and measures to be undertaken vary a good deal across the different pillars, depending on the particular nature of the policy area, the status of progress to date and the existence of regional commitments and structures that can expedite action. Some policy areas are at a relatively mature stage and thus specific objectives and measures have been outlined and the relevant actors responsible for designing and implementing them identified. A good example is the trade policy

dimension under the Integrated Growth pillar as it benefits from the existence of CEFTA and the various structures in which national administrations are already active, such as the Joint Committee and the Subcommittee on Non-Tariff Barriers, etc., within this regional body. Other pillars and/or dimensions are at an earlier stage of development and therefore lack regional agreements and structures and consequently their targets and measures are less specific and require further elaboration.

Maximising scarce human and financial resources

The Strategy makes a conscious effort to, as far as possible, leverage existing regional structures to implement measures, especially when national administrations are already actively involved, for example, the working groups of the Energy Community Treaty Secretariat. This approach is designed to avoid the evolution of multiple parallel and possibly duplicating structures that place even greater demands on the already constrained human and financial resources in the different national administrations. The Strategy foresees the need for Dimension Coordinators in order to facilitate implementation and again, where possible, existing regional structures have been nominated for these

roles. In addition to its responsibilities related to overall Strategy coordination the RCC will act as the Regional Dimension Coordinator for those dimensions that currently lack a suitable body until further elaboration of the objectives and measures allows for the most appropriate structure to be identified and if necessary created.

Once again, in order to avoid duplication of effort and to maximise scarce resources a large number of existing initiatives and/or assistance programmes that may provide useful inputs to and support for particular dimensions or measures have been identified through an extensive mapping exercise.

Central role of national administrations

Like its EU namesake, the SEE 2020 Strategy is deliberately designed to support the achievement of common national goals through regional cooperation. This implies that national governments and their administrations are at the centre of the process and bear primary responsibility for developing and implementing the respective objectives and measures, albeit supported where appropriate by regional structures and/or programmes. The next step for SEE 2020 is for the national administrations to clearly identify those aspects of their national development strategies and programmes that can benefit through implementation via the SEE 2020 and to indicate their commitment to working with the relevant structures and in line with the mutually agreed approach.

EU accession, an integral component of SEE 2020

As supporting the EU accession process is central to SEE 2020, the Strategy seeks to build on the various EU structures, agreements and processes that are currently in place in the region. All of its objectives and measures are relevant and complementary to the EU accession process. A further mapping exercise conducted as part of the development of the Strategy illustrates the clear link between the measures proposed and the relevant chapter of the EU acquis (see Table A6). The intention of the EU to closely monitor the progress of SEE 2020, including through annual Progress Reports, underlines the relevance of the Strategy to the region's EU integration ambitions, in particular for the meeting of the economic accession criteria. The Strategy should serve to support many of the objectives and actions foreseen under the forthcoming Country Strategy Papers and the Multi-Country Strategy Paper for IPA II and it is expected that this will be recognised when IPA

assistance is being programmed. The EU recognises the importance of the strategy to improve regional trade and thus contribute to recovery and sustainable growth.

Ensuring progress and relevance in a dynamic and challenging environment

Given the complex interlinked and long-term nature of the SEE 2020 Strategy and the dynamic political and economic environment in which it will operate, a clear governance structure is required. This will allow the countries to monitor progress within and across the different pillars and to jointly adjust objectives and measures as necessary and in an appropriate manner. The governance structure combines the capacity to draw upon high level political support with the provision of day-to-day management and technical support. It must ensure adequate flows of timely information between all the actors involved, including external supporters. Again the philosophy behind the governance structure is based on leveraging existing structures where possible and avoiding unnecessary layers of management.

In conclusion

The ambitious nature of the SEE 2020 Strategy reflects the political will of the SEE governments to take a decisive step towards creating vibrant economies and thriving societies in each and every country of the region. SEE 2020 has the objective of engineering a pattern of job-rich growth that will both help improve the labour market situation and contribute to raising living standards. The Strategy will also reinforce the countries' efforts to advance along their EU accession pathway.

A highly ambitious goal has been set. The policy objectives and measures envisaged by the Strategy should contribute to the creation of some one million new jobs during the current decade. By joining forces in the achievement of common goals and united by shared European values, South East Europe will succeed.

SOUTH EAST EUROPE 2020: JOBS AND PROSPERITY IN A EUROPEAN PERSPECTIVE

1 Changing Gear: A New Pathway for South East Europe

Learning from the past ...

South East Europe (SEE)¹ is at an important juncture in its development. Over the past two decades the SEE countries have made great strides in their economic and political transformation, integration into the global economy and rapprochement with Europe. The resurgence of economic growth in South East Europe during the 2000s contributed to a rise in living standards and improved social welfare. Average annual GDP growth in South East Europe during that decade was 3.4%, which resulted in a 40% increase in regional aggregate GDP over the past ten years. Robust growth supported the ongoing process of catching up: average per capita GDP in the SEE region increased from 28.5% of the EU-27 average in 2000 to more than 36% in 2010.²

Despite the indisputable achievements, the challenges that South East Europe still faces are formidable. The global economic and financial crisis has had a severe impact on the region and has resulted in low growth rates, rising public debt and very high rates of unemployment. While an economic recovery is underway it is fragile and the region remains very exposed to the vulnerabilities in the EU, its main trading partner. On average, the South East European economies still lag considerably behind the developed European economies. Production facilities in much of South East Europe are generally obsolete and in desperate need of massive new investment as is the public infrastructure necessary to serve them (roads, water, IT networks, etc.). While improving, living standards for a large share of the population remain unsatisfactory. At 24%

in 2012, the average unemployment rates in the region are amongst the highest in Europe. Progress towards EU membership has been uneven and some of the countries still face a long and bumpy road towards EU accession.

While the recent global economic and financial crisis has reversed some of the positive achievements of the preceding years many of the economic problems in the SEE region are chronic and to some extent reflect suboptimal patterns of growth. Markets in the region perform in a way that is far from efficient: the result of an unfinished reform agenda during the transition to a functioning market economy. The local business environment is still marred by many impediments that reduce its attractiveness for investment. There is considerable potential for developing further cross-border economic cooperation. The actual model of growth that prevailed during the 2000s was predominantly driven by domestic consumption and led to unsustainable external deficits.

It is becoming clear that South East Europe needs to ‘change gear’ – and indeed change the actual model of growth – by accelerating socioeconomic reform and speeding up measures to modernise and reindustrialise its economy, to create more new jobs and to deliver better living standards for the population. In turn, this calls for concerted policy efforts at both the national and the regional level aimed at guiding the region towards a new development pathway.

This is a timely initiative as the region has been lagging behind in relation to the development seen in most of Europe and is in need of faster modernisation

¹Throughout this document the working regional definition of ‘South East Europe’ is taken to include Albania, Bosnia and Herzegovina, Croatia, Kosovo*, Montenegro, Serbia and The Former Yugoslav Republic of Macedonia.

* 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.

²The Strategy headline targets were formulated prior to Croatia’s accession to the EU on 1 July 2013. Due to this, throughout this document reference is made to EU-27 rather than EU-28.

and institutional transformation to support sustained economic growth. There is recognition within the SEE countries of the need for closer integration, not only with the EU but also with each other. A domestic growth strategy would have more chance of success if it was embedded in a system of regional cooperation in all relevant areas. The strategy would require cooperation at the regional level in order to stimulate accession to the EU and to speed up job-rich growth and development.

... South East Europe has a new vision for the future ...

In 2010, the European Union and its Member States launched a strategy for sustainable growth for the coming decade in 2010, the Europe 2020 strategy, intended to shape the transition towards smart, sustainable and inclusive growth. The Europe 2020 strategy is based on common objectives agreed by the Member States, national commitments to its implementation and the further widening and deepening of economic cooperation and integration in Europe supported by a range of new and bold joint initiatives.

Inspired by the Europe 2020 strategy, the economies of South East Europe endorsed their own 2020 vision at the 2011 Ministerial Conference held at the Organisation for Economic Co-operation and Development (OECD) headquarters in Paris. The conference, 'Building a 2020 Vision for South East Europe', brought together SEE Ministers in charge of the economy and this vision was reinforced in 2012 when the Ministers met again in order to adopt 11 regional and 77 national headline targets and chart out a comprehensive cooperation agenda. The RCC was mandated to develop the South East Europe 2020 Strategy as a regional response to Europe 2020 and this mandate was reconfirmed by the Ministers of Foreign Affairs of the South East Europe Cooperation Process (SEEC) at their meeting held in Ohrid on 31 May 2013.

The SEE 2020 Strategy presented in this document is the outcome of a cooperative consultative process amongst the countries of the region and the agreements reached through this process.

... and a comprehensive reform agenda ...

Building on the lessons learned, South East Europe is now pursuing its own new development pathway and putting forward new approaches to address the current challenges and to take full advantage of the existing opportunities. The SEE 2020 Strategy outlines this

new approach. It seeks to give fresh impetus to economic growth and development in the region and to contribute to greater prosperity, the creation of more jobs and stronger ties with the EU based on closer integrative links and common European values.

SEE 2020 focuses on stimulating the key long-term drivers of growth for the region (innovation, skills and trade integration) through five main pillars that shape its foundation: (i) integrated, (ii) smart, (iii) sustainable, and (iv) inclusive growth, underpinned by (v) good governance.

Pursuit of the Strategy's objectives amounts to implementation of a targeted policy reform agenda both at the national level of each SEE country and at the regional level, in terms of undertaking coordinated joint projects and agreeing to apply a set of harmonised policy measures and instruments. The Strategy envisages that the SEE countries will undertake important policy efforts in the areas outlined above. An important cross-cutting area of coordinated policy reform is that related to efforts to improve the investment climate and establish an environment conducive to doing business.

An inventory of agreed joint policy measures and instruments to be undertaken by the SEE countries in the coming years is annexed to this Strategy (see Table A4).

... based on shared values and cooperative effort

The SEE 2020 Strategy sets out a vision for a new development pathway for South East Europe that should boost prosperity and job creation in the region, while underscoring the European perspective of the region's future. The Strategy:

- Reflects the shared view of key stakeholders in the region that an approach based on closer, wider and deeper regional cooperation can provide win-win solutions for all partners. While the targets and instruments contained in the Strategy outline a joint regional approach, these targets and instruments have been defined on the basis of national priorities put forward by each SEE country. Thus, the Strategy seeks to integrate national and regional priorities and measures.
- Outlines a new holistic development paradigm that highlights the main pillars of future development for the region and at the same time recognise the links and interdependencies between these pillars as parts of a single common approach. Such a holistic paradigm is essential for concentrating both policy

efforts and available resources on the key directions of future development.

- Anchors its targets, objectives and measures to the EU accession and integration process and therefore reinforces the European perspective of the region. SEE 2020 aims to deepen the dialogue with the EU and better prepare the countries for the challenges of membership.
- Sets concrete measurable targets that South East Europe as a whole (and each SEE country) commits to achieving by the programme's horizon of 2020. It defines the key policy measures, instruments and other practical steps³ by building (where relevant) on existing commitments and structures, expediting progress towards these targets and establishing a clear implementation timeline.
- Recognises that closer and stronger regional cooperation and coordination will be a key factor in the successful implementation of the policy measures and instruments envisaged. By enhancing even further their joint efforts in pursuing their national and regional priorities, SEE countries will generate synergies and positive spill-over effects, thus amplifying the overall positive effect of the joint action.
- Identifies the bodies that will be responsible for implementation and outlines the monitoring mechanisms along the implementation path. In most cases, it draws on existing regional cooperation bodies and recognises their critical role in implementing the Strategy. The Strategy also identifies areas where further strengthening of regional institutional structures would enhance regional cooperation and contribute towards the successful implementation of the Strategy's objectives.

SEE 2020 is a strategy for the region as a whole but it is also a strategy that supports each and every SEE country. Both its targets and its instruments are designed to strengthen actions that support the shared national priorities of each and every SEE country. Given the nature of the measures envisaged, most of the Strategy implementation effort will have to be undertaken at the national level. By endorsing the

Strategy the SEE countries confirm their preparedness to allocate the national administrative capacity, institutional support and financial resources required for its successful implementation.

At the same time, by establishing a permanent operational platform for regional collaboration the Strategy will also significantly boost opportunities for cooperation and coordinated dialogue with the international community and its bodies, including the EU, the World Bank, the OECD, the European Training Foundation (ETF) and others. Therefore, not only will the Strategy help further develop the region's capacity to work in a multi-stakeholder environment and consolidate existing initiatives by the international community but also establish an environment that is conducive to the development of such new initiatives. ●

³Throughout this document the terms "measures", "instruments" and "actions" are used to denote the practical joint interventions agreed by the SEE countries and envisaged to be implemented during the lifetime of the Strategy across the different pillars and dimensions. Due to the fact that the Strategy pillars are at different stages of maturity, implementation of specific actions in some pillars may commence immediately while for other pillars, given their initial conditions, the envisaged interventions only set out broader objectives. Due to the heterogeneity of the interventions and the difficulty of categorising under one single notion, SEE 2020 uses different terms such as "measures", "instruments" and "actions".

2. Targeting Job Growth and Prosperity for the Region

Addressing traditional and new challenges with renewed resolve ...

The SEE 2020 Strategy places the overall emphasis on addressing some of the key chronic social and economic problems in the region. The Strategy defines as its main objective the achievement of high and sustained economic growth through greater competitiveness. Through stronger regional cooperation and integration with Europe, this should lead to more jobs being generated and to rising prosperity in the region. In practical terms, in the period 2010–20, the Strategy should allow the following tangible socioeconomic outcomes to be achieved (see Box 1 and Annex Table A1).

- South East Europe should manage to narrow the gap with the EU in terms of its per capita GDP level and by 2020 it should stand at 44% of the EU-27 average.⁴
- Total South East Europe trade turnover should more than double, to reach 210 billion EUR.
- There should be a shift towards an export-led type of growth, which should help narrow the region's overall trade deficit to some -12% of GDP by 2020.

Achieving these targets should contribute to generating 1 million new jobs in South East Europe by 2020.

These key targets are part and parcel of a set of headline targets that the governments of the SEE countries jointly agreed during the preparation of the SEE 2020 Strategy. To achieve the strategic objectives

for the region as a whole each SEE country has set itself ambitious targets for its own development path (see Annex, Tables A2 and A3). The Strategy headline targets reflect the expected combined outcome of the targets that each SEE country will seek to achieve by the end of the current decade. The set of targets also reflects the shared vision of South East Europe and the model of economic development that will be pursued in this period.

The headline targets epitomise the nature of the Strategy, the main strategic objective of which is to achieve more jobs and greater prosperity in the region through a further opening up of the SEE economies and by seeking to align with the EU. They focus the attention of South East European policy makers and stakeholders on a relatively small set of indicators, which will help to concentrate their efforts. The targets are measurable and within the scope of conventional statistical practice; this allows for easy monitoring of progress towards the goals, along with a range of additional indicators.

The Strategy's headline targets are mutually linked and reinforcing. Its success depends on achieving high and sustained economic growth in the region (the basis of prosperity and job creation) and on making progress in catching up with the EU. Importantly, South East European growth performance should be enhanced by achieving competitive gains; the Strategy envisages the switch to an export-based type of growth. SEE 2020 clearly targets the improved competitiveness of South East European tradable goods and services and this should promote a surge in trade flows, while at

Box 1

SOUTH EAST EUROPE 2020 STRATEGY: KEY HEADLINE TARGETS (relative to 2010)

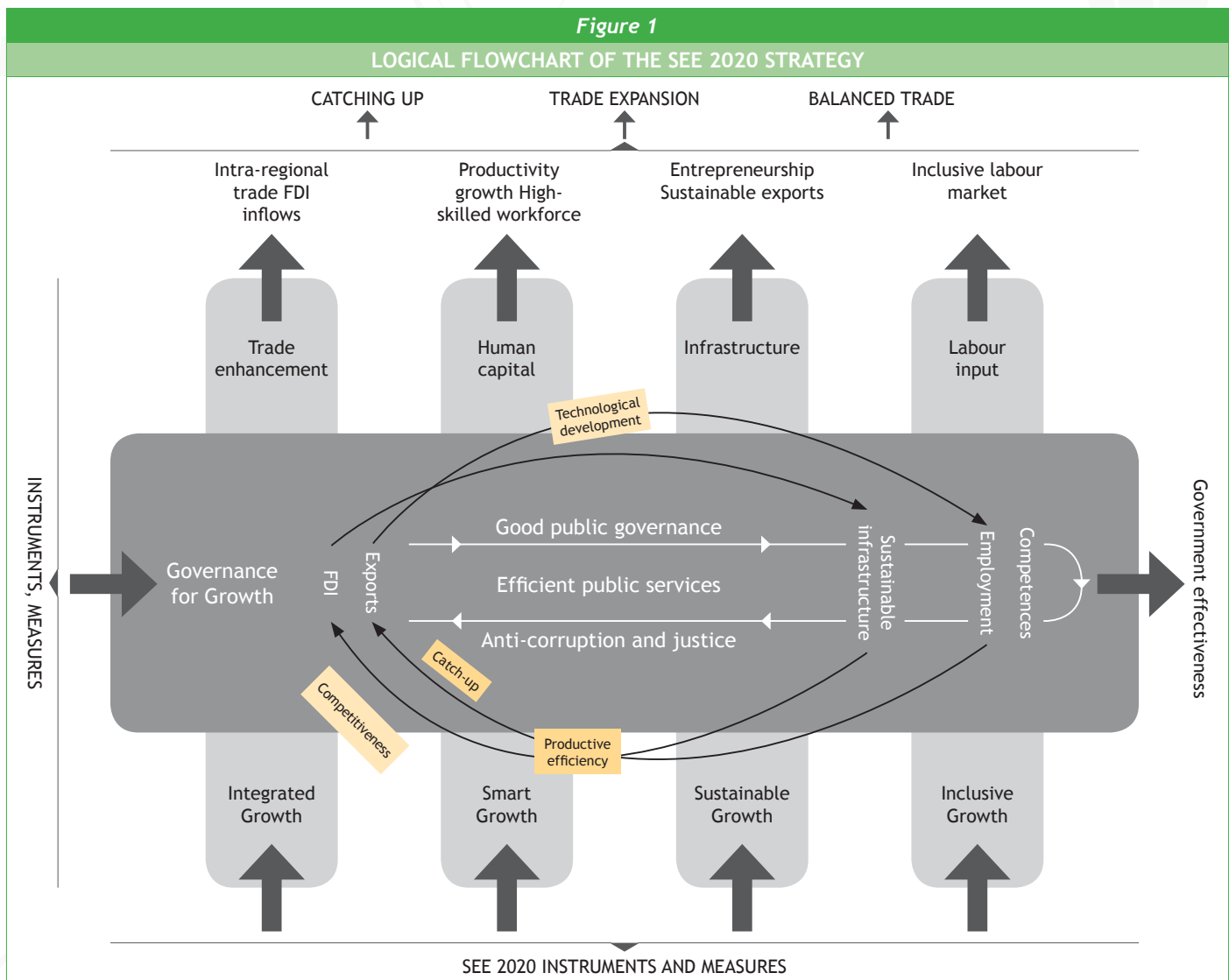
Increase SEE average GDP per capita relative to the EU average: from 36.4% to 44% in 2020

Boost total SEE trade in goods and services: from EUR 94.4 billion to 209.5 EUR billion in 2020

Reduce SEE trade deficit: from -15.7% (the average in 2008-2010) to -12.3% of GDP in 2020

(1 million new jobs to be created in the SEE region)

⁴Including Croatia; otherwise, the average is lower.



the same time export-led growth should contribute to improved trade balances.

... South East Europe will pursue a new development model ...

The SEE 2020 Strategy outlines a new development pathway for South East Europe. In this, it reflects an innovative regional approach that seeks a holistic development pattern for the SEE region centred on a set of development pillars: Integrated Growth, Smart Growth, Sustainable Growth, Inclusive Growth and Governance for Growth.

The Strategy will seek to ensure that these key aspects of development coexist in harmony, as the logical flowchart presented in Figure 1 illustrates. The five pillars along with their objectives, targets and measures are spelled out in more detail in the following sections. The Strategy also contains an action plan that includes a range of policy measures and practical steps to be undertaken by a broad constituency of stakeholders.

One specific feature of this logical presentation is that four of the pillars (Integrated Growth, Smart Growth, Sustainable Growth and Inclusive Growth) are presented vertically, which indicates that they contribute directly to achievement of the key Strategy targets. The fifth pillar, Governance for Growth, is presented horizontally as a cross-cutting issue and a prerequisite for achieving the Strategy objectives and for the efficient implementation of the Strategy policy measures and instruments across all pillars. Within each of the pillars, the Strategy sets headline targets and other strategic objectives which in turn add to the overall headline targets.

The five Strategy pillars are designed so as to ensure a harmonious growth pattern in the SEE countries. This pattern encompasses the following features:

- Further integration into the European and global economy through participation in the international division of labour, based on improved international competitiveness. Coupled with further overall

trade liberalisation and deeper regional trade and investment linkages, along with upgraded and developed transport infrastructure, this should give a strong boost to trade flows from and to the region and will support an export-led pattern of growth (Integrated Growth pillar).

- Promotion of innovation and the knowledge-based economy as the main sources and factors of growth and job creation in the twenty-first century. In turn, knowledge-based development and innovation founded on information and communication technology (ICT) are only possible if there is human capital development grounded on modern education and solid skills (Smart Growth pillar).
- Sustainability along a solid growth path requires a targeted development pattern that will ensure both robust and self-sustaining growth. At the same time, it should be consistent with environmental sustainability, ensure a sustainable pattern of efficient resource utilisation, help move towards a well-developed energy and transport infrastructure and enhance the synergies between environment and economy (Sustainable Growth pillar).
- Delivery of prosperity to all and ensuring that the entire population reaps the benefits of growth and the catch-up process requires a new job rich development path. This new path should offer decent employment opportunities for all and provide the conditions under which everybody can acquire the knowledge and skills necessary for these jobs. It should secure a reduction in poverty, greater social cohesion and improved health and wellbeing (Inclusive Growth pillar).
- Considerable increase in the efficacy of the public sector, in particular by drawing on good practice in Europe, is a prerequisite for the overall productive efficiency of the economy. The establishment of effective and transparent public services, free from fraudulent practices, and an efficient and trustworthy justice system would have a direct positive impact on the business environment and the investment climate, giving strong impetus to future economic growth. Trust that the rule of law is fully upheld increases confidence and thus investment. The creation of such an environment requires more than just the elimination of heavy taxation on businesses and a reduction in the discriminatory pricing of public services for private entities. Local government should be provided with appropriate own source revenue and predictable and

adequate transfers in line with the principles spelled out in the EU Charter for Local Self-Government (Governance for Growth pillar).

The Strategy provides a set of policy measures and instruments for each of the pillars. This is the Strategy ‘control panel’, by means of which the governments of the SEE countries (through the delegated implementation agencies) will implement coordinated reforms targeted at achieving the Strategy objectives. The exact nature of the policy measures and instruments, as noted earlier, is heavily influenced by the specific features of the individual policy areas, the rate of progress to date and the existence of regional commitments and structures. Thus, in some pillars specific actions can be taken almost immediately while in others further elaboration is required to agree on appropriate measures and timetables.

... that generates virtuous circles ...

The Strategy will seek to inspire and maintain several mutually reinforcing sets of policies that will speed up progress towards the desired targets. Some of these interconnected policies are illustrated in Figure 1.

Trade liberalisation and facilitation should provide a boost to both exports and foreign direct investment (FDI) inflows. Robust export performance, higher investment and FDI inflows will enhance and speed up the integrative ties with the EU. Invigorated investment activity, including higher FDI, will promote technological modernisation and a general upgrading of the production infrastructure in the region in a sustainable fashion and will contribute to higher total productive efficiency. Encouraging innovation, skills development and a knowledge based economy will further increase efficiency and higher productive efficiency, thus shifting the economy to a path of higher growth. All of the above should help accelerate the process of catching up with the EU and narrowing the existing per capita income gap.

Greater resource efficiency and a general improvement of the eco-efficiency of economic growth – through an upgraded transport, water, solid waste and energy infrastructure – should ensure that this growth path is both sustainable and environmentally friendly. It will also raise the technological/high value-added content of locally produced goods and services, which will boost international competitiveness and feed back into better growth performance. Greater competitiveness should facilitate the transition to an export-led model of growth and to the improvement

of the external balance for South East Europe. Robust and sustained growth is the foundation for increased prosperity, living standards and social welfare. In conjunction with human capital development, such a growth pattern should also result in more jobs and will help to meet this newly emerging demand by providing employees with the required education and skills.

Good public governance cuts across all of the other development pillars. It is a major factor in boosting the attractiveness of the business environment, thus contributing to higher investment and greater FDI inflows. Anti-corruption measures are also important for the creation of a well-educated society that promotes innovation. Good governance is key to the promotion of sustainable and environmentally friendly patterns of growth; a predictable timely and enforceable system of justice has a key impact on business and investment.

The comprehensive set of policy measures and practical steps envisaged in the Strategy draws on existing integrative links in order to establish synergies, positive feedback and virtuous circles that mutually reinforce one another and which contribute to the pursuit of the overall Strategy objectives in the most effective way.

... and consolidates the efforts

The key instruments for addressing the existing problems and achieving the Strategy objectives lie in the hands of national governments, through targeted reforms and policy measures. Substantial gains can also be made by promoting horizontal cooperation across sub-national governments as well as between them and the private sector both nationally and regionally. At the same time, there is the great and as yet still untapped potential to boost growth and prosperity in the region by joining forces through more productive regional cooperation, including intra-regional trade and joint efforts by key stakeholders. This can only be done through comprehensive and well thought-out joint efforts in key areas of economic development. This is the essence of the SEE 2020 Strategy.

The nature of the envisaged policy measures and instruments implies that national governments will take the lead in their design and implementation. The set of Strategy instruments amounts to a comprehensive and coordinated reform agenda that SEE countries will undertake up until the end of the current decade. These policy measures and

instruments reflect the political will of the SEE governments to take a decisive step forward towards establishing vibrant economies and thriving societies in each and every country of the region.

The comprehensiveness of the SEE 2020 agenda also entails direct involvement on the part of regional structures and international stakeholders. The regional structures will facilitate the direct participation of the relevant national ministries. This requires a clear mandate, organised consultation processes, structured inputs and the continuous guarantee of support, including support at the highest political level. In some cases regional bodies are already well established and have a clear mandate based on an international treaty. Yet in other areas the regional bodies depend on mutual good will and cooperation. In policy areas where there are no operational regional structures to rely on the RCC makes available its own coordination mechanisms for gathering proposals and structural processes.

The responsibility for Strategy implementation and monitoring will be shared and jointly mandated by the SEE governments and a number of regional structures and bodies associated with these structures that will be responsible for certain areas. Both the implementation and the monitoring of SEE 2020 will in most cases require an elaborate mechanism to delineate responsibility for the coordination between national public institutions and regional bodies and structures. In order to ensure more efficient steering and better coordination it is envisaged that the individual SEE governments will appoint National Coordinators to oversee implementation of the policy reform agenda in their own country and coordinate implementation of joint regional measures with the other countries coordinators. ●

3. The Pillars of the New Development Model

3.1. Integrated Growth

The Strategy targets deeper regional trade and investment linkages ...

The countries of South East Europe have made considerable progress in their integration into the European and global economy, as well as in strengthening their mutual regional ties. Since the economic crisis of 2008, the Central European Free Trade Agreement has become instrumental in securing open and accessible regional markets.⁵ The CEFTA Parties have made an important step towards deepening of regional cooperation by successfully completing an elimination of tariffs in goods, and substantial liberalisation of trade in agricultural products. CEFTA provides an ambitious agenda not only on liberalisation of trade in goods and services but also with regard to trade facilitation, elimination of non-tariff barriers and other policy areas such as investment, public procurement, protection of intellectual property rights (IPR), competition and state aid rules. The agenda provided by the Agreement has already proven to be a driving force in the EU accession process of all CEFTA Parties.

The objective of the Integrated Growth pillar is to promote regional trade and investment linkages and policies that are non-discriminatory, transparent, predictable and that enhance flow of goods, investment, services and people within the region. This also contributes to further integration of the region into the European and global economy through enhanced participation in international supply chains, grounded on improved international competitiveness backed by deepened regional trade and new investment.

The Strategy sets the ambitious target for the expansion of both intra-regional trade in goods and overall FDI inflows to the region by 2020.

... to support an export-led and FDI-driven type of growth in South-East Europe...

These targets are closely linked to the overall strategic goals, which envisage, inter alia, that total trade turnover (goods and services) will more than double over the same period. These are important building blocks of a vision founded on the robust promotion of regional trade and investment to support economic growth and job creation in the region.

Action to achieve the agreed objectives will seek to remove remaining intra-regional trade barriers, promote firm commitment to pursue policies that support an upturn in inward FDI, insist on introducing further trade-facilitating measures, and enhance free movement of skilled workforce. Coordinated regional effort and consequent national implementation are prerequisites to give the expected boost to intra-regional trade while increasing attractiveness for investment in the region.

Considerable progress has already been made in the SEE region to secure free flow of goods. Tariffs and quotas have already been eliminated completely for trade in industrial products and substantially for trade in agricultural products. Full liberalisation of trade in goods is expected to be achieved in 2014, after which the focus will be on liberalisation of trade in services, and on facilitation of trade in goods by eliminating non-tariff barriers and simplifying trade related procedures.

Box 2

INTEGRATED GROWTH PILLAR: 2020 HEADLINE TARGETS (relative to 2010)

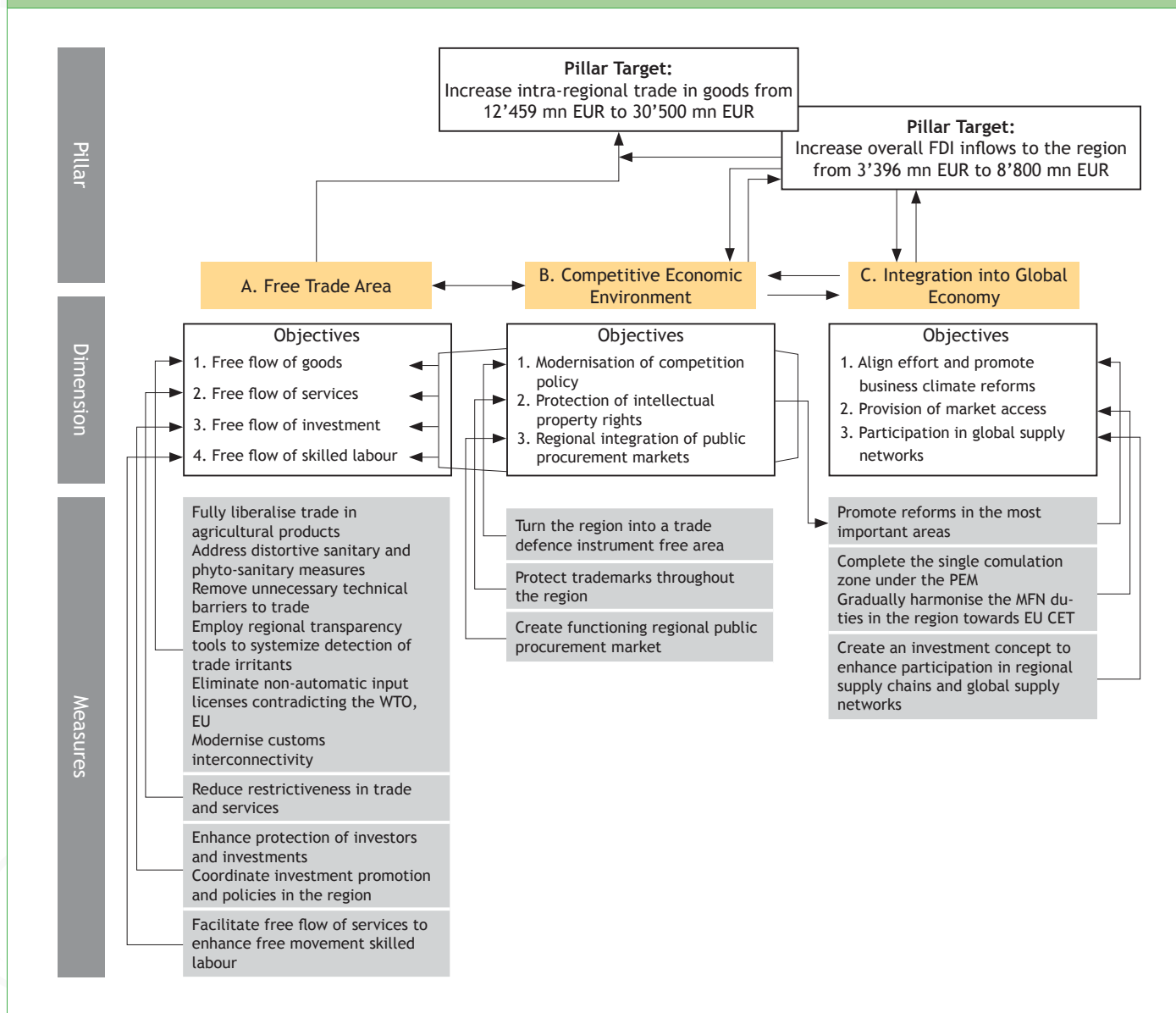
Increase SEE intra-regional trade in goods by more than 140%

Increase overall annual FDI inflows to the region by at least 160%

⁵On 1 July 2013, upon its accession to the EU, Croatia's membership in CEFTA came to an end. Currently CEFTA has 7 members, all of which participate in the SEE 2020 Strategy, with the exception of Moldova.

Figure 2

LOGICAL FLOWCHART OF THE INTEGRATED GROWTH PILLAR



Strengthening competitive economic environment in the region is of key importance to support free flow of goods and services as well as to level the playing field in facilitating FDI inflows. The main issues to be addressed in the Integrated Growth agenda are trade related aspects of the competition rules, intellectual property rights and public procurement. Hence, these are the areas where an accelerated alignment with the EU acquis and international rules would have a direct positive impact on both promotion of regional trade and investment.

Integrated Growth perspective allows joint opportunities to be sought beyond a regional free trade agreement and market access to the region's existing and potential export destinations to be enhanced. With the objective of accelerating further integration into the global economy, the regional initiative will target

regional supply chains with the highest potential for participation in global supply networks.

... through policy efforts in its key dimensions

Dimension A 'Free Trade Area'

The signing of the CEFTA 2006 Agreement on 19 December 2006 set the stage for the establishment of a free trade area in South East Europe. Since then, the free flow of industrial goods has become a reality, as tariffs and quotas were abolished. Further efforts have been made to remove the remaining tariffs and quotas on trade in agricultural products by 2014. Furthermore, the core effort within the 'Free Trade Area' dimension will be directed towards facilitating trade and liberalising trade in services among the CEFTA Parties.

FDI has been the key factor in economic modernisation

in Central Europe, and it is expected to play a similarly important role in the SEE region. In order to attract new investment the region will, together with establishing a free and open investment regime throughout the region, increase its competitiveness by facilitating the free flow of factors of production (goods, services and people), and by promoting further integration of regional markets.

SEE 2020 envisages the following:

Key Strategy actions in Dimension A ‘Free Trade Area’⁶

- Liberalise trade in agricultural products by eliminating remaining tariffs and quotas
- Eliminate distortive non-tariff (sanitary and phytosanitary) barriers and unnecessary technical barriers to trade
- Facilitate trade through employing transparency tools and simplification of trade related procedures
- Improve customs interconnectivity via the introduction of paperless methods in regional trade
- Liberalise intra-regional trade in services by reducing restrictive measures and policies
- Facilitate free flow of investment through coordination of investment policies and investment promotion, and through better protection of investors and investment
- Facilitate free movement of experts, professionals and skilled labour

Dimension B ‘Competitive Economic Environment’

This dimension addresses issues in facilitating competitive economic environment through strengthening synergies between trade and those areas which are most trade related: competition rules, public procurement and intellectual property rights (IPR).

The blueprint for action in the domain of competition rules involves turning the region into a trade defence instrument free area once alignment with the relevant EU acquis is completed. Similar approach is to be taken for trademarks as the most trade and investment related IPR. The action will thus focus on strengthening the protection of trademarks throughout the region.

CEFTA stipulates obligations for the Parties to liberalise their public procurement markets. Respective legislative adjustments providing for price non-discrimination were completed in 2010. Further efforts still have to be employed to eliminate potential market entry barriers and to prevent any discriminatory practices.

Key Strategy actions in Dimension B ‘Competitive Economic Environment’

- Strengthen competition rules by creating a trade defence instrument free trade area in the region
- Strengthen protection of trademarks throughout the region
- Create a fully liberalised public procurement market in the region

Box 3.

EXAMPLE OF ACTION: FACILITATING TRADE THROUGH AUTHORISED ECONOMIC OPERATORS (AEO)

The concept of Authorised Economic Operator is relatively new to Customs Authorities. The AEO Programmes foresee granting various simplifications in customs procedures and particular facilitations of customs controls related to security and safety. Through AEO programmes, Customs Authorities are therefore able to focus their controls on more risky operators and transactions while the economic operators doing trade in full compliance with customs and other relevant laws and procedures benefit from simplifications and facilitations. The AEO concept is part of the EU Customs Code, and transposing those provisions to the national customs law is required by the EU accession process. Therefore, the majority of CEFTA Parties have transposed the relevant provisions of the EU Customs Code into their national legislation. Such harmonised progress in the EU alignment therefore provides our countries with a strong ground upon which a CEFTA AEO Programme can be built. Creating an EU compliant CEFTA AEO Programme will help facilitating the regional trade through simplification of customs procedures without impeding the efficiency and deterrence of security and safety controls. Facilitating trade through simplification of procedures is not only one of the main objectives of the Integrated Growth pillar of SEE 2020, but also one of the obligations stemming from the CEFTA Agreement.

Creating an EU compliant CEFTA AEO Programme requires a number of sequential national and regional actions. Like any other regional mutual recognition agreement, CEFTA AEO Programme would initially require harmonisation of the relevant legislation between all countries to sign this agreement. This first stage of harmonisation in relation to AEO legislation has substantially been completed in the majority of CEFTA Parties, thanks to the EU accession process. Starting implementation of AEO programmes will require completing a set of technical stages and adopting procedural guidelines, particularly for economic operators to get themselves prepared for the implementation. In parallel, the CEFTA Parties may agree in the framework of CEFTA to mutually recognise AEOs from other CEFTA Parties. Through this agreement, the CEFTA Parties will not only promote the regional trade through facilitating trade but also get prepared further for their eventual EU accession that requires any acceding country to recognise all AEOs in the EU on the very first day of their accession.

⁶The complete and detailed set of SEE 2020 policy measures and instruments is contained in Annex Table A4.

Dimension C 'Integration into the Global Economy'

Improved market access is a precondition of successful integration into the world economy. The European Union is the largest trading partner of all countries in the region. Other important partners are the European Free Trade Association (EFTA) states, Turkey and Russia. The CEFTA Parties currently benefit from cumulation of origin arrangements with variable scope according to their existing bilateral free trade agreements. To achieve the ambitious targets for trade and investment, enhanced access to the markets of the leading trading partners is of crucial importance to all countries in the region.

The region is in the process of joining a single diagonal cumulation zone to be established under the Pan-Euro-Mediterranean Convention (PEM) in 2015. Once the process is completed this may create preferential access not only to the existing export destinations but also to other markets in the so-called PEM Region. Further integration into the global economy could also be achieved by approximation of MFN customs duty rates to the EU's Common External Tariff, if justified by interest of respective economies in the region.

This Dimension also seeks to benefit from economies of scale and/or specialisation in the region thus facilitating participation in global supply chains. Major efforts will be invested in coordination of relevant government policies, e.g. trade policy, proactive industrial policy, investment policy, etc.

By removing trade and investment barriers, by effective coordination of relevant government policies and by alignment of efforts with Governance for Growth, the Integrated Growth agenda as a whole will contribute substantially to improving the business climate in the region.

Key Strategy actions in Dimension C 'Integration into the Global Economy'

- Improve market access through completing a single diagonal cumulation zone under the PEM and the harmonisation of MFN duties in the region towards EU CET
- Establish an investment concept to enhance participation in regional supply chains and global supply networks
- Align efforts on improving the business environment and promote business climate reforms

3.2. Smart Growth

South East Europe has the potential to build a new competitive edge ...

In order to ensure a long-term economic growth perspective, the region is looking for ways to change its development path towards more value-added, moving away from low-cost labour to other sources of competitiveness. Smart growth needs to be fostered in the framework of a "knowledge-based economy" – an economy founded on the production, distribution and use of knowledge and information. Several building blocks are needed for this transformation of the regional economies: investment in research and innovation, knowledge and information infrastructures, education, training, support to creative industries and new managerial work structures pivotal in encouraging smart growth. The transformation of the national science and innovation systems in the region towards a modern triple helix model is essential for the production and distribution of new knowledge and also for corresponding knowledge investments.

... driven by knowledge and innovation and based on its human capital

The central objective of the Smart Growth pillar is to promote innovation and foster knowledge-driven growth in the region. These are regarded as the main sources of competitive advantage and value-added creation in the future. SEE 2020 sets a 32% increase in average labour productivity relative to 2010 as the main target in this pillar. This rise in productivity should be accompanied by an 18% increase in the number of highly qualified persons in the workforce (Box 4). Both these pillar targets support and are logically linked to the overall strategic targets of the SEE 2020 Strategy.

To achieve these objectives, SEE countries have identified key priority actions that they have committed to undertake in four main policy areas. The Strategy underlines that the future of the region hinges on success of SEE countries in establishing a conducive environment and adequate supporting conditions for the accelerated development of the knowledge economy. SEE 2020 also identifies a set of concrete actions, instruments and measures that countries will pursue in order to achieve these objectives.

Four policy dimensions address the pillar objectives. The dimensions (i) R&D and Innovation, (ii) Digital Society, and (iii) Cultural and Creative Sectors contribute to increasing the GDP per person employed,

while (iv) Education and Competences also aims at increasing the share of highly skilled people in the region. The dimension Cultural and Creative Sectors is also supportive to the other three dimensions: creativity has to be understood as an input into all dimensions of smart growth. In order to allow for a proper monitoring, specific dimension targets are also foreseen for each dimension. These targets are either quantitative, as in the case of the 'Education and Competences' and 'R&D and Innovation' dimensions, or qualitative, as for the 'Digital Society' and 'Cultural and Creative Sectors' dimensions.

At the level of priorities and measures there is also an interaction present between the different dimensions. In particular, links between education systems and the labour market are to be strengthened along with interconnections between business driven innovation, entrepreneurial learning and skills for small business.

Additionally, through establishing effective policies on diaspora engagement, countries can draw upon the existing expertise and knowhow within the diaspora communities originating from the region to scale up the access to lacking skills and knowledge.

Human capital and innovative entrepreneurship shape the foundations ...

Dimension D 'Education and Competences

This dimension aims to improve the regional knowledge and skills base and sets specific objectives in two main domains: a reduction of early leavers from education and training and an increase in tertiary educational attainment. As regards the first domain, the Strategy envisages a range of actions and measures for the development of practical competences through work-based learning, the standardisation of qualifications and removing obstacles for their recognition, and the education of teachers. As regards the second domain, it focuses on increasing participation in education at all levels and the prevention of early school leaving and drop-out from higher education. These activities will be further supported through a strong focus on entrepreneurial learning and competences for small business. The Dimension Coordinators in the area of human resource development, Education Reform

Initiative of South Eastern Europe (ERISEE) and South East Europe Centre for Entrepreneurial Learning (SEECCEL), will be supported in their tasks by the ETF.

Key Strategy actions in Dimension D 'Education and Competences'

- Increase equitable access to, and participation in, high quality education at all levels, aligned with measures for a smooth recognition of qualifications supporting mobility in SEE
- Implement measures to prevent early-school leaving and 'drop-out' and improve completion rates at all levels, thus contributing to the inclusiveness and nurturing of lifelong learning
- Ensure education and training systems better meet economic and labour market needs (and provide learners with labour market relevant skills)
- Introduce entrepreneurship key competence development at all levels of education and training (curriculum, teacher training, assessment)

Dimension E 'R&D and Innovation'

In order to tap effectively into the regional pool of knowledge and unleash its innovative potential, SEE countries need to invest more and better in research and innovation, prioritising investments with the direct possibility to leverage wealth generation from other available economic assets, contributing to a 'smart specialisation' of the region. This, in turn, implies advancing institutional and policy reforms and undertaking strategic investments in four areas: (i) improve research excellence and productivity by investing in human capital for research, selectively upgrading and better using available infrastructure, improving the incentive regime for research performance, and advancing the Bologna Process and further integration to the European Research Area; (ii) facilitate science-industry collaboration and technology transfer by further aligning the regulation of intellectual property management in public research organisations, developing technology transfer organisations (such as technology transfer offices), financial support for science-industry collaboration, and for the development of proof of

Box 4

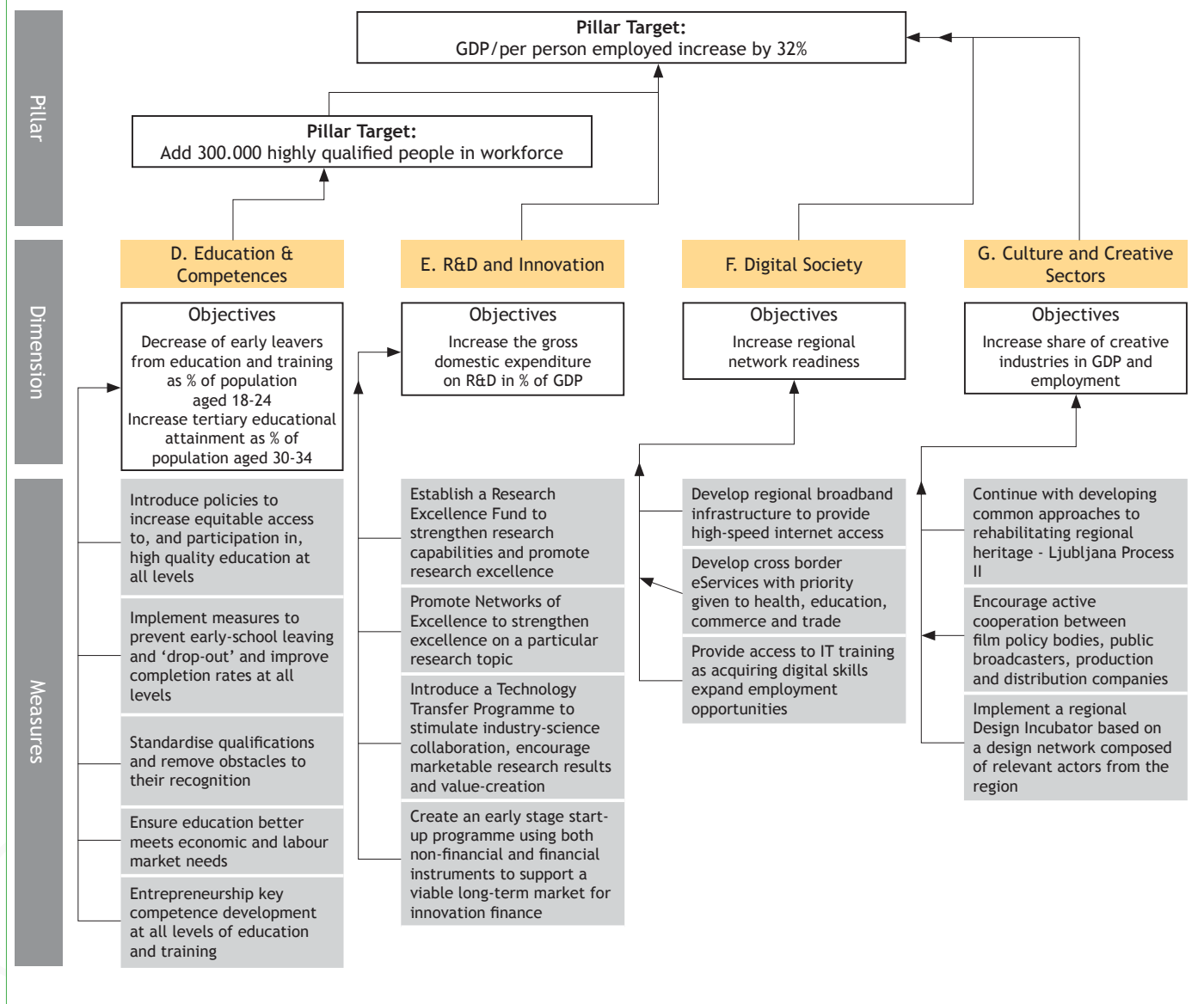
SMART GROWTH PILLAR: 2020 HEADLINE TARGETS (relative to 2010)

Increase GDP per person employed by 32%

Add 300,000 highly qualified people to the workforce

Figure 3

LOGICAL FLOWCHART OF THE SMART GROWTH PILLAR



concept, and building a closer, structural cooperation with the business community by promoting ‘knowledge transfer activities’; (iii) promote business innovation and innovative start-ups by improving the business environment, providing mentoring services and financial support throughout the whole innovation process (from prototype and pre-seed to growth and expansion), and guaranteeing a proper supply of technology/science-parks and incubation services that can host and nurture young firms; (iv) strengthen the governance of national research and innovation policies by continuing capacity building in key institutions, reforming career development to better reward research excellence, science-industry collaboration and technology transfer, reforming the management of research institutes to promote performance, increasing transparency, accountability

and impact evaluation of research and innovation policies.

In this area, SEE 2020 builds upon the efforts already invested by SEE countries in developing a joint R&D Strategy for Innovation. The instruments noted here have been extracted from this joint R&D Strategy and are being put in a wider SEE 2020 context. The Regional R&D Strategy for Innovation in the Western Balkans includes establishment of a regional platform on research and innovation called WISE (Western Balkans Research and Innovation Strategy Exercise). This platform will promote regional collaboration, and will be tasked to implement the Regional R&D Strategy for Innovation, being at the same time the coordinator of R&D and Innovation dimension of the SEE 2020.

Key Strategy actions in Dimension E ‘R&D and Innovation’

- Establish a Research Excellence Fund to strengthen research capabilities and promote research excellence by providing stable, transparent and merit-based support for research
- Promote Networks of Excellence to strengthen excellence on a particular research topic
- Introduce a Technology Transfer Programme to stimulate industry-science collaboration, encourage marketable research results and value-creation
- Create an early stage start-up programme using both non-financial and financial instruments to support a viable long-term market for innovation finance

... grounded on modern information and communication technologies ...

Dimension F ‘Digital Society’

The overall objective of the dimension ‘Digital Society’ is to further enhance the cooperation on economic and social development in South East Europe and reap the full potential of the Information and Communications Technologies to spur innovation, economic growth, regional competitiveness and improved quality of life.

There are extensive commonalities of the Electronic South East Europe (e-SEE) Agenda+ and the EU’s priorities of building a digital single market, fast and ultra-fast internet access, interoperability and standards, boosting trust and security, research and innovation, enhancing digital literacy skills and inclusion, and leveraging the benefits of ICTs for inclusion of most marginalised layers of society.

The proposed priorities and corresponding proposed actions have to be seen as a continuation of the e-SEE Agenda and e-SEE Agenda+. Several major actions are foreseen under this dimension: (i) support to ICT driven public sector innovation for further modernisation of public administration; (ii) development and increase of interactivity and accessibility levels of electronic public services, and on-line availability of interoperable electronic public services nationally and across the region of SEE; (iii) the development of regional broadband infrastructure to provide high-speed internet access to all; (iv) advancement of network security and data protection across the region of SEE; (v) ICT training for both public administration and citizens; and (vi) ICT for e-Inclusion of marginalised groups (women, persons with disabilities, rural poor, Roma, etc.) and transfer of know-how.

Key Strategy actions in Dimension F ‘Digital Society’

- Develop regional broadband infrastructure to provide high-speed internet access
- Develop cross-border eServices with priority given to health, education, commerce and trade
- Provide access to IT training, as the acquisition of digital skills expands employment opportunities

... and for the advancement of creative industries

Dimension G ‘Cultural and Creative Sectors’

The perception of Cultural and Creative Sectors as a development driver in South East Europe is at a very early stage throughout the region. Taking into account their potential as a source of growth, Cultural

Box 5

EXAMPLE OF ACTION: ESTABLISHMENT OF UNIVERSAL QUALITY ASSURANCE SYSTEM IN EDUCATION IN SEE

Quality assurance has to go along with the policies aimed at increasing quality and attractiveness of education, but also with the developments related to the increased autonomy of schools, introduction of new financing approaches requiring greater accountability, diversification of training providers including private and developments of education after secondary level. All this makes educational systems increasingly diversified and complex. Moreover, education will also be more and more under scrutiny of different actors, partners and clients.

As a consequence, quality assurance mechanisms and procedures are needed in order to make sure that the systems are developing along the strategic goals set up in the SEE 2020 Strategy, and that it is possible to monitor and assess progress and possible failures in order to take appropriate correcting measures. This is why SEE countries should consider the recent developments in the EU particularly the Council recommendation on the European Quality Assurance Reference Framework and the related indicators, tools and procedures.

Initial task will be a review of the overall situation in SEE countries related to monitoring and evaluation of the quality of education. In this context, how QA is developed in higher education in application of the requirements of the Bologna process should also be considered. This review would cover the indicators already in use or available, in reference to the ones developed in the EU.

After full consideration of existing initiatives in the field of Quality Assurance in education in SEE countries, universal quality assurance system in education in SEE should be established. This system will be developed in order to promote quality in education and training at all levels, system and provider level, by making use of the EU Common Quality Assurance Framework and promoting self-assessment procedures. Furthermore, agreed models (including indicators and procedures concerning the combination of appropriate self-assessment and external evaluation procedures) will be elaborated and tested in all the countries and with a certain number of selected institutions and providers.

and Creative Sectors should become a part of national policies and receive institutional support. A sense of ownership within the existing national or regional organisations and institutions should be increased. Considering the complexity of Cultural and Creative Sectors and the different levels of development within the countries of South East Europe, a multi-layered strategy and holistic approach on a regional level are of crucial importance in order to fully exploit their existing potential.

Effective development of Cultural and Creative Sectors requires the implementation of a number of activities on different levels, especially having in mind the specific needs and number of elements involved in the creative economy. South East Europe, a region with an astonishingly rich cultural heritage which has long been a hotbed of talent and creativity – both of which are essential ingredients for the development of Culture and Creative Sectors, can profit from a harmonised regional approach. Strategically nurturing Creative Industries in South East Europe will help foster tourism, SME growth and entrepreneurship, ultimately improving the business atmosphere and climate in the region. Above all, the 'Cultural and Creative Sectors' dimension plays a key role in the creation and promotion of a regional brand.

The SEE 2020 Strategy will support the Cultural and Creative Sectors, enabling them to increase their contribution to GDP and employment. Due to the complexity of the field, focussing on a small number of priority sectors and actions is of crucial importance.

Key Strategy actions in Dimension G 'Culture and Creative Sectors'

- Continue with developing common approaches to rehabilitating regional heritage - Ljubljana Process II
- Encourage active cooperation between film policy bodies, public broadcasters, production and distribution companies
- Implement a regional Design Incubator based on a design network composed of relevant actors from the region

3.3. Sustainable Growth

... Sustainable growth requires sustainable and accessible transport and energy infrastructure, a competitive economic base and a resource efficient economy ...

Regional cooperation efforts in sustainable development, infrastructure integration and competitiveness have produced considerable results over the past decade. Energy Community was established to help extend the EU internal energy policy to the countries of the region; South East Europe Transport Observatory (SEETO) has been instrumental in identifying regional transport priorities and the forthcoming Transport Community Treaty will help establish an integrated market for infrastructure and transport; cooperation in the area of competitiveness through regional instruments such as the South East Europe Investment Committee (SEEIC) is helping remove barriers to closer direct linkages between the economic operators in the region.

The Sustainable Growth pillar aims to boost growth and jobs by supporting a strong, diversified and competitive economic base, while becoming better connected, more sustainable, and more resource efficient. Due to the nature of the problems, complex interventions to improve efficiencies, upgrade infrastructures and boost competitiveness emerge as a critical component of the SEE Strategy. The region needs to achieve a major breakthrough in this area by joining forces and making collective, cooperative efforts. These interventions must also be coordinated with the need to adapt to the impacts of climate change, which also requires significant policy intervention in spatial organisation, resource use and infrastructure.

The Strategy sets ambitious targets to be achieved in the Sustainable Growth pillar (Box 6). These are in line with the overall Strategy objectives and include measurable targets for enterprise creation (+12%) and per capita export development (2.3 times). Other specific objectives and targets are discussed in the dimensions listed below.

Currently energy efficiency, transport connectivity and environmental protection vary in their level of development in the different countries of the region. The interconnection between states and access to ports are inadequate to support the free flow of goods and people. Efficient resource utilisation continues to be a challenge for South East Europe, and although

this results in part from the specific features of the region's economic structures, new environmental standards and better enforcement of the existing ones, together with investment in improving resource utilisation can begin addressing this problem.

Some of the main challenges that shape competitiveness and entrepreneurship are revealed by the relatively small size of SMEs and their lack of innovation and internationalisation described in the EU's Small Business Act Fact Sheets. Firms tend to be local market oriented, where conditions of competition may not be fully transparent. When the efficiency standards of SMEs are not kept up to the mark by competitive markets and financial institutions, their productivity tend to stay behind their potential competitors. A shift to more international cooperation and competition would increase performance in terms of both output and exports, thus supporting the main headline targets of the SEE 2020 Strategy.

Competitiveness can be improved by supporting enterprise development through coordinated legal, financial and policy frameworks, as well as through enhanced corporate linkages. Some other aspects of competitiveness are covered by the Integrated Growth pillar (trade facilitation, trade liberalisation and investment climate) and the Smart Growth pillar (business innovation policy and education). Sustainable and accessible infrastructure as well as transparent and coordinated legal and institutional frameworks can further improve the business environment for economic actors. In the relatively small and segmented geographic space of the SEE region, these conditions can best be established through internationally coordinated action.

SEE 2020 reflects the countries' commitment to tackle specific sustainability issues ...

The targets of the pillar will be achieved through four dimensions (Figure 4). The three dimensions of energy, transport and environment each include main measures to reduce energy intensity, support modernisation of transportation, increase resource efficiency and improve environment in a sustainable way. Improvement in total energy efficiency and

reductions in fuel costs per unit are going to affect the transport sector and consequently decrease the unit cost of transport, and in turn this will improve the integration of the region into the international economy and create conditions for intra-regional trade. Savings in total energy consumption may have significant environmental benefits. Since the current regional energy mix is more carbon intensive than the European average and also far more intensive in conventional pollutants, any reduction in total energy use also reduces environmental impacts. The measures envisaged would significantly reduce environmental risk and thus enhance GDP growth. A breakthrough in resource efficiency would support competitiveness by reducing the cost of production and its negative environmental and social/health impacts, and by providing efficient transport capacities and opportunities for new business.

... through a set of coordinated policy measures

Four dimensions of Sustainable Growth contribute to the headline targets by managing exogenous risks to economic activity and enabling economic growth and new employment as given below.

Harmful environmental and climate change related impacts – if emissions of traditional pollutants continue – are likely to devastate human and natural capital in the most productive and densest economic areas of the region. The predicted slight improvement in demographics requires a significant and rapid improvement in environmental impacts – something that is also envisaged in the context of EU accession. Carbon intensity in the region is likely to impede export competitiveness and increase the risks of climate change affecting health and environment. The region is extremely vulnerable to shocks in security of energy supply and weather sensitivity in energy demand that could halt commercial activity. These risks need to be controlled if the economic development considered in this Strategy is to have a chance.

The simultaneous impact resulting from improvements in energy efficiency, the reduction of energy poverty, better demand-side management and the improved

Box 6

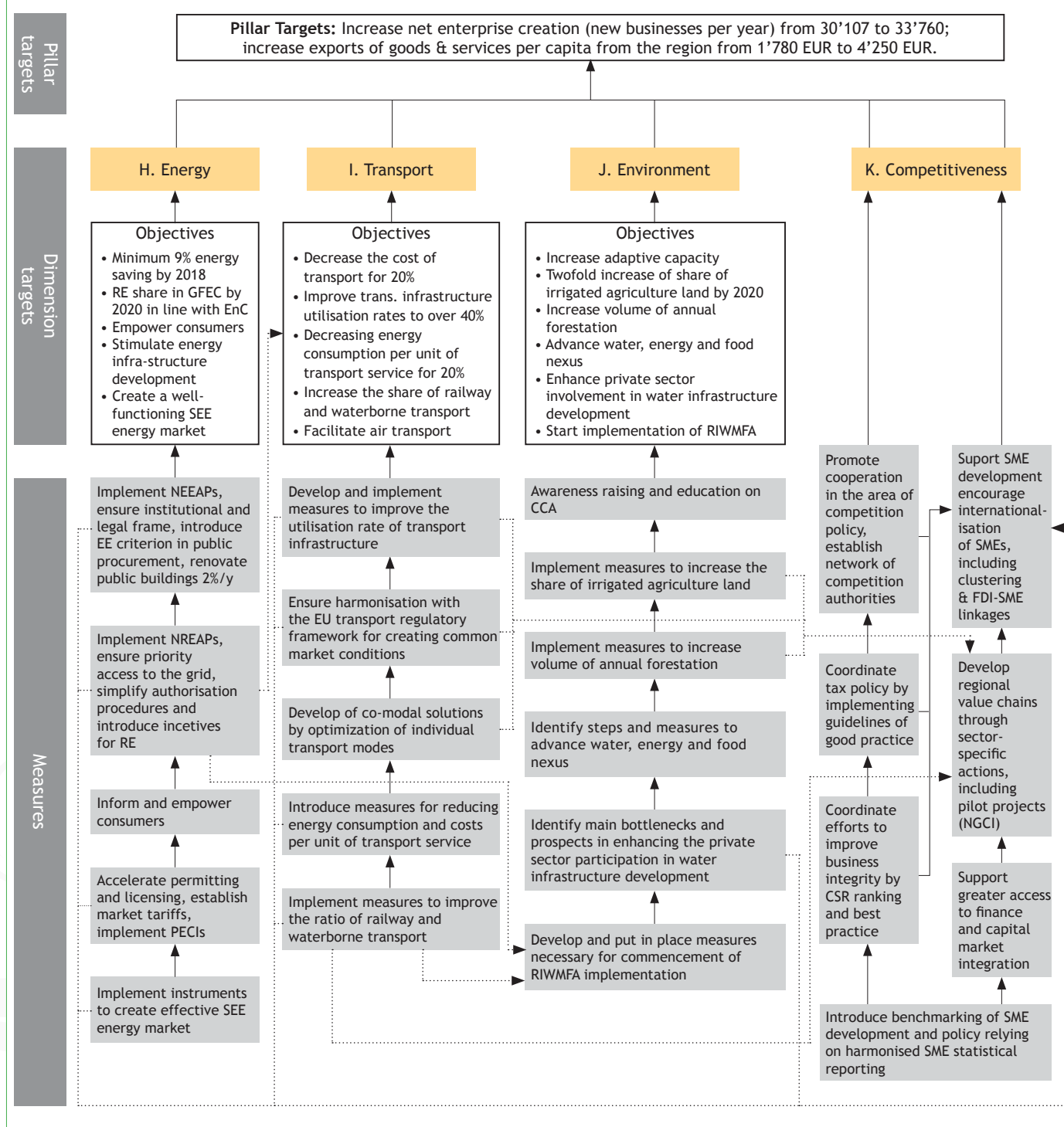
SUSTAINABLE GROWTH PILLAR: 2020 HEADLINE TARGETS (relative to 2010)

Increase net enterprise creation (new businesses per year) from 30,107 to 33,760

Increase exports of goods and services per capita from the region from EUR 1,780 to EUR 4,250

Figure 4

LOGICAL FLOWCHART OF THE SUSTAINABLE GROWTH PILLAR



operation of existing hydro power plants is likely to facilitate the region's integration into the European energy market and demonstrate the viability of the overall market liberalisation envisaged by the Energy Community Treaty. It is going to decrease energy costs for residential and commercial consumers, manage energy security risks and increase both competitiveness of local industry and spending on local goods and services.

The modal shift in transport to waterborne and railway transport (including transport of industrial wood, food, biomass and liquefied natural gas) naturally focuses on urban areas, due to the clustering of population and economic activity. The improvement in overall transport efficiency facilitates competitiveness in industries based on wood, biodiversity and food processing, as well as related industries, which constitutes a future regional competitive advantage.

New, renewable energy-based heat and power installations facilitate economy of scale in railway and waterborne transport that, in turn, fosters trade and competitiveness.

Transport systems worldwide are undergoing rapid change. Globalisation has created a demand for goods and services that makes improved infrastructure and more efficient transport systems a precondition for economic development. The role of transport in economic development is usually discussed in relation to its contribution to carrying goods and people domestically and internationally. Just as liberalisation of trade can open new markets for developing countries, efficient transport systems and routes can increase the volume of trade and movement of people, thus contributing to higher growth. Appropriate transport costs, reliability and the quality service are essential factors for improving the competitiveness of exports. The co-modality and the integration of individual transport modes for conducting seamless transport foster the trade and competitiveness.

The SEE 2020 Strategy envisages some specific measures and interventions for each of the four dimensions: Energy, Transport, Environment and Competitiveness.

Dimension H 'Energy'

Energy supply is the backbone of economic growth, and therefore, its shortage or unaffordability becomes a constraining factor for economic development. South East Europe, not unlike the EU Member States and other countries around the world, currently faces immense challenges in the energy sector. The need to reduce our carbon footprint while at the same time meeting the increasing level of energy consumption requires new technological solutions, modernisation of the energy sector and more and better dialogue with our neighbours. New market mechanisms need to be introduced which will be appropriate to accommodate new energy sources.

The growth prospects for the Western Balkans region have significantly deteriorated over the last three years (2010-2013). This limits the fiscal space in the countries' budgets available for further expanding the much needed infrastructure investments, including those in the energy sector. Under these circumstances, South East Europe, as part of a larger European market, will need to identify its priorities in the energy

sector in order to be able to fuel its growth by 2020 and at the same time become a resource efficient and low – carbon economy.

The countries of the region, as signatories of the Energy Community Treaty⁷ have embarked on a path of energy market reforms and regional integration, which need to be properly and timely implemented in order to fully deliver their benefits: sustainable, secure and affordable energy services.

SEE as part of the Energy Community has prepared its first Energy Strategy by 2020⁸ that was adopted by the Ministerial Council in October 2012.

The Energy Strategy has, among others, developed three scenarios: a so-called 'current trends'; a second scenario 'minimal investment costs' examines what is required to be done as to the bare minimum to fully meet consumer demands for energy; and finally, a low emissions/sustainability scenario is also examined which presumes the region progresses on a sustainable development path. For each scenario, an annualised investment cost and total energy system cost were calculated for 2020, 2025 and 2030; it has also defined its objectives and actions, and now, the challenge remains to implement them against the deadline 2020. SEE 2020 aims to support the implementation of the relevant actions, deriving from the Energy Community Strategy.

The SEE 2020 Strategy also foresees some other relevant regional energy cooperation activities mainly complementing the Energy Community in relation to strengthening the cooperation with parliamentarians, reducing green-house-gas emissions and sustainable energy development through implementation of Sustainable Energy Development Regional Initiative (SEDRI).

Following the EU's own sustainable growth path and having in view the increasing pressure on resources, and energy sector objectives and targets, SEE 2020 identifies the following:

Key Strategy actions in the Dimension H 'Energy'

- Develop and implement measures to increase efficient use of energy by achieving a minimum 9% energy saving target by 2018, in line with its commitments to the Energy Community, through the adoption of Energy Services Directive, in 2009⁹.
- Put in place measures to achieve national share of

⁷The Treaty establishing the Energy Community, entered into force on 30 June 2006.

⁸http://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/Regional_Energy_Strategy/strategy

⁹Ministerial Council Decision (http://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/ENERGY_EFFICIENCY)

renewable energy in gross final energy consumption by 2020, in line with the targets adopted in 2012, through the Renewable Energy Directive¹⁰.

- Inform and empower consumers in order to achieve behavioural changes that would accrue in affordability and safety
- Develop instruments to create an investment friendly climate and stimulate energy infrastructure development
- Create a well-functioning SEE energy market that would provide affordable but cost reflective and reliable supplies; remove energy subsidies and replace these with safety nets for vulnerable consumers
- Complement the ongoing regional energy cooperation

Dimension I 'Transport'

Within the transport area, SEE 2020 sets some ambitious targets, including: (i) decrease of the cost of transport per unit of transport service for 20%, and decrease in TEU¹¹ transport costs to meet the EU average; (ii) improvement of transport infrastructure utilisation rates to over 40% of designed capacity; (iii) higher energy efficiency by decreasing energy consumption per unit of transport service by 20%; and (iv) increase railway/waterborne share to country specific targets to be defined in the national action plans and facilitate air transport.

The 'Transport' dimension of the Strategy builds on the commitments given by the countries in the context of the 2004 Memorandum of Understanding on a regional transport network (SEETO Comprehensive Network) and the likely obligations under the forthcoming Transport Community Treaty, which aims to establish an integrated market for infrastructure and transport and to enhance the transport operations within the region and with the EU.

The Strategy further builds on the Single European Sky (SES) and the Joint Service Provision Area (JSPA) Initiative, which is in direction of creating proactive relationships between regional Civil Aviation Agencies (CAAs) and Air Navigation Service Providers (ANSPs) and in line with the European key performance areas: Safety, Capacity, Environment, and Cost-efficiency.

In addition, the transport strategy is framed by the work of the Danube and Sava River Commissions and the EU Strategy on the Danube Region and it also envisages further integration of inter-modal aspects. Finally, it focuses on future transport needs, while using modern transport management and telecommunication capabilities (such as GALILEO). Intervention in transport ultimately aims to provide tangible support for an increase in intra-regional trade and its integration into the global economy (envisaged within the Integrated Growth pillar) by reducing transport costs, which are currently a critical impediment to trade.

The development of the SEETO Comprehensive Network, up to the TEN-T standards, with the aim of attracting international traffic flows and increasing the regional mobility along the Network, remains a prevailing goal of the regional transport cooperation conducted under the umbrella of SEETO. The SEETO Comprehensive Network has recently been confirmed as TEN-T Comprehensive Network in South East Europe. In addition, transport infrastructure should also be supported by efficient integrated traffic management systems. Therefore, further integration of the SEE transport system in the European one remains a priority for the region over the long term. Enforcement of market rules in transport, removal of cross-border bottlenecks and transport non-physical barriers as well as enhancing the rules and practices in the areas of transport safety are important issues for transport facilitation.

The long-term aim of the Strategy is to ensure transport services which are affordable, reliable and sustainable, at the same time building a more competitive economy while making efficient use of resources, protecting the environment and reducing emissions.

Key Strategy actions in Dimension I 'Transport'

- Develop and implement measures to improve the utilisation rate of transport infrastructure on the SEETO Comprehensive Network by removal of physical and non-physical bottlenecks and unnecessary technical cross-border barriers
- Ensure harmonisation with the EU transport regulatory framework for creating common market conditions and safety standards in the region

¹⁰Ministerial Council Decision October 2012(<http://www.energy-community.org/pls/portal/docs/1766219.PDF>)

¹¹TEU or twenty-foot equivalent unit refers to cargo volume equivalent to standard 20ft container.

- Develop co-modal solutions by optimisation of individual transport modes and focus on energy-efficient and environmentally-friendly transport modes
- Introduce measures to reduce energy consumption and costs per unit of transport service
- Put forward measures to improve the ratio of railway and waterborne transport, foster liberalisation of railway services and open the rail transport market to competition
- Enhance aviation transport activities and air traffic cooperation in the region and implement JSPA initiative to facilitate air transport
- Increase the use of Intelligent Transport System in the transport sector

Dimension J 'Environment'

Considerable vulnerability of the region to climate change and emissions of conventional pollutants require comprehensive action to adapt to the climate change in order to reach more climate resilient society and economy. Community-based approach to climate change adaptation aims to speed up and facilitate rising of the adaptive capacity in the region, intensify education, awareness raising and practical actions leading to reduction of climate change impacts, with the special focus on the least developed communities and most vulnerable target groups. Taking into account the recognised regional priorities in the areas of food and tourism, it is clear that climate change adaptation measures in relation to irrigation and forestation have a crucial role to play.

Agriculture land to be irrigated is fragmented, mainly used by small agriculture producers as the land

owners, locations of available water for irrigation are frequently inconvenient and agriculture producers are not trained to use modern irrigation systems. Alongside the needed investments, these are the main reasons why only limited areas of agriculture land are irrigated. Irrigation is important not only to increase the yield but also to improve quality of agriculture products, increase employment and income through export as well as to strengthen security of food supply.

In order to adapt to changed climate conditions, it is necessary to ensure sufficient amount of water on the agriculture land convenient for irrigation. The region plans a twofold increase in the share of irrigated agriculture land by 2020 as an ambitious but realistic goal. In this respect, it is necessary to complete construction of local irrigation systems and micro-accumulations and also upgrade/expand infrastructural network where irrigation systems are in place in order to make water available to all agriculture producers. Building a low-voltage power network is necessary to ensure secure and cheaper irrigation.

It is of huge importance to meliorate devastated and coppiced forests, enhance reforestation and forestation of unused land. New forest will serve as an additional carbon sink; protect areas from wind and erosion; improve micro-climate, ecosystem services and quality of underground water; increase new employment and create numerous economic, environmental and social benefits.

The SEE countries have been working in the field of water resources management using the EU Water Framework Directive (EU WFD) as the main instrument that has been transposed into their legal frameworks

Box 7

EXAMPLE OF ACTION: ENHANCING REGIONAL VALUE CHAINS THROUGH THE NEXT GENERATION COMPETITIVENESS INITIATIVE

Strengthening competitiveness has become a major challenge for the Western Balkans. Despite the region's advantages in terms of proximity to European markets, Western Balkan economies are vulnerable to competition from low-wage economies. As labour costs rise in the region, competitiveness is increasingly becoming harder to sustain. Escaping the trap of cost-driven competitiveness will depend on the ability of firms to diversify and move into higher value-added activities such as in the pre-production phase (e.g., R&D and design) or post-production phase (e.g., distribution and after care services).

The Next Generation Competitiveness Initiative (NGCI) is a three-year project supported by the European Union (EU) and being implemented by the Organisation for Economic Co-operation and Development (OECD) that aims to identify and address some of the key barriers to value chain development in the Western Balkans. At the outset, the NGCI will focus its efforts on the agro-food and tourism sectors with a third sector to be identified at a later stage.

Agro-food and tourism are significant sources of turnover and employment and represent sectors where the region has a comparative advantage relative to many countries in the EU. In addition, these sectors have large numbers of firms engaged in clustering activities which indicates an opportunity for regional cooperation. The NGCI will organise sector groups with mixed participation from industry and government to: 1) pinpoint barriers to higher value-added activities; 2) develop policy responses to those barriers; and 3) identify practical, pilot-scale actions to implement the most pressing policy responses. The NGCI's method of mixed public-private responses to sector competitiveness is inspired by EU initiatives such as the High Level Group on the Competitiveness of the Agro-Food Industry.

and is being implemented with varying levels of success. Implementation of the EU WFD in the SEE presents particular challenges related to water and environmental governance at national level including but not restricted to the following: difficulties in preparing and implementing management plans; lack of coordination among sectors with competences over water resources management; cost of infrastructure necessary for the implementation of measures; lack of design, implementation and monitoring capacities; the fact that basins extend across boundaries leading to the need of advanced cooperation among countries in terms of their management, etc.

Recently, the EU has initiated work in the field of water, energy and food nexus approach for the management of water resources as means to overcome related challenges. The latter has emerged due to the fact that interrelations among the water, energy and food sectors have not been taken into account by the respective institutions while preparing their sectoral plans.

Due attention should be paid to assisting countries towards the sustainable management of water resources as well as towards sustainable hydropower and food production. In this respect, it is necessary to investigate possible interest of EU and/or international organisations in assisting SEE countries through the implementation of specific activities in this regard, e.g. mapping the water, energy and food nexus in pilot basins and introducing related considerations in the revision of River Basin Management Plans (in accordance to the EU WFD the plans are reviewed in a six years cycle). The United Nations Economic Commission for Europe (UNECE) is currently preparing a methodology for mapping the water, energy, food and environment nexus in transboundary basins. It is also necessary to assess the level of implementation of the EU WFD at national as well as at transboundary basin level, identify the assistance necessary to the countries to advance with its implementation and investigate opportunities for launching a political process under the RCC aimed at enhancement of cooperation in the SEE in the field of Transboundary Water Resources Management (TWRM).

It is crucial to expand the level of SEE countries' understanding of the enabling environment for private sector participation in financing water infrastructure, including the related opportunities and challenges, assess the SEE countries' readiness to engage with the private sector and identify key bottlenecks and

prospects in the process, share experience among countries and different water resources management frameworks.

Outputs of the previously mentioned activities in the area of Integrated Water Resources Management (IWRM) will be important inputs for preparing the Regional Integral Water Management Framework Agreement (RIWMFA). Building upon the prime related processes in the region including EU WFD, the UNECE Water Convention (WC) and those of the Union for the Mediterranean (UfM), alongside close consultations with the countries from the region including governmental and other stakeholders primarily from water, environment, energy and agriculture sectors, RIWMFA will be prepared and signed. Moreover, its implementation will start by 2020.

Key Strategy actions in Dimension J 'Environment'

- Increase adaptive capacity through awareness raising and education on climate change adaptation
- Develop and put in place measures to increase the share of irrigated agriculture land
- Develop and put in place measures to increase volume of annual forestation
- Identify steps and measures necessary for advancing the water, energy and food nexus approach at national and transboundary levels and investigate opportunities for launching a political process under the RCC for the enhancement of cooperation in the SEE in the field of TWRM
- Expand the level of SEE countries' understanding of the enabling environment for private sector participation in financing water infrastructure and identify key bottlenecks and prospects in the process
- Develop and put in place measures necessary for commencement of the Regional Integral Water Management Framework Agreement implementation

... and enhancing competitiveness by joint international actions

Dimension K 'Competitiveness'

The 'Competitiveness' dimension comprises seven areas, which cover distinct fields of action. Each includes several implementation measures. The targets, while directly supporting the pillar targets, are also interlinked (Figure 4). Regional coordination

in the fields of corporate social responsibility (CSR), competition policy and tax policy support the development of SME policy and access to finance. Linkages projects benefit from these policy improvements and will also add new policy dimensions to regional activities by developing pilot projects in three selected economic activities. All these actions add to and are supplemented by regional SME policy coordination to intensify cooperation. The impact of policy measures will be verified by peer reviews based on improved data collection.

Key Strategy actions in Dimension K 'Competitiveness'

- Develop regional activities to support SME development, including clustering and FDI–SME linkages
- Enhance regional value chains through sector-specific actions
- Regional activities to support greater access to finance
- Peer review of SME development and policy, relying on harmonised SME statistics
- Improve business integrity through coordinated efforts
- Enhance regional cooperation in the area of competition policy
- Enhance policy coordination in the area of tax policy

3.4. Inclusive Growth

SEE is committed to advancing from a state of low activity and high social exclusion ...

Labour markets in the SEE region chronically feature low employment and activity rates, particularly among women and the youth, as well as high and persistent unemployment. Youth unemployment is exceptionally high by European standards and has further deteriorated during the economic and financial crisis.¹² In addition, long-term unemployment has been a salient feature of the labour markets in the region for more than a decade and carries direct consequences in terms of social exclusion and the further obsolescence of skills. Employment in the informal sector is high, with levels estimated at between 30% and 40%. There are significant imbalances between labour demand and supply in the SEE region. Among the main reasons for these unfavourable developments is the lack of skills and competences. Moreover, technological progress creates demand for higher-level skills which leads to further gaps.

Despite considerable improvements in health care, inequalities exist not only between countries, but also within countries. Demographic ageing is high and this affects both health itself and the health systems. The burden of preventable, non-communicable diseases – cardio-vascular disease, diabetes, cancer, asthma, mental disorders – is a major health challenge for the region. Empirical evidence suggests a lack of policies and effective approaches to promote health and deliver early interventions to prevent and treat disease. Health systems are still inefficient and ineffective. The SEE Health Network (SEEHN) has identified a substantial number of common weaknesses, such as inadequate access to health services, lack of continuity and quality of care, management inefficiency, lack of financial sustainability, inefficient use of the resources available to health, ineffective primary and secondary preventive and health-promoting services, low capacities of the health workforce, a high level of internal and external migration, etc.

Box 8

INCLUSIVE GROWTH PILLAR: 2020 HEADLINE TARGET (relative to 2010)

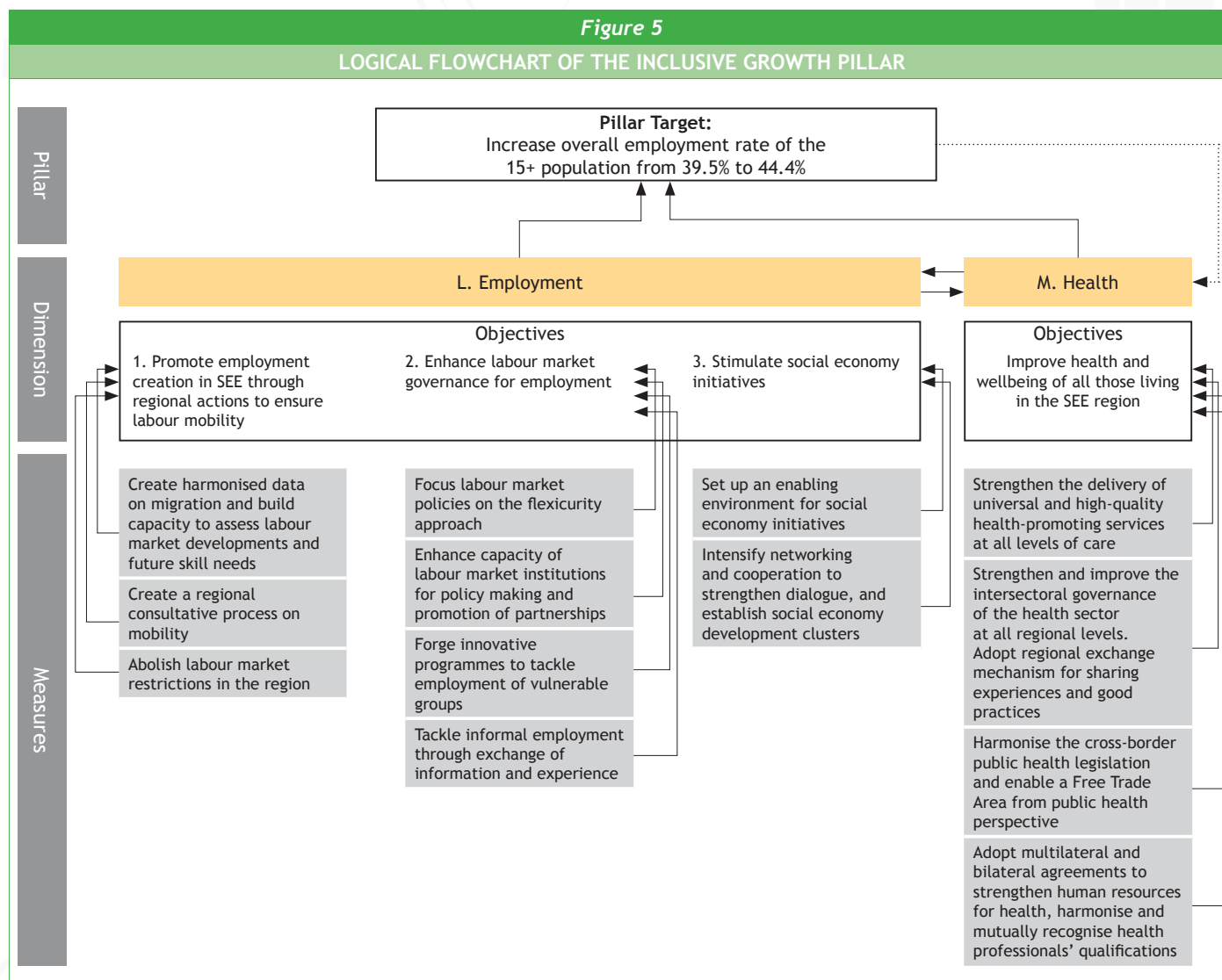
Increase in the overall employment rate, as a percentage of the 15+ population,

from 39.5% to 44.4%

¹²In 2012 the unemployment rate in Kosovo* was 35%, in Bosnia and Herzegovina around 30%, in Serbia 24% and in Montenegro 20%. Only Croatia and Albania reported an unemployment rate below 20%. At the same time youth unemployment was between 50-60% in Bosnia and Herzegovina Kosovo* and Serbia and about 40% in Croatia and Montenegro. Long-term unemployment accounts for about 80% in all countries, but Croatia (66%).

* 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.

Figure 5



... to a situation where the benefits of growth are shared by all ...

The objective of the Inclusive Growth pillar is to enhance employment through skills development, employment creation and labour market participation by all, including vulnerable groups and minorities. Moreover, it means fighting poverty, modernising labour markets and strengthening training and educational systems. Efforts will be needed to combat poverty and reduce health inequalities in order to ensure that everybody can benefit from growth.

The key headline target of the Inclusive Growth pillar is an increase in the overall employment rate from 39.5% to 44.4% for the region as a whole by 2020 (Box 8). This target is based on the broadest possible definition of employment pursuant to the International Labour Organisation (ILO) definition, which includes persons aged 15 and over.

The underlying conceptual model of the Inclusive Growth pillar is illustrated in Figure 5. The pillar

focuses on two specific dimensions of the broader agenda of inclusive growth – employment and health, which were identified as, on the one hand, the most pressing issues requiring immediate action, and, on the other, as areas where the returns on policy effort in terms of increased social welfare will be significant. Within SEE 2020, the countries in the region have committed themselves to undertake coordinated policy actions, which should ensure significant progress towards greater inclusiveness and social cohesion.

... by undertaking concrete joint actions within the two main dimensions

Dimension L ‘Employment’

The ‘Employment’ dimension addresses labour mobility, labour market governance and promotion of social economy activities as the main priorities. Labour mobility focuses on the creation of a regional consultancy process on mobility and the abolition of labour market restrictions in the region, while

labour market governance prioritises the flexicurity approach, enhancing and strengthening the capacities of labour market institutions and enabling people to acquire new skills to adapt to new conditions, forging programmes for vulnerable groups and tackling informal employment. The promotion of social economy initiatives is considered another important means of employment creation. A coordinated regional approach to address the existing mismatch between the competences required by the labour market and the skills generated by the educational and training systems of the SEE countries will be essential. Public employment services will play a key role in this respect. Related measures and actions should be closely linked to and coordinated with those envisaged in the Smart Growth pillar.

The development and promotion of social economy activities is fully consistent with the main labour market and social challenges in the region and is closely linked to the EU economic and social model. The Strategy also suggests possible policy reforms to promote the mutual recognition of technical and professional skills and to align qualifications to the EU framework as well as to legalise all existing migrants. There is considerable scope to follow a jointly agreed and carefully targeted approach to all countries and stakeholders in the region.

Key Strategy actions in Dimension L ‘Employment’

- Build regional capacity for harmonised monitoring of migration and mobility with a view to a gradual lifting of labour market restrictions in the region
- Apply modern approaches in labour market governance that stimulate employment, including the flexicurity approach, evidence based policy making, and partnerships for labour market transition
- Tackle informal employment through an exchange of information and experiences, improved inter-in-

stitutional and intra-regional cooperation and by testing appropriate policy measures

- Promote social economy initiatives: setting up a regulatory framework, networking, sharing know-how and identifying good practices

Dimension M ‘Health’

The ‘Health’ dimension prioritises the improvement of the health and wellbeing of all those living in the SEE region, by, among other things, harmonising cross-border health legislation, standards and procedures and enabling the creation of a Free Trade Area from a public health perspective. The Strategy suggests moving towards a clearly delineated system of health governance, in which the role of each stakeholder and governing body is well defined at every level. This is of great importance for the efficiency and success of the health system in each SEE country. In addition to well-defined responsibilities, transparency between institutions and in relation to the public is vital, as is accountability in health governance.

Inclusive growth is not only a by-product of GDP growth, but is also closely linked to the Smart Growth and Sustainable Growth pillars of the SEE Strategy. Inclusive growth will only become a reality if there is strong investment in human capital, such as training, social inclusion and the improved health of people, but also infrastructure investment and capacity and institution building in these sectors.

Key Strategy actions in Dimension M ‘Health’

- Introduce policy measures to improve the health gain of the populations, with a focus on low-income and vulnerable groups, by strengthening the delivery of universal and high-quality health-promoting services
- Strengthen the institutions and improve inter-sectoral governance of the health sector at all levels,

Box 9

EXAMPLE OF ACTION: PROMOTING MOBILITY OF LABOUR THROUGH REGIONAL OCCUPATIONAL BAROMETER

A regional occupational barometer is an important tool that can contribute to enhanced regional labour mobility through the assessment of the current labour market situation in each country and the provision of information on the shortage or surplus of labour by occupations. Working with the information derived from employers’ surveys as well as administrative data, national employment agencies will estimate the demand and supply for labour by occupations for the foreseeable future. Based on the results of this analysis, occupations can be classified in broad groups such as: shortage of job-seekers in which the current demand for jobs in a country or region thereof is not met, surplus of job-seekers in which there is unemployment for certain occupations in a country or region and balance of job-seekers in which there is a match between demand and supply in the occupation.

The results of such labour market analysis by occupations could be made public twice a year throughout the region. These results could also be supported through conducting periodic foresight analysis to identify longer term trends in labour supply and demand across the region. This will promote the mobility of the workforce, inform plans of adult and vocational education and serve as guidance to employers in different locations. The process will involve harmonisation of data according to the international standard classification of occupations and addressing the lack of human and financial resources as well as the institutional capacities to use this information for evidence-based policy making.

including health information infrastructure and regional cross-border information exchange

- Harmonise cross-border public health and public health services legislation, standards and procedures; develop mutual recognition and trust to enable the creation of a Free Trade Area from a public health perspective
- Strengthen human resources in the health sector, harmonise the qualifications of health professionals in the SEE region, monitor Human Resources for Health (HRH) mobility

3.5. Governance for Growth

Public governance is a key cross-cutting issue in the agenda of SEE 2020

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

There is ample evidence that institutions – particularly those involved in governance – contribute significantly to development and growth. Positive contributions come from inclusiveness, responsiveness, efficiency and fairness (to mention just a few characteristics). The Strategy addresses those institutions that make a direct contribution to costs and investments – and thus to growth; however, a more indirect contribution to growth and welfare, the rule of law, respect for human rights, democratisation and strengthening of the role of public opinion and civil society also need to be kept in mind. Regional cooperation in this whole area is important in terms of mutual learning and the adoption of best practice, but even more so in terms of long-term stability. Integrated, smart and sustainable growth requires regional institutional harmonisation, regulatory arbitrage, and policy cooperation and coordination.

An important focus of the Strategy is the inter-institutional cooperation and coordination for devising policies and disseminating practices at each administrative level through SEE and for improving the coordination between institutions in administering and issuing administrative decisions. The cooperation and coordination between the different administrative levels should contribute to economic growth.

There are three main dimensions to good governance considered by the Strategy: 'Effective Governance' (including local governments), 'Anti-corruption' and 'Justice'. The underlying rationale behind this pillar is illustrated in Figure 6.

The Strategy sets ambitious targets for public governance ...

The headline target of the Governance for Growth pillar is to improve the average score of the region's countries on the World Bank Worldwide Governance Indicators (WGI) from 2.33 to 2.9 (Box 10).¹³ These indicators are based on six dimensions of governance,

¹³On a scale of 1 to 5, where 5 is best.

not all of which are covered by the SEE 2020 Strategy. The target represents a robust quantitative indicator for the Governance for Growth pillar and hence, while we recognise its limitations, we suggest that this is a reasonable way of quantifying overall progress in this area.

... from setting up transparent, well-functioning and efficient public administrations ...

Dimension N 'Effective Public Services'

Efficient and effective public administration is crucial to fulfil the Copenhagen criteria and has a key role to play in improving governance through more stable institutions and in implementing the anti-corruption agenda. Public administration reform is far-ranging in terms of its objectives and aspects to be dealt with. It is a multi-faceted and multi-disciplinary process, which is interrelated with many other sectors linked to the enlargement agenda.

The progress made in establishing functioning public institutions varies across the region. However, fundamental improvements are still needed. A pressing issue is to make government institutions more legitimate in the eyes of their populations. This is also the political criteria for EU accession, which require effective functioning of democratic institutions. Civil service legislation is an example, which, although not belonging to any specific EU acquis chapter, is considered as a condition for accession.

The key prerequisite for effective governance is that the administration should be distanced from politics as far as possible, and that meritocratic criteria should prevail in the assessment of the work of particular public service providers, i.e. in general professionalisation and depoliticisation. Strengthening the state can be achieved almost only through making public institutions more robust and credible and through significantly improving the quality of the public services delivered to the public. This quest for credibility is at the core of any effort to build better public institutions to govern the countries. Sustainability of reforms and better performance of public administration are required by relevant economic, social and cultural forces of region's

societies, as it can be seen from the data on trade and other economic exchanges within the region.

Priorities therefore include the need to gear policies towards citizens first, to professionalise the civil service by institutionalising transparency and access to information, improving systems for more effective treatment of citizens' complaints against mismanagement in public services, but above all, enhancing capacities within public administration systems and introducing instruments for quality management in the public administration institutions.

Modernisation requires a formalised and unbiased procedure for gaining easier and faster access to public services. Increase of the efficiency and effectiveness of the public administration institutions finally impose the changes in the related aspects of G2G (government to government), G2C (government to citizens) and G2B (government to business). Reliance on e-governance – whereby eligibility for and receipt of public services is determined via simplified procedure – is an important instrument in achieving these objectives. One of the main aspects of the reform should be a transformation of the “traditional” administration into a citizen-oriented one, which would be aligned with citizens and clients' needs and requirements.

The Strategy emphasises evidence-based public policy, with much greater reliance on data collection and statistical and other appropriate analysis. That is, a precise ex-ante assessment of the expected results and an ex-post evaluation of the success of the policies chosen, in comparison with possible alternatives. This will also make it easier to justify the choice of a policy target and to evaluate the instruments employed and the efficiency of the agency engaged in implementation.

Besides professionalisation, democratisation and modernisation, one of the elements of the Strategy is decentralisation, especially the application of the subsidiarity principle, which allocates responsibility and capacity to the level of government that is best placed to use them. This should result in the enhanced provision of local public goods and more equal regional development. One of the key mechanisms

Box 10

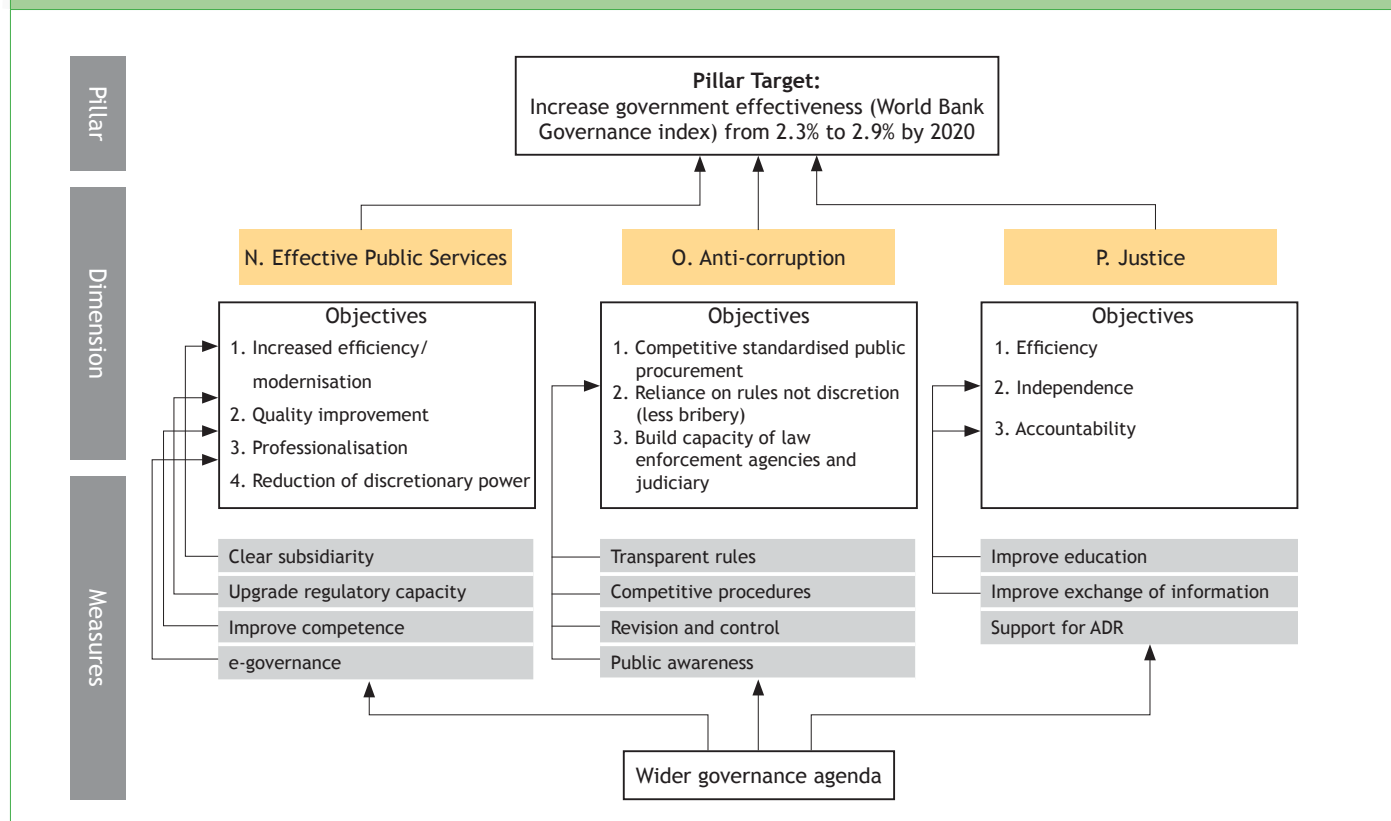
GOVERNANCE FOR GROWTH PILLAR: 2020 HEADLINE TARGET (relative to 2010)

Improve governments' effectiveness as measured by the World Bank Governance Index

from 2.33 to 2.9 by 2020

Figure 6

LOGICAL FLOWCHART OF THE GOVERNANCE FOR GROWTH PILLAR



by which positive competition through regional cooperation leads to improvement in governance is peer pressure, which means that individual countries adopt best practice because of competitive pressure from their peers. It does not mean that countries in the region must only compete with each other, but it also means that they should benefit mutually from shared experiences and learning processes. This mechanism has clear regional importance due to the liberalisation of trade and cross-border finance, which should enhance effectiveness of public services instead of lead to their reduction.

Furthermore, the Strategy seeks smart, efficient and inclusive provision of public services by ensuring that the providers target the right and proper beneficiaries of their services, that they do so at minimal cost (in terms of both resources and number of transactions) and that they make the services available to those who may have difficulty in accessing them. Given the existence of a large number of minorities and potentially marginalised groups in SEE countries according to many criteria, this would also contribute to the targets of another Strategy pillar - Inclusive Growth.

Key Strategy actions in Dimension N ‘Effective Public Services’

- Rely on e-governance at the local, national and regional levels to ensure efficiency and an absence of bias (modernisation)
- Introduce a procedure for continuous improvement of the competence of public officials (professionalisation)
- Improve the quality of public services
- Upgrade policy and regulatory capacities
- Review the relations between various levels of government to ensure full respect of the principle of subsidiarity

... to the containment of corruption ...

Dimension O ‘Anti-corruption’

The overall objective of this dimension is to formulate coordinated regional measures that seek to reduce corruption in public administration, so as to improve government effectiveness, enhance business environment and support implementation of other pillars. The need to counter corruption is essential to the broad goal of promoting growth, since corruption is a major deterrent to investment; there is also a need

to ensure that the work carried out under the SEE 2020 Strategy specifically is not undermined by corruption.

The ‘Anti-corruption’ dimension proposes to augment the headline target with a three-pronged set of objectives that seek to strike a balance between encouraging the implementation of concrete policy objectives and achieving broad progress in fighting corruption:

1. Achieve a reduction in the amount of bribes paid by households and businesses to the public administration, as measured by a region-wide but national-level survey based on the methodology of the Transparency International Global Corruption Barometer.
2. Improve the average score on the World Bank’s WGI Control of Corruption index (i.e. one of the elements that go to make up the overall WGI score) in order to do better than the comparator group of countries with similar income levels.
3. Introduce a set of criteria aimed at achieving certified excellence in public procurement procedure and implementation. Public procurement is targeted as a priority area for anti-corruption activities (closely linked to ‘Effective Public Services’ area) because it is a key area where public funds are lost through corruption, and because a standardised procedure for public procurement would add to the region’s appeal as a single market, particularly among companies that specialise in providing goods for government or delivering public services that have been outsourced by central or local government.

The three types of target are a mix of broad and specific, output and input, national and regional. They

are intended to complement one another, ensuring that each country has an incentive to work on its own anti-corruption strategy (utilising peer pressure within the region to provide momentum to that end), but also giving the individual countries an interest in the progress of the region as a whole.

Countries have drafted their own anti-corruption strategies, and the role of the Regional Anti-corruption Initiative (RAI) is partly to support them in implementation. However, there is considerable potential for the resources of regional initiatives to be utilised for regional cooperation in the area of anti-corruption, with three objectives:

- 4a. To generate greater peer pressure among countries, and thus provide momentum for their national efforts;
- 4b. To provide a forum for sharing experience and building a mutually supportive network of public-sector and private-sector professionals working on aspects of anti-corruption, contributing to the building of a culture of integrity; and
- 4c. To use the implementation of the anti-corruption framework in individual countries to help create a single market with standardised procedures for companies bidding for state contracts through public procurement.

Key Strategy actions in Dimension O ‘Anti-corruption’

- Introduce simple, clear, enduring and transparent rules of access to public services
- Increase public awareness through regular reports and by supporting independent agencies

Box 11

EXAMPLE OF ACTION: ALTERNATIVE DISPUTE RESOLUTION TO HELP REDUCE BUSINESS RISKS

The concept of alternative dispute resolution (ADR) is mostly used by large companies, which are more inclined to avoid risk involved with the uncertainty of judicial processes. The possibility of ADR is included in the commercial contracts using standard ADR clauses and its presence in one country is usually the precondition for foreign investments. On the other hand, the concept of ADR is not known and widely used by small and medium enterprises, which try to resolve their dispute through direct negotiation or they go directly to court. On average, 25% of their disputes are left unsolved in the EU, while the percentage in the region of the Western Balkans is even higher. Primary reasons for using the ADR are: saves money, saves time, provides a more satisfactory process, allows the parties to resolve the disputes themselves and in this way provides more durable resolutions compared to litigation, gives more satisfactory settlements, preserves good business relationships between disputing parties and preserves confidentiality.

In South East Europe, small and medium enterprises prevail in the market. With introduction of the ADR they will become more attractive for foreign investments, they will comply with the EU acquis, and it is an integral part of the ongoing judicial reforms in the region.

Through the analyses and development of the legal frameworks, improvement of the structure and systems of ADR, organisation of training sessions for mediators, lawyers and judges and through the public and professional awareness campaigns, which will improve understanding about the functioning and advantages of ADR, the final goal is to expand access to justice through a balanced relationship between ADR and litigation, decrease court backlogs and saving time and money.

The dimension is taking into account the current state of play in individual country concerned and complies with the above stated recent strategies or action plans for national judicial reforms.

- Rely on competitive procedures and avoid direct deals, especially in public procurement
- Introduce regular evaluations of all government programmes and projects and independent auditing
- Build capacity of law enforcement agencies and judiciary and improve their regional cooperation and data exchange (including mutual legal assistance in corruption cases)

... to major progress in instituting the rule of law

Dimension P 'Justice'

The Judiciary

This dimension focuses its activities on achieving a significant improvement in the functioning of the judicial system in SEE. In addition, an independent, efficient and accountable judiciary is also a sine qua non precondition for the rule of law, democracy and human rights development, and it is for this reason that Chapter 23 of the European Union *acquis communautaire* requires the establishment of an independent, efficient and accountable judiciary.

Ministries of justice need to enhance their capacity by improving their structure and internal management in order to achieve more efficient workflow processes and results.

Efficiency goes hand in hand with competence. Judicial training centres or judicial academies have become the key training institutions for judges and prosecutors in the SEE region. Nevertheless, institutional capacities (in terms of adequate numbers of competent trainers, as well as curriculums) are not yet fully developed.

Sustainable quality of the justice system ensures predictable case law, which supports foreign investment and business growth. Universities could also increase regional cooperation to create regional capacities for implementing legal reforms, to strengthen scientific research and to prepare regional legal publications.

Regional cooperation needs commitment from the institutions in charge of implementing the national judicial strategies. By institutionalising regional networking, fields of regional cooperation could be identified, evaluated and monitored in order to involve these institutions in setting up and conducting regional initiatives.

With judicial cooperation, the European Union creates instruments for increased cross-border use of judicial services and for free access to information on national judicial services. By means of this cross-border enforcement, rights and registration of companies, and cross-border proceedings on bankruptcy, take-overs and mergers are boosted and the common market is

strengthened. With introduction of these forms of judicial cooperation, the countries could support the free flow of goods, services and investments, the cross-border enforcement of rights and the establishment of business.

Although the countries have already undertaken the first steps in cross-border enforcement, these efforts have yet to be completed and cross-border judicial cooperation is still lacking: free access to information on legal services, a legal framework for cross-border registration of companies, rights and opportunities for cross-border bankruptcy proceedings as well as rules (and their implementation) on cross-border takeovers and mergers.

The primary reasons for using mediation, arbitration and other forms of ADR (hereinafter: mediation) by 'dispute-wise' businesses are: to save money and time; to provide a more satisfactory process; to allow the parties to resolve the dispute themselves; to reach more satisfactory settlements; to preserve good business relationships between parties in dispute; to provide a more durable resolution than through litigation; to use the expertise of the mediator; and to preserve confidentiality.

Although countries in the SEE region have already tried to develop a mediation market, the demand for mediation is still very modest. All the countries in the region face the same difficulties: low demand for mediation; weak institutional capacities of mediation providers (mediation centres); a regulatory framework with insufficient incentives to go to mediation (or without smart sanctions for dismissing the idea); weak relationships between courts and mediation centres in terms of referrals; and poor demand for a sustainable training system for mediators, judges and lawyers.

Key Strategy actions in Dimension P 'Justice'

- Introduce a comprehensive and enduring system of education and increased competence in the judiciary
- Introduce forms of judicial cooperation covering free access to information, cross-border enforcement and cross-border proceedings in bankruptcy and take-over and mergers
- Introduce regulation that supports alternative dispute resolution and their complementarity with the judicial system

4. Delivering the Strategy Commitments: Implementation and Governance

4.1. Strategy Implementation

The Strategy envisages an implementation plan with concrete actions to be taken in the years to 2020

The Strategy has a clear focus on future practical steps to be taken by SEE countries on the set of coordinated Strategy actions. An overview of SEE 2020 key policy measures and instruments, broken down by pillars and policy dimensions, is presented in Annex Table A4. The Table reflects the main operational details and features of the SEE 2020 instruments: the nature of each key policy measure, the timeline over which it is expected to be implemented, the bodies that will be in charge of implementation, the means by which implementation will be verified and, finally, which regional structure within the SEE 2020 Strategy governance structure will coordinate implementation.

Strategy implementation amounts to each country putting these actions into operation. Every such action is therefore addressed to the respective national administrations (the ministries, agencies and other public bodies with functional responsibility in the respective policy area) that will take the lead in guiding the implementation of the agreed policy measures in each country.

Development of national action plans for SEE 2020 is called for to identify the gaps between individual country needs in terms of reaching the SEE 2020 objectives and the current actions being undertaken (or planned in the medium term). These action plans should serve to indicate where additional action will be needed to reach the targets contained herein. The national action plans should also help fill the gap between the ambitious SEE 2020 targets adopted by the countries and the mostly multilateral action presented in SEE 2020 Strategy, making the national commitments regarding growth and competitiveness explicit. The SEE 2020 foresees development of at least two sets of action plans until the end of the decade – the first to be produced immediately following the adoption of SEE 2020 and the second following the mid-term evaluation of the Strategy implementation

to be conducted at the end of 2016.

At the regional level, the respective structures serving as Dimension Coordinators are expected to accommodate the SEE 2020 measures in their own activity plans and work programmes. Each of the actions outlined in Annex Table A4 also has a clearly identified regional structure that will serve to coordinate the regional activities in this domain and assist with the monitoring of progress. Key measures, instruments and activities indicated in Table A4 should provide for a clear roadmap in preparing the detailed work programmes in each of the respective policy areas. The Dimension Coordinators are also expected to participate in the programming efforts related to the policy areas within their functional responsibilities.

Strategy policy measures and instruments have a fixed timeline and timely implementation will be part of the monitoring process.

Successful implementation of SEE 2020 will require broadening the base beyond just the national administrations. Active involvement of the private sector, and business community in general, is crucial as many of the measures and instruments target private sector as ultimate beneficiary. To ensure direct engagement and help prioritise the implementation of the Strategy, several priority sectors are being selected by the Governments to expedite the roll-out of different measures and instruments in the five pillars. SEE Investment Committee has identified food and beverages and tourism as the first two regional sectors to receive this type of prioritisation, given the potential these sectors hold for creation of regional value chains, and sectoral working groups will be created shortly in these sectors to include both the representatives of the governments as well as those representing the industry. In addition to this direct industry-government dialogue, structures involved with SEE 2020 implementation and coordination will aim to include regular consultations with representatives of the private sector, including the

Business Advisory Council for South East Europe, Foreign Investors Councils, Chambers of Commerce, Employers' Associations, and others.

The Strategy measures reinforce each other across pillars ...

The Strategy has been developed – from the conceptual design to the definition of pillars to the formulation of policy measures – as an integrated initiative based on a holistic approach, with close interlinks across pillars. While each policy instrument has its own specific sectoral connotation, it is also part and parcel of the logical framework of the respective pillar (Figures 2 to 6) and ultimately contributes to the underlying conceptual model of the Strategy as a whole as presented in Figure 1.

It should be noted that the Strategy pillars are at different stages of their maturity. Among other things, this implies that implementation of specific actions in some pillars may commence immediately, while for other pillars, given their initial conditions, the Strategy measures only set out broader objectives while the more concrete actions will be developed in the course of implementing these Strategy measures. In any case, even for pillars that are at earlier stages of maturity, the Strategy identifies issues where a regional approach can generate tangible outcomes and the most significant impact, and sets forward the framework for regional cooperation which will later on facilitate the identification of more specific actions.

In addition, SEE 2020 takes account of the fact that some pillars and pillar dimensions already have existing regional strategies and/or agreements with strong legal and political support, targets agreed by the national administrations and existing regional structures that can take responsibility for the implementation of specific measures. Other pillars and dimensions either have no regional structures or bodies indicated as Regional Dimension Coordinators have relatively weak mandates and/or very constrained resources. In these areas, the Strategy itself envisages actions that can either help institutional building or tasks other regional institutions, such as RCC, to serve as the de facto coordinator.

... they will boost the national development efforts of SEE countries ...

SEE 2020 as presented in this document is not an end in itself; it should be regarded in the context of development and integration efforts of SEE countries. The people and governments of all countries in the

region have set for themselves ambitious national goals for raising the living standards and welfare of the population, establishing a better environment for business and investment and supporting the generation of more and decent jobs. SEE countries have selected their own approaches towards addressing these goals which are tailored to the national context.

It should be pointed out that SEE 2020 – in line with the approach taken under Europe 2020 – does not address every aspect of national development strategies but rather focuses on those that are of common interest to the countries and/or can benefit from a regional approach.

Thus, the Strategy does not in any way interfere with the development programmes of SEE countries. On the contrary, it builds on them by adding a new, regional dimension to the national targets and plans. It will create a new platform for SEE countries to work together both in the pursuit of national targets and in addressing issues of common interest in this direction. By generating synergies and positive spill-over effects, SEE 2020 will amplify the overall positive effect of the national and joint regional actions.

... as well as their ambitions to advance towards integration with the EU

In a similar vein, SEE countries aspire to closer economic, political and cultural ties with the Europe and their national strategies include clearly declared policy goals in this respect. South East Europe is part of Europe and ultimately SEE countries aspire to have concrete roadmaps – which may differ from country to country – towards EU accession.

SEE 2020 is an important building block in the process towards integration with the EU. It is inspired by EU's own Europe 2020 strategy; in its spirit the Strategy embodies European values and in practical terms it seeks to accelerate the rapprochement with European norms and regulations. Thus, the overwhelming majority of individual Strategy instruments have direct and/or indirect relevance to specific acquis chapters, as presented in Annex Table A6.

The Strategy is not in any way a substitute to the individual efforts of each SEE country in this direction. On the contrary, it complements these efforts by adding an important regional component in the process of EU integration. The expected synergy effect of such joint regional efforts should reinforce and amplify the efforts at the national level, thus helping accelerate the process towards integration

with the EU undertaken by each SEE country.

Thus, the Strategy seeks to strengthen the countries' own efforts under the EU accession process. Most of the Strategy actions can be regarded as part and parcel of the accession process as they must in any case be completed for this process to be successful. Thus, SEE 2020 and its actions are an integral part of the accession process and not something on top and above it.

Implementing the SEE 2020 measures will speed up building new bridges towards Europe: they will facilitate the region's integration into European markets, boost trade flows in both directions, contribute to the further proliferation of European values in South East Europe and better understanding of the region's specificity in Europe.

4.2. Governance and Monitoring

A well-designed structure will oversee and steer Strategy implementation ...

The four main sets of actors participating in the governance structure and the SEE 2020 policy coordination effort are: (i) the national administrations, represented by the SEE 2020 Coordinators and the respective ministries and agencies; (ii) regional structures serving as coordinators of respective policy dimensions (Dimension Coordinators); (iii) the Regional Cooperation Council; and (iv) the Governing Board of SEE 2020, which brings together the highest political representatives in the region.

National administrations represent the cornerstone of SEE 2020 implementation, as the bulk of the implementation will be dealt with at the national level. The SEE 2020 Strategy is adopted by each of the governments, including a national action plan, thus placing the SEE framework, its implementation plan and its governance and monitoring system within the formal workings of the government.

Although SEE 2020 entails regional responses to policy challenges, most of the activities put forward by the Strategy envisage direct action or policy response by the appropriate national institutions and agencies. The implementation will be steered by the key measures and instruments contained in Annex A4 as well as by the individual national action plans, agreed and approved by the respective governments. In addition to engaging in implementation, the governments will take an active part in the monitoring effort, helping structure the right channels of communication and agreeing on the types of inputs to enable the regular monitoring and benchmarking of progress. This process requires high level of intra-governmental coordination to be ensured by the SEE 2020 National Coordinators to be appointed by each government. The National Coordinators will also serve as single points of contact for all issues pertaining to SEE 2020 implementation in each of the participating administrations and will liaise with the RCC in preparing and holding meetings of the Governing Board. The establishment of a standing programming committee that would include National IPA Coordinators (NIPACs) - in addition to SEE 2020 Coordinators and Dimension Coordinators - is envisioned to help programme the regional activities, assess budget implications and agree on the sources of funding.

The function of Dimension Coordinators, as performed by the respective regional structures, is to help coordinate the implementation of SEE 2020 in a particular sector/policy dimension and to provide a regional platform for policy peer reviews and monitoring of progress in accordance with their specific mandates.

The Regional Cooperation Council will coordinate the overall effort to implement SEE 2020 and will communicate overall progress to the political level of the countries involved. The RCC will also be responsible for executing the overall monitoring system of SEE 2020 as well as for supporting the national administrations in its implementation and in preparing the meetings of the Governing Board. The RCC will also have a substantial role to play in supporting the Dimension Coordinators as needed, helping to put new capacity in place and acting as a Secretariat to those structures that have limited resources in the initial stages of SEE 2020 implementation.

The Governing Board of SEE 2020 will bring together high-level political representatives of the SEE 2020 participating economies to review the progress of SEE 2020 implementation on an annual basis. The annual meetings of the Governing Board will be prepared by the RCC Secretariat, in cooperation with the SEE 2020 National Coordinators. The RCC Secretary General will present a progress report on implementation of the SEE 2020 Strategy and will propose annual recommendations for endorsement by the Governing Board members. In addition to adopting the Annual Report on Implementation (ARI) - which will serve as the main monitoring instrument of SEE 2020 - the Governing Board will issue horizontal policy guidance and annual priorities, which will constitute an integral part of that year's report.

The ARI will be prepared by the Regional Cooperation Council using inputs from the SEE 2020 National Coordinators and Regional Dimension Coordinators. The ARI will be prepared for the Governing Board of SEE 2020 and will include: (i) a general assessment of the regional progress made in SEE 2020 implementation; (ii) the main strategic risks and challenges identified; and (iii) strategy-level recommendations for the coming year.

A mid-term review will be conducted mid-way through the Strategy implementation to provide a detailed assessment of the policy developments and reforms being implemented within the SEE 2020 process.

The review of SEE 2020 implementation is expected

to take place in annual cycles. Each year, RCC will compile inputs from the Dimension Coordinators on the implementation of SEE 2020 in the respective sectors/policy areas. Based on the sectoral inputs, the RCC will prepare an overall ARI on SEE 2020 and will provide it to the Governing Board members each year prior to its meeting.

The Governing Board will meet each year to review and adopt the ARI and to provide general policy orientation and guidance to the countries.

... in the context of the SEE 2020 Strategy monitoring system

The SEE 2020 Strategy monitoring system will use a mix of quantitative and qualitative indicators to track implementation of the Strategy and will incorporate the reviews and reports as described above.

More in-depth qualitative assessments will provide input for the development of more strategic recommendations and will feed into the mid-term (or multi-year) review. The in-depth qualitative assessments, in combination with selected quantitative indicators, will form a South East Europe Competitiveness Outlook (SEE Outlook) which will be undertaken under methodological guidance from the OECD. It will evaluate implementation by assessing the policy settings and institutional conditions that drive policy reforms at the national and regional levels. The outputs from the SEE Outlook will be used to augment the annual reports.

SEE countries are also prepared to address bottlenecks and challenges in Strategy implementation

SEE 2020 is itself a bold policy initiative based on regional cooperation in pursuit of a common objective. This marks a clean break with the region's past, which was often tainted by mistrust and conflict. It should open a new era of partnership and collaboration among the countries of the region. This is an expression of the actual desires of the majority of the population in the region, as embodied in a new brand of political will on the part of the countries' governments.

As is the case with everything that is done for the first time, SEE 2020 faces difficulties, bottlenecks and challenges. These pose certain risks to Strategy implementation, but the best way of coping with bottlenecks and challenges is to identify them in advance and find ways and means of addressing the associated risks. While it is difficult to envisage all possible risks to Strategy implementation, an initial

Table 2

POTENTIAL BOTTLENECKS AND CHALLENGES IN SEE 2020 IMPLEMENTATION AND POSSIBLE WAYS OF ADDRESSING THEM

| Strategic challenges | Risk-mitigation measures |
|---|--|
| Maintaining support for SEE 2020 among policy makers and the public at large may be difficult | Undertake and maintain an active public awareness raising and publicity campaign (to be backed by adequate resources) |
| Difficulties in reaching an agreement between countries on common Strategy measures | Seek and provide additional mediation services and combine with awareness raising activities |
| Strategy targets may be too ambitious; failure to meet targets may trigger disappointment with the Strategy | Constantly monitor progress towards Strategy objectives and alert governance bodies of deviations from the targeted path; adjust targets if no other solutions are found |
| National capacity to design and implement Strategy measures may fall short of expectations | Plan focused capacity-building efforts and activities (to be backed by adequate resources) |
| Strategy governance structure may turn out to be inadequate for steering Strategy implementation | Adjust governance structure; undertake capacity-building efforts; boost resources allocated to Strategy governance |
| National financial and other resources allocated to Strategy implementation may turn out to be insufficient for achieving its common objectives | Early on, initiate consultations among governments to agree on the level of resources that is adequate for the agreed joint objectives |

list (Table 2) focuses on several possible bottlenecks and challenges, and outlines ways of addressing them.

Identifying, monitoring and managing risk will be part of the responsibilities of the Strategy governance structure. In the course of implementation, the list of possible bottlenecks and challenges will be constantly

updated and the evolution of these risks will be constantly monitored through the Strategy monitoring system, including through the ARIs. The Governing Board will regularly review cases of elevated levels of risk and may decide to activate some of the risk-mitigation measures. ●

5. By Joining Forces, South East Europe Will Succeed in Its Revival and Drive towards Europe

South East Europe was long characterised primarily by security concerns, coupled with constitutional problems to do with nation or state building. Various regional initiatives and institutions were introduced – either in succession or in parallel; these were very much anchored to outside actors, whether multilateral organisations or the European Union. Many of these initiatives and institutions contributed to the stability and security of the region and to the support of intra-regional cooperation.

In the next phase, intra-regional cooperation needs to be primarily concerned with institutional development, economic growth and increased welfare. The region is lagging behind Europe in terms of per capita GDP levels, and it has low or very low levels of employment and high levels of unemployment and inactivity. The current prospects for growth are quite modest in the medium term. So there is a need to turn the region around both in economic and in institutional terms.

To achieve this, regional cooperation could be quite important. Just one example: industrialisation tends to be significantly dependent on the extent of the market. As the region has been de-industrialised over the past couple of decades, there is a need to increase investments in this sector. Things will be more attractive if both the labour market and the market for products are larger, i.e. regional. That should also be supported by investment in regional infrastructure and in production of energy, and even by investment in human capital.

The region still needs to increase its integration with the outside world in terms of trade, financing and institutional development. Here, the process of EU integration plays a pivotal role. In the past, the region tended to generate obstacles not only to regional, but also to wider integration. This is now changing and countries can cooperate and support each other in various ways in their dialogue with the EU. This increases the stake for the EU, as well as for the region itself, and it should work to speed up the process.

The SEE 2020 Strategy has a clear focus on widening

and broadening dialogue, cooperation and integrative ties between South East Europe and the EU. This is a key common thread in SEE 2020 that cuts across all Strategy pillars.

The actual development and adoption of the SEE 2020 Strategy is a building block of the regular dialogue that the enlargement countries are having with the EU. The Strategy envisages various forms of dialogue and consultation between the SEE and the EU and its structures continuing throughout its implementation. In particular, the regional monitoring and annual progress review described above, together with the progress made in achieving the national targets, will become part of the reviews carried out in the policy sub-committees within the framework of the stabilisation and accession process as well as in the Instrument for Pre-accession Assistance (IPA) sectoral committees.

The SEE 2020 targets, particularly the national ones, adopted by the countries in the policy areas of trade, investment, employment, energy, transport, social development, governance and others are pertinent for the Stabilisation and Association Agreement (SAA) process and will benefit from closer scrutiny, especially given the close link envisaged between the SEE 2020 and IPA II support. The sub-committees would thus provide an opportunity to take an in-depth look at these policy areas and to provide clear recommendations at the national level that will support not only the SEE 2020 implementation, but the overall accession process as well.

SEE 2020 was inspired by the EU's own bold initiative, the Europe 2020 strategy. The spirit, orientation and content of SEE 2020 are close to those of Europe 2020. These ties create fertile ground for close cooperation between the SEE and the EU in implementing the two strategies. This could include a wide range of options for related joint initiatives, such as information sharing; policy learning; sharing of good practice; mutual leveraging on each other's initiatives; or undertaking joint initiatives in areas where there

is close commonality in objectives. The SEE 2020 Strategy also sets the objective of establishing close cooperation ties between the Strategy governance bodies and the governance bodies of Europe 2020 flagship initiatives.

Overall, the Strategy outlines bold new forms for widening and deepening regional cooperation. The forms of regional cooperation need not be limited to

bringing down barriers to business, trade, investment and competition but may also provide a way to enhance policy coordination that is supportive of stability and predictability. This innovative regional approach should generate synergies and positive spillovers which would contribute to strengthening of each SEE economy. Thus joining forces and working together would help each SEE economy be more efficient in the pursuit of its own national goals. ●

ANNEX

Table A1

SEE 2020 STRATEGY HEADLINE TARGETS FOR SOUTH EAST EUROPE

| | 2010 | 2020 |
|---|----------|---------|
| | Baseline | Target |
| Overall Strategic Goals | | |
| 1. GDP per capita relative to the EU average (in PPS), % of EU-27 average | 36.4 | 44 |
| 2. Total trade in goods and services (EUR million) | 94,413 | 209,500 |
| 3. Trade balance (% of GDP) | -15.7 | -12.3 |
| Integrated Growth | | |
| 4. Intra-regional trade in goods (EUR million) | 12,459 | 30,500 |
| 5. Overall FDI inflows (EUR million) | 3,396 | 8,800 |
| Smart Growth | | |
| 6. GDP per person employed (EUR at PPS) | 27,485 | 36,300 |
| 7. Number of highly qualified persons in the workforce (million) | 1.7 | 2.0 |
| Sustainable Growth | | |
| 8. Net enterprise creation (new businesses per year) | 30,107 | 33,760 |
| 9. Exports of goods and services per capita (EUR) | 1,780 | 4,250 |
| Inclusive Growth | | |
| 10. Overall employment rate, % of the 15+ population | 39.5 | 44.4 |
| Governance for Growth | | |
| 11. Government's effectiveness, World Bank Governance Index | 2.3 | 2.9 |

Table A2

SEE 2020 STRATEGY: 2010 BASELINE FOR INDIVIDUAL COUNTRIES

| | 2010 | 2010 | 2010 | 2010 | 2010 | 2010 | 2010 |
|---|---------|-----------------------|---------|------------------------|---------|-----------------------|---------|
| | ALB | BiH | CRO | KOS* | MKD | MNE | SER |
| Overall Strategic Goals | | | | | | | |
| 1. GDP per capita relative to the EU average (in PPS), % of EU-27 average | 27 | 28 | 59 | (22) ^{a)} | 36 | 42 | 35 |
| 2. Total trade in goods and services (EUR million) | 7,695 | 12,138 | 35,400 | 3,321 | 7,834 | 3,118 | 24,907 |
| 3. Trade balance (% of GDP) ^{b)} | -24.0 | -25.6 | -3.8 | -36.6 | -23.0 | -36.8 | -20.4 |
| Integrated Growth | | | | | | | |
| 4. Intra-regional trade in goods (EUR mn) | 425 | 3,100 | 2,474 | (872) ^{a)} | 1,243 | 800 | 3,544 |
| 5. Overall FDI inflows (EUR mn) | 793 | 174 | 326 | 366 | 160 | 574 | 1,003 |
| Smart Growth | | | | | | | |
| 6. GDP per person employed (EUR at PPS) | 17,839 | 29,183 | 40,990 | (14,966) ^{a)} | 28,029 | 30,321 | 25,864 |
| 7. Number of highly qualified persons in the workforce | 216,000 | 213,000 | 504,800 | n/a | 169,790 | 56,000 | 546,290 |
| Sustainable Growth | | | | | | | |
| 8. Net enterprise creation (new businesses per year) | 2,045 | 1,896 | 7,800 | 141 | 8,074 | 436 | 9,715 |
| 9. Exports of goods and services per capita (EUR) | 1,023 | (1,232) ^{a)} | 4,010 | 495 | 1,563 | (1,871) ^{a)} | 1,381 |
| Inclusive Growth | | | | | | | |
| 10. Overall employment rate, % of the 15+ population | 47.1 | 32.5 | 41.1 | (41.7) ^{a)} | 38.7 | 40.1 | 37.9 |
| Governance for Growth | | | | | | | |
| 11. Government's effectiveness, World Bank Governance Index | 2.2 | 1.8 | 3.1 | 1.9 | 2.3 | 2.6 | 2.4 |

* 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.

Notes: a) Numbers in brackets refer to values which were not available (n/a) at the time original SEE 2020 targets were adopted and were supplied by the Vienna Institute for International Economic Studies (wiiw) as advisors to the RCC.

b) Average for 2008-10.

Table A3

SEE 2020 STRATEGY: 2020 HEADLINE TARGETS FOR INDIVIDUAL COUNTRIES

| | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 |
|---|---------|-----------------------|---------|------------------------|---------|-----------------------|---------|
| | ALB | BiH | CRO | KOS* | MKD | MNE | SER |
| Overall Strategic Goals | | | | | | | |
| 1. GDP per capita relative to the EU average (in PPS), % of EU-27 average | 38 | 38 | 68 | (27) ^{a)} | 43 | 51 | 41 |
| 2. Total trade in goods and services (EUR million) | 17,500 | 24,500 | 80,000 | 6,000 | 15,500 | 6,000 | 60,000 |
| 3. Trade balance (% of GDP) | -14.3 | -20.2 | -3.3 | -17.8 | -17.2 | -24.0 | -14.0 |
| Integrated Growth | | | | | | | |
| 4. Intra-regional trade in goods (EUR million) | 1,150 | 7,100 | 6,200 | (2,000) ^{a)} | 2,700 | 1,200 | 10,150 |
| 5. Overall FDI inflows (EUR million) | 2,200 | 500 | 1,500 | 800 | 600 | 700 | 2,500 |
| Smart Growth | | | | | | | |
| 6. GDP per person employed (EUR at PPS) | 24,000 | 40,200 | 52,000 | (20,200) ^{a)} | 35,000 | 37,000 | 34,000 |
| 7. Number of highly qualified persons in the workforce | 260,000 | 255,000 | 605,000 | n/a | 204,000 | 68,000 | 655,000 |
| Sustainable Growth | | | | | | | |
| 8. Net enterprise creation (new businesses per year) | 2,500 | 2,300 | 9,300 | 170 | 9,700 | 520 | 11,660 |
| 9. Exports of goods and services per capita (EUR) | 2,900 | (2,600) ^{a)} | 9,000 | (1,200) ^{a)} | 3,300 | (3,950) ^{a)} | 3,850 |
| Inclusive Growth | | | | | | | |
| 10. Overall employment rate, % of the 15+ population | 54.3 | 33.9 | 47.5 | (45.8) ^{a)} | 43.6 | 49.6 | 43.8 |
| Governance for Growth | | | | | | | |
| 11. Government's effectiveness, World Bank Governance Index | 2.7 | 2.1 | 3.7 | 2.3 | 2.8 | 3.1 | 2.9 |

* 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.

Notes: a) Numbers in brackets refer to values which were not available (n/a) at the time original SEE 2020 targets were adopted.

Table A4

KEY INSTRUMENTS OF THE SEE 2020 STRATEGY

Pillar 1 Integrated Growth

Headline targets: increase intra-regional trade in goods from EUR 12,459 million to EUR 30,500 million; increase overall FDI inflows to the region from EUR 3,396 million to EUR 8,800 million.

| No. | Key Strategy measures/ instruments/activities | Timeline | National institutions and agencies ¹⁴ | Verification mechanism ¹⁵ | Regional structure(s) responsible |
|--|--|----------|---|--|---|
| Dimension A 'Free Trade Area' | | | | | |
| A.1 | Liberalise trade in agricultural products by eliminating remaining tariffs and quotas | 2014 | Ministries of trade, Ministries of agriculture | Monitoring of implementation by participating institutions | CEFTA |
| A.2 | Eliminate distortive non-tariff (sanitary and phytosanitary) barriers and unnecessary technical barriers to trade | 2014-20 | Ministries of trade, Ministries of health | Monitoring of implementation by participating institutions | CEFTA |
| A.3 | Facilitate trade through employing transparency tools and simplification of trade related procedures | 2014-20 | Ministries of trade | Monitoring of implementation by participating institutions | CEFTA |
| A.4 | Improve customs interconnectivity via the introduction of paperless methods in regional trade | 2014-20 | Ministries of trade | Monitoring of implementation by participating institutions | CEFTA |
| A.5 | Liberalise intra-regional trade in services by reducing restrictive measures and policies | 2014-20 | Ministries of trade | Monitoring of implementation by participating institutions | CEFTA |
| A.6 | Facilitate free flow of investment through coordination of investment policies and investment promotion, and through better protection of investors and investment | 2014-20 | Ministries of economy | Monitoring of implementation by participating institutions | CEFTA SEEIC |
| A.7 | Facilitate free movement of experts, professionals and skilled labour | 2014-20 | Ministries of trade, Ministries of labour | Monitoring of implementation by participating institutions | CEFTA |
| Dimension B 'Competitive Economic Environment' | | | | | |
| B.1 | Strengthen competition rules by creating a trade defence instrument free trade area in the region | 2014-18 | Ministries of trade | Monitoring of implementation by participating institutions | CEFTA |
| B.2 | Strengthen protection of trademarks throughout the region | 2014-18 | Ministries of economy, Ministries of justice | Monitoring of implementation by participating institutions | CEFTA |
| B.3 | Create a fully liberalised public procurement market in the region | 2014-18 | Ministries of economy, Authorities in charge of public procurement | Monitoring of implementation by participating institutions | CEFTA |
| Dimension C 'Integration into the Global Economy' | | | | | |
| C.1 | Improve market access through completing a single diagonal cumulation zone under the PEM and the harmonisation of MFN duties in the region towards EU CET | 2014-20 | Ministries of trade | Monitoring of implementation by participating institutions | CEFTA |
| C.2 | Establish an investment concept to enhance participation in regional supply chains and global supply networks | 2014-20 | Ministries of economy | Checking the concept, checking the impact at regular intervals, proposals for modification of the concept if necessary | SEEIC CEFTA |
| C.3 | Align efforts to promote business climate reforms | 2014-20 | Ministries of economy | Monitoring of implementation by participating institutions | SEEIC CEFTA |

¹⁴ The term "national institutions and agencies" in this case refers only to the range of responsibilities stemming from SEE 2020 implementation.

¹⁵ The notion "verification mechanism" in this case refers to the process of verifying that the respective Strategy measure/instrument/activity has indeed been implemented.

| Pillar 2 Smart Growth | | | | | |
|--|--|----------|--|---|-----------------------------------|
| Headline targets: Increase GDP per person employed from EUR 27,485 at PPS to EUR 36,300 at PPS; add 300,000 highly qualified people to the region's workforce. | | | | | |
| No. | Key Strategy measures/instruments/activities/projects | Timeline | National institutions and agencies | Verification mechanism | Regional structure(s) responsible |
| Dimension D 'Education and Competences' | | | | | |
| D.1 | Introduce policies to increase equitable access to, and participation in, high quality education at all levels aimed at smooth recognition of qualifications and in support to mobility in SEE | 2014-20 | Ministries of education | Monitoring of implementation, Ministries of education | ERI SEE |
| D.2 | Implement measures to prevent early-school leaving and 'drop-out' and improve completion rates at all levels, thus contributing to inclusiveness and nurturing lifelong learning | 2014-20 | Ministries of education | Monitoring of implementation, Ministries of education | ERI SEE |
| D.3 | Standardise qualifications and remove obstacles to their recognition | 2014-20 | Ministries of education | Monitoring of implementation, Ministries of education | ERI SEE |
| D.4 | Ensure education and training systems better meet economic and labour market needs (and provide learners with labour market relevant skills) through, for example, the increased use of work-based learning and mechanisms such as NQFs and sector skills councils | 2014-20 | Ministries of education, Ministries of economy, Ministries in charge for the Small Business Act for Europe (SBA), Labour market institutions | Monitoring of implementation, Ministries of education | RCC, SEECEL, ERI SEE |
| D.5 | Develop entrepreneurship key competence at all levels of education and training (curriculum, teacher training, assessment), including a framework of entrepreneurial learning outcomes for the region, including promotion and development of region-wide policy commitment to a 'green' key competence, supplementing the EU's existing 8 key competences for lifelong learning | 2014-20 | Ministries in charge for the Small Business Act for Europe (SBA), Ministries of education | Monitoring of implementation, Ministries in charge for the Small Business Act for Europe (SBA), Ministries of education | SEECEL |
| D.6 | Promote the potential of universities research efforts to transform the knowledge generated into marketable innovations through support to incubator networks, entrepreneurship and access to finance with particular reference to smart and clean technologies | 2014-20 | Ministries of education, Ministries in charge for the Small Business Act for Europe (SBA) | Monitoring of implementation, Ministries of education, Ministries in charge for the Small Business Act for Europe (SBA) | SEECEL, ERI SEE, RCC |
| D.7 | Build capacity on skills foresight of enterprise support institutions and develop intellectual capital to read and interpret market changes and industry prospects with particular focus on shift from economic diversification to specialisation | 2014-18 | Ministries of education, Ministries of economy, Labour market institutions | Monitoring of implementation, Ministries of education, Ministries of economy | RCC, SEECEL, ERI SEE |

| Dimension E 'R&D and Innovation' | | | | | |
|---|---|---------|---|--|------------------------------------|
| E.1 | Establish a Research Excellence Fund | 2014-20 | Ministries of science | Monitoring on the basis of manual provided by WISE Facility | Supervising Board of WISE Facility |
| E.2 | Put forward a Technology Transfer Programme | 2014-20 | Ministries of science | Monitoring on the basis of manual provided by WISE Facility | Supervising Board of WISE Facility |
| E.3 | Establish a regional fund for non-technical innovation with direct market prospects | 2014-20 | Ministries of economy | Monitoring on the basis of manual provided by WISE Facility | Supervising Board of WISE Facility |
| E.4 | Roll-out a regional 'triple helix' partnership competition with media coverage | 2014-20 | Ministries of economy, Ministries of science | Monitoring on the basis of manual provided by WISE Facility | Supervising Board of WISE Facility |
| Dimension F 'Digital Society' | | | | | |
| F.1 | Develop regional broadband infrastructure to provide high-speed internet access | 2014-20 | Ministries of information society development/ICT | Monitor the implementation of the Action Plan for Broadband Development | e-SEE |
| F.2 | Develop cross-border eServices with priority given to health, education, commerce and trade | 2014-20 | Ministries of information society development/ICT | Monitoring of implementation by ministries of information society development | e-SEE |
| F.3 | Provide access to IT training, since acquiring digital skills expands employment opportunities | 2014-20 | Ministries of information society development/ICT | Monitoring of implementation by ministries of information society development | e-SEE |
| Dimension G 'Cultural and Creative Sectors' | | | | | |
| G.1 | Ljubljana Process - Continuation of integrated rehabilitation of cultural heritage | 2014-20 | Ministries of culture, tourism, economy | Monitoring of implementation by ministries of culture, tourism, economy | RCC TFCS |
| G.2 | Capacity building for further development of integrated methodology and fundraising | 2014-20 | Ministries of culture, tourism, economy | | RCC TFCS |
| G.3 | Establish regional mechanism for cooperation in the audio-visual sector | 2016 | Ministries of culture, economy, tourism, education | | RCC, RCC TFCS |
| G.4 | Encourage active cooperation between film policy bodies, public broadcasters, production and distribution companies | 2016 | Ministries of culture, economy, tourism, education | Monitoring of implementation by ministries of culture, economy, tourism, education | RCC, RCC TFCS |
| G.5 | Establish regional mechanism for cooperation among museums with the aim to modernise and improve their functioning and management | 2015 | Ministries of culture, economy, tourism | Monitoring of implementation by ministries of culture, economy, tourism | RCC TFCS |
| G.6 | Establishment of Regional Design Incubator | 2014-20 | Ministries of culture, Ministries of economy | Monitoring of implementation by ministries of culture, economy | RCC TFCS |
| G.7 | Development of a system of baseline statistics on culture and creative industries in the region, comparable to EU indicators | 2014-20 | Ministries of culture, Ministries of economy, Statistic offices | Monitoring of implementation by ministries of culture, economy | RCC TFCS |

Pillar 3 Sustainable Growth

Headline targets: Increase net enterprise creation (new businesses per year) from 30,107 to 33,760;

increase exports of goods & services per capita from the region from EUR 1,780 to EUR 4,250.

Secondary pillar targets: 9% energy saving on final energy consumption;

Achieve national targets for the use of renewable energy

| No. | Key Strategy measures/instruments/ activities/projects | Timeline | National institutions and agencies | Verification mechanism | Regional structure(s) responsible |
|-----------------------------|--|----------|--|---|-----------------------------------|
| Dimension H 'Energy' | | | | | |
| H.1 | Increase efficient use of energy by achieving a minimum 9% energy saving target by 2018, in line with commitments to the Energy Community (Implement the countries' National Energy Efficiency Action Plans by 2018 and ensure that the institutional and legal frame as well as enough financial resources is in place, e.g. Energy Efficiency Agencies and other relevant institutions, public and private funds for investments, policy measures to create energy services market, etc.; introduce energy efficiency criterion in public procurement for goods and services; renovate public buildings at a rate of 2% year to achieve the minimum energy performance level in line with the Ministerial Council Recommendation on the adoption of Energy Efficiency Directive) | 2014-18 | Ministries responsible for communal infrastructure, Ministries of economy, Ministries responsible for energy and environment, Local authorities, Authorities in charge of public procurement | Monitoring implementation and target indicators | ECS |
| H.2 | Achieve national share of renewable energy in gross final energy consumption by 2020, in line with the targets adopted in 2012 (Allow priority access or guaranteed access to the grid for renewable energy (RE); adopt and implement National Renewable Energy Action Plans by 31 December 2020; simplify and accelerate the authorisation procedures for RE plants and grid connections; introduce and/or revise (if necessary) existing support schemes for RE in order to assure continuity and stability for investors) | 2014-20 | Ministries responsible for energy, Professional associations, City authorities, Energy companies, Energy regulators | Monitoring implementation and target indicators | ECS |
| H.3 | Develop instruments to inform and empower consumers in order to achieve behavioural changes that would accrue in affordability and safety | 2014-20 | Ministries responsible for social protection, Associations of consumers, Civil society, Energy companies, Energy regulators | Monitoring implementation and target indicators | ECS, RCC |
| H.4 | Create an investment friendly climate and stimulate energy infrastructure development (Implement a set of policy measures that involve: accelerated and coordinated permit granting and licensing procedures for new energy investments, coordinated regulatory authorisations and coordinated tariff methodologies, support from relevant European Union funds; phase out price regulation for large customers in line with the Treaty and measures taken by the Ministerial Council; adopt prices that reflect fully the cost of supply for all tariff customers in line with the Treaty and measures taken by the Ministerial Council; implement Projects of Energy Community Interest that were adopted by the Ministerial Council in October 2013) | 2014-20 | Ministries responsible for energy, Energy regulators, Energy companies, Authorities in charge of EU funds, Ministries of finance, Investment promotion agencies | Monitoring implementation and target indicators | ECS, RCC |
| H.5 | Develop instruments to create a well-functioning SEE energy market that would provide affordable but cost-reflective and reliable supplies; remove energy subsidies and replace these with safety nets for vulnerable consumers | 2014-20 | Ministries responsible for energy, Ministries responsible for social protection, Energy regulators, Consumer associations | Monitoring implementation and target indicators | ECS |
| H.6 | Complement the ongoing regional energy cooperation in relation to strengthening the cooperation with parliamentarians, reduction of green-house-gas emissions and sustainable energy development through implementation of Sustainable Energy Development Regional Initiative (SEDRI) | 2014-16 | Ministries responsible for energy, Ministries responsible for environment, Parliaments, Local authorities, Civil society | Monitoring implementation and target indicators | RCC |

| Dimension I 'Transport' | | | | | |
|---------------------------|---|---------|--|---|---|
| I.1 | <u>Infrastructure</u> - Improve the utilisation rate of transport infrastructure on the SEETO Comprehensive Network by removing physical and non-physical bottlenecks and border-crossing barriers; enhance the use of ITS in the transport sector | 2014-16 | Ministries of transport, Ministries of finance, Ministries of economy, Professional transport associations | Monitoring implementation and target indicators | SEETO |
| I.2 | <u>Operations</u> - Harmonisation with the EU transport regulatory framework for creating common market conditions and safety standards and liberalisation of rail services; introduction of policy measures to enhance competition among multimodal, railway and port operators | 2014-20 | Ministries of transport, Ministries of finance, Railway authorities, Professional transport associations | Monitoring implementation and target indicators | SEETO |
| I.3 | Develop and introduce measures to reduce the energy consumption and cost per unit of transport services (including introducing natural gas in commercial road and waterborne transport; increasing the share of electrical transport with electricity recuperation; increasing the share of electrical transport in urban areas and facilitating cycling) | 2014-20 | Ministries of transport, Railway authorities, City authorities | Monitoring implementation and target indicators | RCC, OECD, SEETO, Danube and Sava River Commissions |
| I.4 | Co-modal share: Improving the percentage of rail and waterborne transport in use | 2014-20 | Ministries of finance, Ministries of transport, IWW and maritime authorities, City authorities | Monitoring implementation and target indicators | SEETO, Danube and Sava River Commissions |
| I.5 | Facilitate air transport: Implementing the JSPA initiative and Single European Sky | 2014-20 | Ministries of transport, Aviation authorities | Monitoring implementation and target indicators | RCC JSPA ISIS II |
| Dimension J 'Environment' | | | | | |
| J.1 | Increase adaptive capacity through awareness raising and education on climate change adaptation (knowledge and best practice transfer, experimental showcase projects and awareness rising in the fields of agriculture, forestry, water usage, energy usage for individual farmers, cooperatives, public and private companies and operators, local municipalities, community based organisations and associations, media) | 2014-20 | Ministries of environment, Ministries of energy, Ministries of interior, Ministries of health, Ministries of agriculture and forestry, Ministries of water, City and municipal authorities, Civil society | Monitoring implementation and target indicators | REC SEEFCCA |
| J.2 | Develop and put in place measures to increase the share of irrigated agriculture land | 2014-20 | Ministries of agriculture, Local authorities, Civil society | Monitoring implementation and target indicators | SEEFCCA |
| J.3 | Develop and put in place measures to increase volume of annual forestation | 2014-20 | Ministries of forestry, Local authorities, Civil society | Monitoring implementation and target indicators | SEEFCCA |
| J.4 | Identify steps and measures necessary for advancing the water, energy and food nexus approach at national and transboundary levels and investigate opportunities for launching a political process under the RCC for the enhancement of cooperation in the SEE in the field of TWRM | 2014-16 | Ministries of water, National water authorities and institutions, Relevant regional and international organisations, Local authorities, Civil society | Monitoring implementation and target indicators | GWP-M |
| J.5 | Expand the level of SEE countries' understanding of the enabling environment for private sector participation in financing water infrastructure and identify key bottlenecks and prospects in the process | 2014-16 | Ministries of water, National water authorities and institutions, Private sector, Relevant regional and international organisations, Local authorities, Civil society | Monitoring implementation and target indicators | GWP-M |
| J.6 | Develop and put in place measures necessary for commencement of the Regional Integral Water Management Framework Agreement (RIWMFA) implementation | 2017-20 | Ministries of water, Ministries of energy, Ministries of environment, Ministries of agriculture, Other relevant national authorities and institutions, Private sector, Relevant regional and international organisations, Local authorities, Civil society | Monitoring implementation and target indicators | GWP-M |

| Dimension K 'Competitiveness' | | | | | |
|-------------------------------|---|------------------------------|---|---|--|
| K.1 | Develop regional activities to support SME development, including clustering and FDI-SME links (by encouraging the internationalisation of SMEs; mapping existing business infrastructure and business support services; establishing regional FDI-SME linkage programmes); and build capacity in training provider market to address knowledge and skills requirements of businesses with growth potential, and particularly for businesses to trade inside the EU internal market | 2014-20 | Ministries of economy, Ministries of education, SME development agencies, Investment promotion agencies | Monitoring implementation and target indicators | SEEIC SEECEL |
| K.2 | Develop regional value chains through sector-specific actions, including pilot projects (by carrying out a regional value chain analysis; creating regional working groups for each of the key sectors; identifying constraints to growth and productivity in each key sector; implementing a regional pilot project to enhance competitiveness in each key sector) | 2014-20 | Ministries of economy, SME development agencies | Monitoring implementation and target indicators | SEEIC |
| K.3 | Undertake joint regional activities to support greater access to finance and capital market integration (by implementing regional financial instruments (EFSE, Green for Growth, EDIF)); facilitate regional events for early stage ventures; initiate regional investment readiness actions; regional capital market integration; start-up training and a culture of new venture creation through interfacing training and mentoring with access to finance with particular reference to young people and women; develop regional cooperation, networking and good practice exchange in cooperation with the European Enterprise Network focusing particularly on high-growth firms and tapping into the resources of the diaspora community | 2014-20 | Ministries of economy, Ministries of finance, Ministries of education, Capital markets institutions | Monitoring implementation and target indicators | WBIF/EDIF SEEIC RCC |
| K.4 | Introduce benchmarking of SME development and policy results, relying on harmonised SME statistical reporting (by setting up a database of enterprises; providing benchmarking on SME development and SME policy; increasing the frequency of SBA assessments; creation of a regional brand for SMEs) | 2015 (data-base); 2014-20 | Ministries of economy and finance, SME development agencies, Statistical offices | Monitoring implementation and target indicators | SEEIC |
| K.5 | Coordinate efforts for improving business integrity by CSR ranking and best practice (by developing regional guidelines on business integrity; setting up a regional forum on business integrity; developing a regional CSR ranking for companies; fostering sharing of best practice on reform implementation) | 2014-20 | Ministries of economy | A functioning regional forum on CSR, improvement in regional CSR rankings | SEEIC |
| K.6 | Promote cooperation in the area of competition policy (by establishing a network of competition authorities and a coordination body; developing regional guidelines on the transparency of state aid; developing a common methodology for peer reviewing), antitrust policies (policies increasing economic efficiency by preventing firms from unduly preventing competition) and network policies (policies encouraging and promoting competition by deregulating network industries) | 2014-20 | Ministries of economy, Competition authorities | Regular meetings of the coordination body, monitoring implementation | SEEIC |
| K.7 | Enhance policy coordination in the area of tax policy by implementing guidelines for good practice (developing good practice guidelines on tax policy measures; negotiating guidelines for double taxation agreements) | 2014-16 | Ministries of finance | Monitoring of implementation by ministries of finance | World Bank Working Group on Tax Policy and Administration, supported by OECD and RCC |
| K.8 | Ensure that industrial and investment policies and activities reflect skills pool including improved skills intelligence to meet changing demands in the economy | 2014-18 | Ministries of economy | Monitoring of implementation by ministries of economy | SEEIC SEECEL |

| Pillar 4 Inclusive Growth | | | | | |
|--|---|--------------------|--|------------------------|-----------------------------------|
| Headline target: Increase overall employment rate of the 15+ population from 39.5% to 44.4%. | | | | | |
| No. | Key Strategy measures/instruments/activities/projects | Timeline | National institutions and agencies | Verification mechanism | Regional structure(s) responsible |
| Dimension L 'Employment' | | | | | |
| L.1 | <p>Labour mobility</p> <p>Build regional capacity to develop and use harmonised data and information on migration, and develop capacity for assessing labour market developments and future skills needs</p> <ul style="list-style-type: none"> • Assess current and future skills needs as well as current and future labour surpluses • Build capacity to anticipate labour market trends • Undertake activities to compile regionally harmonised data on migration • Identify demand that is not met by the domestic workforce and skills oversupply in each participating country | 2015 | Ministries of labour | Reporting, Legislation | RCC |
| L.2 | <p>Create a regional consultation process on mobility with a view to addressing the migrant needs in order to maximise the development impact of mobility and to promote circular migration</p> <ul style="list-style-type: none"> • Address the needs of migrants and develop a cross-ministerial approach to mobility • Exchange information through migration service centres • Explore ways to maximise the development impact of mobility and the equitable distribution of benefits | 2015 | Ministries of labour, Public employment service, Migration centres | Reporting | RCC |
| L.3 | Abolish labour market restrictions in the region | | Ministries of labour | Reporting | RCC |
| L.4 | <p>Labour market governance</p> <p>Enhance capacity of labour market institutions for evidence-based policy making and delivery and for promotion of relevant partnerships for labour market transition and employment with education and training providers, social partners and other stakeholders</p> <ul style="list-style-type: none"> • Strengthen labour administration and public employment services, which will contribute to better implementation of employment programmes and ensure appropriate monitoring and evaluation of any reforms implemented • Involve social partners in designing and implementing development and labour market policies (participatory social dialogue) | Starting from 2014 | Ministries of labour | Legislation, Reporting | RCC |
| L.5 | Forge innovative programmes to tackle regional challenges such as female and youth employment and labour market exclusion of certain vulnerable groups (e.g. ethnic minorities) and address the needs and exploit the potential migrant worker population offers | Starting from 2014 | Ministries of labour | Reporting | RCC |
| L.6 | Labour market policies to focus on the flexicurity approach involving comprehensive lifelong learning strategies, effective active labour market policies and modern social security systems | 2014-20 | Ministries of labour, Ministries of economy, Ministries of education | Legislation, Reporting | RCC |
| L.7 | Tackle informal employment through exchange of information and experiences, improved inter-institutional and intra-regional cooperation and testing appropriate policy measures | 2014-20 | Ministries of labour, Ministries of economy | Reporting | RCC |
| L.8 | Stimulate social economy initiatives through setting up an enabling environment for social economy initiatives including legal and regulatory framework; policies, strategies and actions; incentives, support mechanisms and capacity building | From 2014 ongoing | Ministries of labour, Public employment service | Reporting | RCC |
| L.9 | Stimulate social economy initiatives through fostering networking and cooperation to strengthen dialogue, share knowledge and resources, and establish social economy development clusters | From 2014 ongoing | Ministries of labour, Public employment service | Reporting | RCC |

| Dimension M 'Health' | | | | | |
|----------------------|--|---------|----------------------|-----------|-------|
| M.1 | <p>Adopt and implement a regional model for delivery of universal and high-quality health, promoting services at all levels of care with an emphasis on a strong primary care sector for improving the health gain in the SEE region, with a particular focus on low-income and vulnerable groups</p> <ul style="list-style-type: none"> • Develop a baseline cross-country study on the efficiency of health systems and services • Update current health service legislation and regulations related to health care, disease prevention, health promotion and patient safety • Develop and implement quality improvement mechanisms • Introduce efficient monitoring and evaluation mechanisms in the region's health systems to improve transparency and accountability | 2015-16 | Ministries of health | Reporting | SEEHN |
| M.2 | <p>Strengthen health institutions and improve the intersectoral governance of the health sector at national, regional and community levels following the Health in All Policy (HiAP) approach; and including capacity building for health information infrastructure and introducing e-health. Adopt a regional information exchange mechanism for sharing experiences and good practices in cross-border public health, health care and mobility of health workforce</p> <ul style="list-style-type: none"> • Review the current networks of health institutions and develop reform strategies • Review and update the existing health legislation in order to introduce HiAP and HIA • Implement best practice from EU countries when introducing mechanisms for the intersectoral governance of health | 2015-16 | Ministries of health | Reporting | SEEHN |
| M.3 | <p>Adopt multilateral and bilateral agreements to harmonise the cross-border public health and public health services legislation, standards, procedures, and develop mutual recognition and trust to enable the creation of a Free Trade Area from a public health perspective</p> <ul style="list-style-type: none"> • Develop mutually agreed regional public health cross-border standards and procedures • Develop and launch an SEE regional information database on cross-border public health issues and best practice | 2020 | Ministries of health | Reporting | SEEHN |
| M.4 | <p>Adopt multilateral and bilateral agreements to strengthen human resources for health, harmonise and mutually recognise health professionals' qualifications and monitor the human resources for health and their mobility</p> <ul style="list-style-type: none"> • Review the current situation on forecasting and planning in respect of the health workforce, as well as on harmonising and mutually recognising the qualifications and mobility of health professionals • Establish a permanent SEE forum for health education institutions • Establish a regional Masters programme for public health based on EU public health curricula | 2016 | Ministries of health | Reporting | SEEHN |

| Pillar 5 Governance for Growth | | | | | |
|---|---|---------------------|---|--|---|
| Headline target: Increase government effectiveness (World Bank Governance Index) from 2.3 to 2.9 by 2020. | | | | | |
| No. | Key Strategy measures/instruments/activities/projects | Timeline | National institutions and agencies | Verification mechanism | Regional structure(s) responsible |
| Dimension N 'Effective Public Services' | | | | | |
| N.1 | Clear subsidiarity: to ensure the compliance with subsidiarity principle through delineating the respective competences of governmental bodies and local authorities and fostering coordination between the various levels of governments | 2014 | Ministries, Municipal associations, Urban authorities | Parliament, NGOs | RCC, ReSPA, NALAS |
| N.2 | Professionalisation: introduce a procedure for continuous improvement of the competence of public officials; introduce the curricula that support meritocratic capacities of the administration | 2014-20 | Universities, Ministries | Independent agencies | RCC, ReSPA, NALAS |
| N.3 | e-governance: introduce as extensively as possible the use of faster and more efficient electronic access to public services | 2014-20 | Governments | Administration, NGOs | RCC, ReSPA, NALAS |
| N.4 | Improve the quality of public services | 2014-16 | Governments, Ministries | Independent agencies, NGOs | PRCC, ReSPA |
| N.5 | Upgrade policy and regulatory capacities | 2014-16 | Governments, Ministries | Parliaments | RCC, ReSPA |
| N.6 | Set-up and operate regional benchmarking and certification systems in SEE contributing to a business friendly environment and evidence-based policies | 2014-16 | Governments | Parliaments, Independent agencies | RCC, ReSPA; NALAS |
| Dimension O 'Anti-corruption' | | | | | |
| O.1 | Transparent rules: move away from discretion to rule-based political and administrative decision-making by conducting risk assessment actions and adopting public, simple and enduring rules | 2014-16 + permanent | Ministries, Anti-corruption bodies | Parliaments, Independent bodies, Research institutions, NGOs | RCC and RAI |
| O.2 | Competitive procedures: make as mandatory as possible for all government procurement to be competitive with as few barriers to participation as possible (given the nature of the tender) by unifying standards | 2014-15 | Ministries | Parliaments, Governments, Independent agencies, NGOs | RCC, RAI |
| O.3 | Revision and control: introduce regular audits by independent agencies and require ex-ante and ex-post evaluations | 2014-20 | Judicial institutions, Independent agencies, NGOs | Financial audits, ex-post evaluations | RCC, RAI |
| O.4 | Public awareness: researchers, whistle-blowers, media and other agencies should be actively supported and their findings considered and given ample publicity | permanent | NGOs, Civil society, Whistle-blowers, Media, Prevention bodies | Public opinion polls, Research institutions, regular reports | Regional research and media, RAI |
| O.5 | Build capacity of law enforcement agencies and judiciary and improve their regional cooperation and data exchange (including mutual legal assistance in corruption cases) | 2014-20 | Law enforcement agencies, Ministries | | RCC, RAI, ReSPA |
| Dimension P 'Justice' | | | | | |
| P.1 | Improve efficiency and competence: review the quality, efficiency and competence of judges and the courts | permanent | Ministries of justice, Universities, Professional organisations, Regional institutional cooperation | Professional organisations, Independent evaluations | Regional professional cooperation, regional intra-institutional cooperation |
| P.2 | Improve judicial cooperation in free access to information, cross-border enforcement and cross-border proceedings in bankruptcy and take-over and mergers | 2014-20 | Ministries of justice, Regional institutional cooperation | Professional organisations, Independent evaluations | Regional professional cooperation, regional intra-institutional cooperation |
| P.3 | Support ADR: Introduce or improve the legislation on ADR and enable proper legal and institutional cooperation with the judiciary and the enforcement system | 2014-18 | Ministries of justice, Professional organisations | Parliament, regular surveys and research | Inter-ministerial, regional professional cooperation |

Table A5

CORRELATION BETWEEN PROPOSED MEASURES AND EU ACCESSION NEGOTIATION CHAPTERS

| Pillar 1 Integrated Growth | | | |
|--|--|--|--|
| No. | Key Strategy measures/instruments/activities/projects | Chapters with Direct Relevance | Chapters with Indirect Relevance |
| Dimension A 'Free Trade Area' | | | |
| A.1 | Liberalise trade in agricultural products by eliminating remaining tariffs and quotas | (i) Economic criteria: Capacity to cope with competitive pressure and market forces within the Union | (i) Chapter 30: External relations |
| A.2 | Eliminate distortive non-tariff (sanitary and phytosanitary) barriers and unnecessary technical barriers to trade | (i) Chapter 1: Free movement of goods (ii) Chapter 12: Food safety, veterinary and phytosanitary policy (iii) Chapter 28: Consumer and health protection (iv) Chapter 29: Customs union | (i) Chapter 16: Taxation (ii) Chapter 30: External relations |
| A.3 | Facilitate trade through employing transparency tools and simplification trade related procedures | (i) Chapter 1: Free movement of goods (ii) Chapter 12: Food safety, veterinary and phytosanitary policy (iii) Chapter 28: Consumer and health protection (iv) Chapter 29: Customs union | (i) Chapter 30: External relations |
| A.4 | Improve customs interconnectivity via the introduction of paperless methods in regional trade | (i) Chapter 29: Customs union | (i) Chapter 24: Justice, freedom and security |
| A.5 | Liberalise intra-regional trade in services by reducing restrictive measures and policies | (i) Chapter 3: Right of establishment and freedom to provide services | (i) Chapter 6: Company law (ii) Chapter 8: Competition policy (iii) Chapter 9: Financial services (iv) Chapter 10: Information society and media (v) Chapter 14: Transport policy (vi) Chapter 15: Energy |
| A.6 | Facilitate free flow of investment through coordination of investment policies and investment promotion, and through better protection of investors and investment | (i) Chapter 4: Free movement of capital | (i) Chapter 6: Company law (ii) Chapter 20: Enterprise and industrial policy (iii) Chapter 9: Financial services |
| A.7 | Facilitate free movement of experts, professionals and skilled labour | (i) Chapter 2: Freedom of movement of workers | (i) Chapter 3: Right of establishment and freedom to provide services |
| Dimension B 'Competitive Economic Environment' | | | |
| B.1 | Strengthen competition rules by creating a trade defence instrument free trade area | (i) Chapter 8: Competition policy | (i) Chapter 30: External relations |
| B.2 | Strengthen protection of trademarks throughout the region | (i) Chapter 7: Intellectual property law | |
| B.3 | Create a fully liberalised public procurement market in the region | (i) Chapter 5: Public procurement | (i) Chapter 3: Right of establishment and freedom to provide services (ii) Chapter 8: Competition policy |
| Dimension C 'Integration into the Global Economy' | | | |
| C.1 | Improve market access through completing a single diagonal cumulation zone under the PEM and the harmonisation of MFN duties in the region towards EU CET | (i) Chapter 20: Enterprise and industrial policy | (i) Chapter 21: Trans-European Networks |
| C.2 | Establish an investment concept to enhance participation in regional supply chains and global supply networks | (i) Chapter 30: External relations (ii) Economic criteria: Capacity to cope with competitive pressure and market forces within the Union | (i) Chapter 29: Customs Union |
| C.3 | Align effort and promote business climate reforms | (i) Chapter 30: External relations (ii) Economic criteria: Capacity to cope with competitive pressure and market forces within the Union | (i) Chapter 29: Customs Union |

| Pillar 2 Smart Growth | | | |
|---|--|--|--|
| No. | Key Strategy measures/instruments/activities/projects | Chapters with Direct Relevance | Chapters with Indirect Relevance |
| Dimension D 'Education and Competences' | | | |
| D.1 | Introduce policies to increase equitable access to, and participation in, high quality education at all levels aimed at smooth recognition of qualifications and in support to mobility in SEE | (i) Chapter 26: Education and culture | (i) Chapter 25: Science and research |
| D.2 | Implement measures to prevent early-school leaving and 'drop-out' and improve completion rates at all levels, thus contributing to inclusiveness and nurturing lifelong learning | (i) Chapter 26: Education and culture | (i) Chapter 25: Science and research |
| D.3 | Standardise qualifications and remove obstacles to their recognition | (i) Chapter 26: Education and culture | (i) Chapter 25: Science and research |
| D.4 | Ensure education and training systems better meet economic and labour market needs (and provide learners with labour market relevant skills) through, for example, the increased use of work-based learning and mechanisms such as NQFs and sector skills councils | (i) Chapter 26: Education and culture | (i) Chapter 20: Enterprise and industrial policy |
| D.5 | Develop entrepreneurship key competence at all levels of education and training (curriculum, teacher training, assessment), including a framework of entrepreneurial learning outcomes for the region | (i) Chapter 26: Education and culture | (i) Chapter 20: Enterprise and industrial policy |
| D.6 | Promote the potential of universities research efforts to transform the knowledge generated into marketable innovations through support to incubator networks, entrepreneurship and access to finance with particular reference to smart and clean technologies | (i) Chapter 20: Enterprise and industrial policy (ii) Chapter 26: Education and culture | (i) Chapter 25: Science and research |
| D.7 | Build capacity on skills foresight of enterprise support institutions and develop intellectual capital to read and interpret market changes and industry prospects with particular focus on shift from economic diversification to specialisation | (i) Chapter 20: Enterprise and industrial policy | (i) Chapter 26: Education and culture |
| Dimension E 'R&D and Innovation' | | | |
| E.1 | Establish a Research Excellence Fund | (i) Chapter 25: Science and research | |
| E.2 | Establish a Technology Transfer Programme | (i) Chapter 25: Science and research | (i) Chapter 20: Enterprise and industrial policy |
| E.3 | Establish of a regional fund for non-technical innovation with direct market prospects | (i) Chapter 25: Science and research | |
| E.4 | Rolling out a regional 'triple helix' partnership competition with media coverage | (i) Chapter 25: Science and research (ii) Chapter 20: Enterprise and industrial policy | |
| Dimension F 'Digital Society' | | | |
| F.1 | Develop regional broadband infrastructure to provide high-speed internet access | (i) Chapter 10: Information society and media | (i) Chapter 21: Trans-European networks |
| F.2 | Develop cross-border eServices with priority given to health, education, commerce and trade | (i) Chapter 10: Information society and media | (i) Chapter 21: Trans-European networks |
| F.3 | Provide access to IT training, since acquiring digital skills expands employment opportunities | (i) Chapter 10: Information society and media | |
| Dimension G 'Culture and Creative Sectors' | | | |
| G.1 | Ljubljana Process - Continuation of integrated rehabilitation of cultural heritage | (i) Chapter 26: Education and culture | |
| G.2 | Capacity building for further development of integrated methodology and fundraising | (i) Chapter 26: Education and culture | |
| G.3 | Establish a regional mechanism for cooperation in the audio-visual sector | (i) Chapter 26: Education and culture | |
| G.4 | Encourage active cooperation between film policy bodies, public broadcasters, production and distribution companies | (i) Chapter 26: Education and culture | |
| G.5 | Establish regional mechanism for cooperation among museums with the aim to modernise and improve their functioning and management | (i) Chapter 26: Education and culture | |
| G.6 | Establish a Regional Design Incubator | (i) Chapter 26: Education and culture | |
| G.7 | Develop a system of baseline statistics on cultural and creative sectors in the Region, comparable to EU indicators | (i) Chapter 26: Education and culture | |

| Pillar 3 Sustainable Growth | | | |
|--------------------------------|--|--|---|
| No. | Key Strategy measures/instruments/ activities/projects | Chapters with Direct Relevance | Chapters with Indirect Relevance |
| Dimension H 'Energy' | | | |
| H.1 | Increase efficient use of energy by achieving a minimum 9% energy saving target by 2018, in line with commitments to the Energy Community (Implement the countries' National Energy Efficiency Action Plans by 2018 and ensure that the institutional and legal frame as well as enough financial resources is in place, e.g. Energy Efficiency Agencies and other relevant institutions, public and private funds for investments, policy measures to create energy services market, etc.; introduce energy efficiency criterion in public procurement for goods and services; renovate public buildings at a rate of 2% year to achieve the minimum energy performance level in line with the Ministerial Council Recommendation on the adoption of Energy Efficiency Directive) | (i) Chapter 15: Energy | (i) Chapter 5: Public procurement (ii) Chapter 18: Statistics |
| H.2 | Achieve national share of renewable energy in gross final energy consumption by 2020, in line with the targets adopted in 2012 (Allow priority access or guaranteed access to the grid for renewable energy (RE); adopt and implement National Renewable Energy Action Plans, by 31 December 2020; simplify and accelerate the authorisation procedures for RE plants and grid connections; introduce and/or revise (if necessary) existing support schemes for RE in order to assure continuity and stability for investors) | (i) Chapter 15: Energy | (i) Chapter 20: Enterprise and industrial policy (ii) Chapter 5: Public procurement (iii) Chapter 8: Competition (iv) Chapter 16: Taxation (v) Chapter 18: Statistics |
| H.3 | Develop instruments to inform and empower consumers in order to achieve behavioural changes that would accrue in affordability and safety | (i) Chapter 15: Energy (ii) Chapter 28: Consumer and health protection | (i) Chapter 19: Social policy and employment |
| H.4 | Create an investment friendly climate and stimulate energy infrastructure development (Implement a set of policy measures that involve: accelerated and coordinated permit granting and licensing procedures for new energy investments, coordinated regulatory authorisations and coordinated tariff methodologies, support from relevant European Union funds; phase out price regulation for large customers in line with the Treaty and measures taken by the Ministerial Council; adopt prices that reflect fully the cost of supply for all tariff customers in line with the Treaty and measures taken by the Ministerial Council; implement Projects of Energy Community Interest that were adopted by the Ministerial Council in October 2013) | (i) Chapter 15: Energy | (i) Chapter 5: Public procurement (ii) Chapter 8: Competition |
| H.5 | Develop instruments to create a well-functioning SEE energy market that would provide affordable but cost-reflective and reliable supplies; remove energy subsidies and replace these with safety nets for vulnerable consumers | (i) Chapter 15: Energy | (i) Chapter 8: Competition (ii) Chapter 16: Taxation (iii) Chapter 19: Social policy and employment (iv) Chapter 28: Consumer and health protection |
| H.6 | Complement the ongoing regional energy cooperation in relation to strengthening the cooperation with parliamentarians, reduction of green-house-gas emissions and sustainable energy development through implementation of Sustainable Energy Development Regional Initiative (SEDRI) | (i) Chapter 15: Energy | (i) Chapter 27: Environment |
| Dimension I 'Transport' | | | |
| I.1 | Infrastructure - Improve the utilisation rate of transport infrastructure on the SEETO Comprehensive Network by removing physical and non-physical bottlenecks and border-crossing barriers; enhance the use of ITS in the transport sector | (i) Chapter 14: Transport policy (ii) Chapter 21: Trans-European networks | (i) Chapter 15: Energy |
| I.2 | Operations - Harmonisation with the EU transport regulatory framework for creating common market conditions and safety standards and liberalisation of rail services ; introduction of policy measures to enhance competition among multimodal, railway and port operators | (i) Chapter 14: Transport policy | (i) Chapter 15: Energy (ii) Chapter 5: Public procurement (iii) Chapter 20: Enterprise and industrial policy |
| I.3 | Develop and introduce measures to reduce the energy consumption and cost per unit of transport services (including introducing natural gas in commercial road and waterborne transport; increasing the share of electrical transport with electricity recuperation; increasing the share of electrical transport in urban areas and facilitating cycling) | (i) Chapter 14: Transport policy (ii) Chapter 15: Energy | (i) Chapter 14: Transport policy (ii) Chapter 21: Trans-European networks (iii) Chapter 20: Enterprise and industrial policy |
| I.4 | Co-modal share: Improving the percentage of rail and waterborne transport in use | (i) Chapter 14: Transport policy (ii) Chapter 21: Trans-European networks | (i) Chapter 20: Enterprise and industrial policy |
| I.5 | Facilitate air transport: Implementing the JSPA initiative and Single European Sky | (i) Chapter 14: Transport policy (ii) Chapter 21: Trans-European networks | (i) Chapter 15: Energy |

| Dimension J 'Environment' | | | |
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| J.1 | Increase adaptive capacity through awareness raising and education on climate change adaptation (knowledge and best practice transfer, experimental showcase projects and awareness rising in the fields of agriculture, forestry, water usage, energy usage for individual farmers, cooperatives, public and private companies and operators, local municipalities, community based organisations and associations, media) | (i) Chapter 27: Environment | (i) Chapter 15: Energy (ii) Chapter 11: Agriculture and rural development (iii) Chapter 18: Statistics (iv) Chapter 25: Research and development (v) Chapter 26: Education and culture (vi) Chapter 28: Consumer and health protection |
| J.2 | Develop and put in place measures to increase the share of irrigated agriculture land | (i) Chapter 11: Agriculture and rural development | (i) Chapter 12: Food safety, veterinary and phytosanitary policy (ii) Chapter 18: Statistics (iii) Chapter 27: Environment |
| J.3 | Develop and put in place measures to increase volume of annual forestation | (i) Chapter 27: Environment | (i) Chapter 11: Agriculture and rural development (ii) Chapter 18: Statistics |
| J.4 | Identify steps and measures necessary for advancing the water, energy and food nexus approach at national and transboundary levels and investigate opportunities for launching a political process under the RCC for the enhancement of cooperation in the SEE in the field of TWRM | (i) Chapter 27: Environment | (i) Chapter 15: Energy (ii) Chapter 11: Agriculture and rural development (iii) Chapter 25: Research and development |
| J.5 | Expand the level of SEE countries' understanding of the enabling environment for private sector participation in financing water infrastructure and identify key bottlenecks and prospects in the process | (i) Chapter 27: Environment | (i) Chapter 20: Enterprise and industrial policy (ii) Chapter 19: Social policy and employment |
| J.6 | Develop and put in place measures necessary for commencement of the Regional Integral Water Management Framework Agreement implementation | (i) Chapter 27: Environment | (i) Chapter 15: Energy (ii) Chapter 11: Agriculture and rural development (iii) Chapter 18: Statistics (iv) Chapter 25: Research and development (v) Chapter 26: Education and culture (vi) Chapter 28: Consumer and health protection (vii) Chapter 20: Enterprise and industrial policy (viii) Chapter 19: Social policy and employment (ix) Chapter 12: Food safety, veterinary and phytosanitary policy |
| Dimension K 'Competitiveness' | | | |
| K.1 | Develop regional activities to support SME development, including clustering and FDI-SME links (by encouraging the internationalisation of SMEs; mapping existing business infrastructure and business support services; establishing regional FDI-SME linkage programmes) | (i) Chapter 20: Enterprise and industrial policy (ii) Economic criteria: Capacity to cope with competitive pressure and market forces with the Union | (i) Chapter 6: Company law |
| K.2 | Develop regional value chains through sector-specific actions, including pilot projects (by carrying out a regional value chain analysis; creating regional working groups on each of the key sectors; identifying constraints to growth and productivity in each key sector; implementing a regional pilot project to enhance competitiveness in each key sector) | (i) Chapter 20: Enterprise and industrial policy (ii) Economic criteria: Capacity to cope with competitive pressure and market forces with the Union | (i) Chapter 6: Company law |
| K.3 | Undertake joint regional activities to support greater access to finance and capital market integration (by implementing regional financial instruments (EFSE, EDIF)), facilitating regional events for early stage ventures; initiating regional investment readiness actions for capacity building; initiating regional capital market integration) | (i) Chapter 20: Enterprise and industrial policy | (i) Chapter 6: Company law (ii) Chapter 9: Financial services |
| K.4 | Introduce benchmarking of SME development and policy results, relying on harmonised SME statistical reporting (by setting up a database of enterprises; providing benchmarking on SME development and SME policy; increasing the frequency of SBA assessments; creation of a regional brand for SMEs) | (i) Chapter 20: Enterprise and industrial policy | (i) Chapter 18: Statistics |
| K.5 | Coordinate efforts for improving business integrity by CSR ranking and best practice (by developing regional guidelines on business integrity; setting up a regional forum on business integrity; developing a regional CSR ranking for companies; fostering sharing of best practice on reform implementation) | (i) Chapter 20: Enterprise and industrial policy | (i) Chapter 24: Justice, freedom and security (ii) Chapter 32: Financial control (iii) Chapter 6: Company law |
| K.6 | Promote cooperation in the area of competition policy (by establishing a network of competition authorities and a coordination body; developing regional guidelines on the transparency of state aid; developing a common methodology for peer reviewing), antitrust policies (policies increasing economic efficiency by preventing firms from unduly preventing competition) and network policies (policies encouraging and promoting competition by deregulating network industries) | (i) Chapter 8: Competition policy | (i) Chapter 20: Enterprise and industrial policy |
| K.7 | Enhancement of policy coordination in the area of tax policy by implementing guidelines for good practice (developing good practice guidelines on tax policy measures; negotiating guidelines for double taxation agreements) | (i) Chapter 16: Taxation | (i) Chapter 20: Enterprise and industrial policy (ii) Chapter 8: Competition policy (iii) Chapter 33: Financial and budgetary provisions |
| K.8 | Ensure industrial and investment policies and activities reflect skills pool including improved skills intelligence to meet changing demands in the economy | (i) Chapter 20: Enterprise and industrial policy | |

| Pillar 4 Inclusive Growth | | | |
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| No. | Key Strategy measures/instruments/activities/projects | Chapters with Direct Relevance | Chapters with Indirect Relevance |
| Dimension L 'Employment' | | | |
| L.1 | <p>Labour mobility</p> <p>Build regional capacity to develop and use harmonised data and information on migration, and develop capacity for assessing labour market developments and future skills needs</p> <ul style="list-style-type: none"> Assess current and future skills needs as well as current and future labour surpluses Build capacity to anticipate labour market trends Undertake activities to compile regionally harmonised data on migration Identify demand that is not met by the domestic workforce and skills oversupply in each participating country | <ul style="list-style-type: none"> (i) Chapter 18: Statistics (ii) Chapter 19: Social policy and employment (iii) Chapter 25: Science and research | <ul style="list-style-type: none"> (i) Chapter 2: Freedom of movement for workers |
| L.2 | <p>Create a regional consultation process on mobility with a view to addressing the migrant needs in order to maximise the development impact of mobility and to promote circular migration</p> <ul style="list-style-type: none"> Address the needs of migrants and develop a cross-ministerial approach to mobility Exchange information through migration service centres Explore ways to maximise the development impact of mobility and the equitable distribution of benefits | <ul style="list-style-type: none"> (i) Chapter 2: Freedom of movement for workers (ii) Chapter 19: Social policy and employment | |
| L.3 | Abolish labour market restrictions in the region | <ul style="list-style-type: none"> (i) Chapter 2: Freedom of movement for workers | |
| L.4 | <p>Labour market governance</p> <p>Enhance capacity of labour market institutions for evidence-based policy making and delivery and for promotion of relevant partnerships for labour market transition and employment with education and training providers, social partners and other stakeholders</p> <ul style="list-style-type: none"> Strengthen labour administration and public employment services, which will contribute to better implementation of employment programmes and ensure appropriate monitoring and evaluation of any reforms implemented Involve social partners in designing and implementing development and labour market policies (participatory social dialogue) | <ul style="list-style-type: none"> (i) Chapter 19: Social policy and employment | <ul style="list-style-type: none"> (i) Chapter 34: Institutions |
| L.5 | Forge innovative programmes to tackle regional challenges such as female and youth employment and labour market exclusion of certain vulnerable groups (e.g. ethnic minorities) and address the needs and exploit the potential migrant worker population offers | <ul style="list-style-type: none"> (i) Chapter 19: Social policy and employment (ii) Chapter 26: Education and culture | |
| L.6 | Labour market policies to focus on the flexicurity approach involving comprehensive lifelong learning strategies, effective active labour market policies and modern social security systems | <ul style="list-style-type: none"> (i) Chapter 19: Social policy and employment | |
| L.7 | Tackle informal employment through exchange of information and experiences, improved inter-institutional and intra-regional cooperation and testing appropriate policy measures | <ul style="list-style-type: none"> (i) Chapter 19: Social policy and employment | |
| L.8 | Stimulate social economy initiatives through setting up an enabling environment for social economy initiatives including legal and regulatory framework; policies, strategies and actions; incentives, support mechanisms and capacity building | <ul style="list-style-type: none"> (i) Chapter 19: Social policy and employment (ii) Chapter 20: Enterprise and industrial policy | <ul style="list-style-type: none"> (i) Chapter 19: Social policy and employment (ii) Chapter 20: Enterprise and industrial policy |
| L.9 | Stimulate social economy initiatives through fostering networking and cooperation to strengthen dialogue, share knowledge and resources, and establish social economy development clusters | <ul style="list-style-type: none"> (i) Chapter 19: Social policy and employment (ii) Chapter 20: Enterprise and industrial policy | <ul style="list-style-type: none"> (i) Chapter 19: Social policy and employment (ii) Chapter 20: Enterprise and industrial policy |

| Dimension M 'Health' | | | |
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| M.1 | <p>Adopt and implement a regional model for delivery of universal and high-quality health, promoting services at all levels of care with an emphasis on a strong primary care sector for improving the health gain in the SEE region, with a particular focus on low-income and vulnerable groups</p> <ul style="list-style-type: none"> • Develop a baseline cross-country study on the efficiency of health systems and services • Update current health service legislation and regulations related to health care, disease prevention, health promotion and patient safety • Develop and implement quality improvement mechanisms • Introduce efficient monitoring and evaluation mechanisms in the region's health systems to improve transparency and accountability | <ul style="list-style-type: none"> (i) Chapter 19: Social policy and inclusion (ii) Chapter 28: Consumer and health protection | <ul style="list-style-type: none"> (i) Chapter 18: Statistics |
| M.2 | <p>Strengthen health institutions and improve the intersectoral governance of the health sector at national, regional and community levels following the HiAP approach; and including capacity building for health information infrastructure and introducing e-health. Adopt a regional information exchange mechanism for sharing experiences and good practices in cross-border public health, health care and mobility of health workforce</p> <ul style="list-style-type: none"> • Review the current networks of health institutions and develop reform strategies • Review and update the existing health legislation in order to introduce HiAP and HIA • Implement best practice from EU countries when introducing mechanisms for the intersectoral governance of health | <ul style="list-style-type: none"> (i) Chapter 25: Science and research (ii) Chapter 28: Consumer and health protection | <ul style="list-style-type: none"> (i) Chapter 2: Freedom of movement of workers (ii) Chapter 3: Right of establishment and freedom to provide services (iii) Chapter 18: Statistics |
| M.3 | <p>Adopt multilateral and bilateral agreements to harmonise the cross-border public health and public health services legislation, standards, procedures, and develop mutual recognition and trust to enable the creation of a Free Trade Area from a public health perspective</p> <ul style="list-style-type: none"> • Develop mutually agreed regional public health cross-border standards and procedures • Develop and launch an SEE regional information database on cross-border public health issues and best practice | <ul style="list-style-type: none"> (i) Chapter 28: Consumer and health protection | <ul style="list-style-type: none"> (i) Chapter 2: Freedom of movement of workers (ii) Chapter 3: Right of establishment and freedom to provide services |
| M.4 | <p>Adopt multilateral and bilateral agreements to strengthen human resources for health, harmonise and mutually recognise health professionals' qualifications and monitor the human resources for health and their mobility</p> <ul style="list-style-type: none"> • Review the current situation on forecasting and planning in respect of the health workforce, as well as on harmonising and mutually recognising the qualifications and mobility of health professionals • Establish a permanent SEE forum for health education institutions • Establish a regional Masters programme for public health based on EU public health curricula | <ul style="list-style-type: none"> (i) Chapter 2: Freedom of the movement of workers (ii) Chapter 28: consumer and health protection | <ul style="list-style-type: none"> (i) Chapter 3: Right of establishment and freedom to provide services |

| Pillar 5 Governance for Growth | | | |
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| No. | Key Strategy measures/instruments/activities/projects | Chapters with Direct Relevance | Chapters with Indirect Relevance |
| Dimension N 'Effective Public Services' | | | |
| N.1 | Clear subsidiarity: to ensure the compliance with subsidiarity principle through delineating the respective competences of governmental bodies and local authorities and fostering coordination between the various levels of governments | (i) Chapter 22: Regional policy and coordination of structural instruments | (i) Chapter 34: Institutions (ii) Chapter 20: Enterprise and industrial policy |
| N.2 | Professionalisation: introduce a procedure for continuous improvement of the competence of public officials; introduce the curricula that support meritocratic capacities of the administration | (i) Chapter 26: Education and culture | (i) Chapter 34: Institutions (ii) Chapter 10: Information society and media |
| N.3 | e-governance: introduce as extensively as possible the use of faster and more efficient electronic access to public services | (i) Chapter 3: Right of establishment and freedom to provide services | (i) Chapter 34: Institutions |
| N.4 | Improve the quality of public services | (i) Chapter 34: Institutions | |
| N.5 | Upgrading policy and regulatory capacities | (i) Chapter 34: Institutions | |
| N.6 | Set-up and operate regional benchmarking and certification systems in SEE contributing to a business friendly environment and evidence-based policies | (i) Chapter 34: Institutions | (i) Chapter 20: Enterprise and industrial policy |
| Dimension O 'Anti-corruption' | | | |
| O.1 | Transparent rules: move away from discretion to rule-based political and administrative decision-making by conducting risk assessment actions and adopting public, simple and enduring rules | (i) Chapter 5: Public procurement | (i) Chapter 8: Competition |
| O.2 | Competitive procedures: make as mandatory as possible for all government procurement to be competitive with as few barriers to participation as possible (given the nature of the tender) by unifying standards | (i) Chapter 5: Public procurement | (i) Chapter 8: Competition |
| O.3 | Revision and control: introduce regular audits by independent agencies and require ex-ante and ex-post evaluations | (i) Chapter 5: Public procurement | (i) Chapter 23: Judiciary and fundamental rights |
| O.4 | Public awareness: researchers, whistle-blowers, media and other agencies should be actively supported and their findings considered and given ample publicity | (i) Chapter 5: Public procurement | (i) Chapter 8: Competition policy |
| O.5 | Build capacity of law enforcement agencies and judiciary and improve their regional cooperation and data exchange (including mutual legal assistance in corruption cases) | (i) Chapter 23: Judiciary and fundamental rights | |
| Dimension P 'Justice' | | | |
| P.1 | Improve efficiency and competence: review the quality, efficiency and competence of judges and the courts | (i) Chapter 23: Judiciary and fundamental rights | (i) Chapter 24: Justice, freedom and security |
| P.2 | Improve judicial cooperation in free access to information, cross-border enforcement and cross-border proceedings in bankruptcy and take-over and mergers | (i) Chapter 23: Judiciary and fundamental rights | (i) Chapter 24: Justice, freedom and security |
| P.3 | Support ADR: Introduce or improve the legislation on ADR and enable proper legal and institutional cooperation with the judiciary and the enforcement system | (i) Chapter 23: Judiciary and fundamental rights | (i) Chapter 24: Justice, freedom and security |