



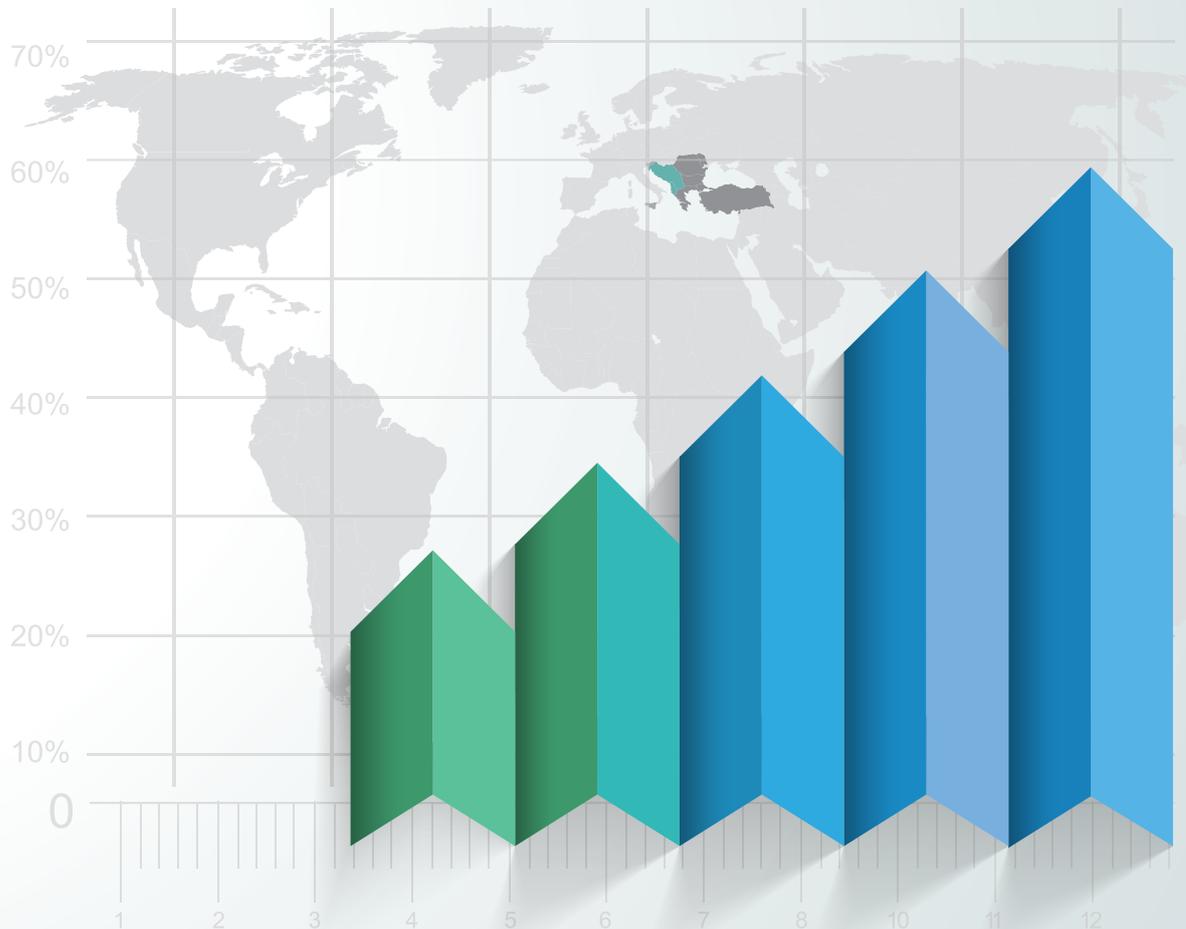
Regional Cooperation Council



SEE2020  
SOUTH EAST EUROPE 2020

# South East Europe 2020 Baseline Report

## TOWARDS REGIONAL GROWTH





# South East Europe 2020 Baseline Report Towards Regional Growth

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\* 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.

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## List of Acronyms

<b>B</b>		<b>G</b>	
<b>BiH</b>	<i>Bosnia and Herzegovina</i>	<b>GFEC</b>	<i>Gross final energy consumption</i>
<b>C</b>		<b>GWP-Med</b>	<i>Global Water Partnership - Mediterranean</i>
<b>CEB</b>	<i>Council of Europe Development Bank</i>	<b>I</b>	
<b>CEFTA</b>	<i>Central European Free Trade Agreement</i>	<b>IFI</b>	<i>International Financial Institutions</i>
<b>E</b>		<b>IMF</b>	<i>International Monetary Fund</i>
<b>EBRD</b>	<i>European Bank for Reconstruction and Development</i>	<b>IPA</b>	<i>Instrument for Pre-Accession Assistance</i>
<b>EC</b>	<i>European Commission</i>	<b>J</b>	
<b>ECT</b>	<i>Energy Community Treaty</i>	<b>JSPA</b>	<i>Joint Service Provision Area</i>
<b>EFP</b>	<i>Economic and fiscal programme</i>	<b>K</b>	
<b>EIB</b>	<i>European Investment Bank</i>	<b>KCC</b>	<i>Kosovo* Competition Commission</i>
<b>ERI SEE</b>	<i>Education Reform Initiative of SEE</i>	<b>KfW</b>	<i>Kreditanstalt für Wiederaufbau</i>
<b>ECS</b>	<i>Energy Community Secretariat</i>	<b>M</b>	
<b>e-SEE</b>	<i>Electronic South East Europe initiative</i>	<b>MCSP</b>	<i>Multi-Country Strategy Programme</i>
<b>EU</b>	<i>European Union</i>	<b>MFP</b>	<i>Macroeconomic and fiscal programme</i>
<b>F</b>		<b>N</b>	
<b>FDI</b>	<i>Foreign direct investment</i>	<b>NALAS</b>	<i>Network of Associations of Local Authorities in SEE</i>

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**NAP** National action plan  
**NTB** Non-tariff barriers

**O**

**OECD** Organization for Economic  
Cooperation and Development

**P**

**PEP** Pre-accession economic  
programme

**PPS** Purchasing power standard

**R**

**RAI** Regional Anti-Corruption Initiative

**RAP** Regional Action Plans

**RCC** Regional Cooperation Council

**REC** Regional Environment Centre for  
Central and Eastern Europe

**RES** Renewable Energy Sources

**ReSPA** Regional School of Public  
Administration

**S**

**SCRP** Structural and competitiveness  
reform programme

**SEEHN** South East Europe Health  
Network

**SEECCL** SEE Centre for Entrepreneurial  
Learning

**SEEIC** SEE Investment Committee

**SWG** Standing Working Group on  
**RRD** Regional Rural Development

**W**

**WBIF** Western Balkans Investment  
Framework

**WISE** Western Balkans Research and  
Innovation Exercise

# I. Executive Summary

The South East Europe 2020 Strategy ('SEE 2020' or 'Strategy') was adopted by Ministers of Economy of seven South East European economies<sup>1</sup> on 21 November 2013. Inspired by the EU's 2020 Strategy it seeks to boost prosperity and job creation and to underscore the importance of the EU perspective to the region's future.

Following the adoption of the Strategy in November 2013, the governments and regional organisations with the support of the Regional Cooperation Council (RCC) have worked intensively to prepare action programmes for the first period of implementation 2014-2015. This 'Baseline' Report provides the first opportunity to review the macro-economic context in which the Strategy is being implemented; the actions planned at national and regional level; and to consider key issues arising from the work undertaken to date on the Strategy. Given that the raison d'être of SEE 2020 is to **support the achievement of common national goals through regional cooperation** this report focuses mainly on the regional aspects of implementation, while summarizing the efforts being undertaken by the governments. This report reviews those SEE indicators relevant for the improvements the Strategy should deliver and provides specific information when it comes to the challenge of measuring these changes. Without a baseline it is difficult to produce meaningful measures of effectiveness or success.

The recently established SEE 2020 Governing Board will consider this report at their meeting in June 2014. The substantial interplay between the socio-economic objectives and the EU accession process that is inherent in the Strategy is reflected in the composition of the SEE 2020 Governing Board that comprises Ministries of European Integration, SEE 2020 coordinators (normally from Ministries of Economy) and RCC Coordinators (Ministries of Foreign Affairs).

## MACRO-ECONOMIC CONTEXT

Eleven specific headline targets covering the five pillars of integrated, smart, sustainable and inclusive growth and good governance for growth guide actions under the Strategy. The capacity of the SEE economies to attain these ambitious headline targets is strongly influenced by the macro-economic context in which implementation takes place. Chapter 3 summarises the key macro-economic trends in the region and analyses the progress made in attaining the targets based on actual data available for 2010-2013.

In general, EU and regional inter-linkages strongly influence economic growth trends in the SEE region and it closely follows the EU growth pattern. Thus, after a steady 5% annual growth average in the pre-crisis period, the SEE region saw a sharp contraction when GDP fell by 2.4% in 2009 (average weighted by population). While there are marked differences in certain areas among the SEE 2020 economies, overall this was reflected in a fall in consumer confidence, declining exports and foreign investments, strained labour markets and higher unemployment,

<sup>1</sup> Albania, Bosnia and Herzegovina, Croatia, Kosovo\*, Montenegro, Serbia and The Former Yugoslav Republic of Macedonia

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as well as reduced fiscal space for public investment and service delivery. The 2010–2013 period saw a slow recovery overall, with only a 0.9% average weighted annual growth as the euro zone sovereign debt crisis in 2012 impacted negatively on the region. The 2013 and 2014 average annual growth for the region is projected at 1.5%, which is at the same level as EU growth, but the region on average is not expected to show any significant convergence to the EU level in these years. However, the picture is still very mixed among the economies.

Since the data for the SEE 2020 baseline and target headline indicators was compiled in 2011 before the region experienced the additional unexpected economic downturn in 2012, this Baseline Report (based on the more detailed accompanying Monitoring Report) takes account of actual data for 2011, 2012 and, where available, 2013 to examine actual trends and provide some indication as to the scale of the challenge facing the SEE 2020 economies in reaching the SEE 2020 targets.

It should be noted that while an attempt was made to review all 322 indicators proposed under the Dimension Reports<sup>2</sup>, data was only submitted on 180 of these and data provided was often not complete with respect to economies, sectors or years. It is recommended that while efforts continue to improve data collection and analysis in the region, the SEE 2020 monitoring process takes into account the actual situation with respect to availability of data for the proposed indicators and the resources available to collate and analyse these.

For most of the headline indicators (six out of 11), the region has made some progress towards reaching the 2020 target. This includes GDP per capita relative to the EU average, GDP per employee, trade volume, trade balance, exports per capita, and government effectiveness. However the analysis indicates that the 2020 targets for total trade volume and exports per capita appear to be too ambitious given that improvements in 2010–2013 have not been as strong as expected. Two indicators, foreign direct investment (FDI) inflows and net enterprise creation, are subject to one-off annual data such that they do not necessarily follow the inter-annual trend. These indicators can vary significantly from year to year, so while seemingly ambitious based on the relatively slow progress to date, the 2020 target values may be attainable. Two indicators – the number of qualified persons in the workforce and the overall employment rate show a reverse trend in 2010–2013, due to possible issues with the original 2010 baseline data.

In summary, while overall the region moved towards the target 2020 values in the 2010–2013 period, the improvements have been somewhat slower than originally expected, leaving some of the headline targets as potentially too ambitious – namely total trade, exports per capita, intra-regional trade and employment rates.

This finding is in line with the experience in the EU. The recently published 'Taking Stock of the Europe 2020 Strategy',<sup>3</sup> found that EU 2020 headline targets relating to increasing the employment rate, increasing investment in research and development, and reducing the number of people at risk of poverty or social exclusion may not be attainable on the basis of the current state of play, due to the harsh impact of the euro zone sovereign debt crisis.

<sup>2</sup> Dimension reports presented a set of indicators to measure developments in each of the policy dimensions of SEE 2020. The reports were compiled by the OECD Investment Compact for South East Europe and are being reconciled with respective regional organization dealing with the policy dimension (dimension coordinator).

<sup>3</sup> Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, March 2014

However, like EU 2020 headline targets, SEE 2020 targets are of foremost importance as policy anchors which, though they may have their limitations, they help to measure and guide the different aspects of the strategy, thus helping to steer political awareness and policy focus at both national and regional level.

## SEE 2020: RELEVANT FOR NATIONAL DEVELOPMENT STRATEGIES

This report focuses on the regional aspects of SEE 2020 but it also takes into account the National Action Plans (NAPs) prepared by most of the SEE 2020 governments as a critical guide to the planned regional actions (summaries of these are provided in chapter 6).

At the time of writing, governments in Albania, The Former Yugoslav Republic of Macedonia and Montenegro have submitted NAPs for SEE 2020 into the relevant procedure for formal adoption. Kosovo\* has finalized a draft NAP and a review of planned measures in BIH has facilitated the development of an overall action plan spanning the five pillars, but this has yet to be finalized in the relevant procedure. Croatia and Serbia have not prepared specific NAPs but a review of the various economic strategies adopted by the respective governments provides a good guide to those measures that will contribute to achieving SEE 2020 targets.

All of the NAPs draw on the various national and sectoral strategies adopted or under preparation in the different economies. They are also greatly influenced by the bilateral agreements with the EU and frequent references are made to the Strategy on the Adoption of the *acquis* or IPA Country Strategy Papers. It is clear that governments fully appreciate that SEE 2020 is a mechanism to expedite the implementation of these national priorities.

The scale and scope of the individual actions in the different pillars varies widely but all dimensions are addressed under the NAPs. Actions to meet obligations under regional agreements such as CEFTA, the Energy Community Treaty (ECT) and the MoU on the Regional Transport Network are usually a priority within the relevant dimensions. Financing for the actions is drawn from a wide range of sources including national budgets, EU support, bilateral donors, IFI loans and private capital.

## ENRICHING NATIONAL EFFORTS THROUGH REGIONAL COOPERATION

The SEE 2020 economies are all small economies in transition to market economies and on the path to EU membership. All have been badly affected by the global economic crisis and remain vulnerable to external shocks. The recent devastating floods in Bosnia and Herzegovina, Croatia and Serbia are the latest setback to the growth prospects in the region.

In addition to many political challenges, the reform process in the region is hampered by limited institutional capacity and a lack of human and financial resources. The small size of the individual economies also means that they lack critical mass when it comes to implementing certain policies and measures e.g. improving the quality of research and development (R&D).

For certain policy areas, regional cooperation with other SEE 2020 economies provides national administrations with opportunities to:

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- Address suitable policy issues at regional level (e.g. trade, transport connectivity);
- Ensuring common understanding and a harmonised and transparent approach on relevant regulatory and legislative issues especially those related to adoption and implementation of the EU acquis and on EU policies which are subject to Open Method of Coordination;
- Increase institutional capacity in an efficient manner through shared analysis and development of solutions to common challenges e.g. improving quality and access to education;
- Leverage constrained resources through coordinated planning and promotion of infrastructure and other types of investments;
- Tackle pervasive issues such as corruption or environmental degradation.

## REGIONAL DIMENSION COORDINATORS - PROVIDING ACCESS TO SPECIALIZED SKILLS AND EXPERTISE

Regional actions in each of the pillars/dimension are managed and coordinated by a relevant regional dimension coordinator – usually an existing regional structure or initiative. The specific regional bodies were selected because of the relevance of their mandates to the different dimensions. All regional bodies have been established at the request of the relevant ministers from the region and in some cases operate as part of the structures established by international treaties but they vary in terms of legal status, membership, operating period and availability of resources. Their diverse nature provides the national administrations access to a broad range of skills and expertise including technical, managerial and administrative support as well as regional networks of experts and international inputs through technical assistance programmes and partnerships.

## INDIVIDUALLY TAILORED REGIONAL ACTION PLANS

The Regional Action Plans (RAPs) for 2014-2015 prepared by the individual dimension coordinators are tailored to the specific circumstances in the particular policy field and aim to complement the national actions highlighted by the SEE 2020 governments in their plans. The RAPs have been assessed by RCC and cross-referenced with the NAPs and a substantial degree of complementarity is evident. Summary RAPs for each pillar have been compiled in Chapter 4 of this report indicating the main actions foreseen, the expected results, the activities to be undertaken and a description of the regional coordinators for the individual policy areas.

For many regional coordinators, SEE 2020 actions are relevant for their entire work programme whereas for others it is only directly attributable to a specific component. Thus the scale and scope of the actions outlined in the plans vary substantially. The objectives and type of measures to be undertaken depend on the degree of maturity of the policy area in question and to some extent on the level of previous regional cooperation in the specific policy field. Financing sources for the individual action plans are a combination of national contributions, existing operating budgets and external assistance.

For some dimensions such as trade, investment, transport, education and training, and energy, the actions indicated are the logical next step in a long, well established process of regional

cooperation and meeting regional obligations. In these dimensions many of the actions envisaged under the RAPs have already been adopted or endorsed by the national representatives in the relevant governing boards of the regional bodies – most at ministerial level. Thus very specific actions are indicated such as signing protocols, monitoring implementation of previously agreed commitments or assessing progress on investments agreed as being of regional significance. The budgets for implementing these actions have been mostly secured and the implementation in most of these areas has already started.

In other dimensions e.g. employment, environment and justice, regional actions have not been so prevalent. The RAPs in these dimensions mostly comprise targeted analytical and consultative work to further determine, assess and prioritise the most relevant actions that should be delivered on a regional basis regional and to secure agreement to these. In several cases, e.g. cultural and creative sectors, employment and justice, finalisation of the particular actions to be taken will also determine how best the nascent regional bodies in these areas should be structured.

## BOOSTING TRADE AND INVESTMENT THROUGH INTEGRATED GROWTH

The legally binding regional free trade agreement, CEFTA acts as the main driver for actions in this pillar. Many of the actions to be carried out relate to the implementation of specific trade liberalization and facilitation measures already agreed as part of the Agreement and/or subsequent ministerial decisions and further technical work and negotiations to prepare the next set of trade measures required by CEFTA and/or SEE 2020. The CEFTA Joint Committee has formally aligned the CEFTA agenda with that of the SEE 2020. A number of other actions, particularly those relating to attracting investment through joint activities and greater transparency on the investment climate are at a more preliminary research and analysis stage.

The leading organisation for this pillar is CEFTA (including all CEFTA structures) with specific investment related issues being dealt with under the SEE Investment Committee. Given the substantial impact of the two policy areas on each other, a joint Working Group on Investment has been established to ensure greater coordination.

## BOOSTING INNOVATION AND COMPETENCES THROUGH SMART GROWTH

The actions underway or planned in this pillar aim at improving access to quality education and training, increasing the level of research and development in the region, developing ICT infrastructure and promoting creative industries. In this initial period, attention is focused on further elaborating and agreeing on a small number of specific regional actions in policy areas such as access to education and training, promotion of technology transfer and audio-visual industries that the national representatives on the governing bodies of the different organisations have already deemed suitable for a regional approach and that are relevant for SEE 2020.

The outcome of the various exploratory studies currently underway will be used as the basis for the 2015 action plan. Many of the actions identified as potentially suitable build on previous



activities that have been undertaken by long-standing regional cooperation initiatives such as the Education Reform Initiative (ERI-SEE), the South East European Centre for Entrepreneurial Learning (SEECLE) and e-SEE. Potential regional actions in R&D and creative industries build on more recently adopted strategies and new structures e.g. the Western Balkans regional R&D Strategy for Innovation of October 2013 that will be managed by the recently created Western Balkans Research and Innovation Exercise (WISE) Facility or the Ljubljana Process managed by the RCC Task Force on Culture and Society.

## IMPROVING COMPETITIVENESS AND RESOURCE EFFICIENCY THROUGH SUSTAINABLE GROWTH

The action plans of three of the five dimension coordinators in this pillar – the Energy Community Secretariat (ECS), the SEE Transport Observatory (SEETO) and the SEE Investment Committee (SEEIC) effectively continue their well-established work. They support the SEE 2020 economies who are parties to the Energy Community Treaty and the MoU on the regional transport network<sup>4</sup> and who subscribe to the EU's Small Business Act. Specific actions are planned to remove physical and non-physical obstacles to the use and development of infrastructure, to promote greater investment in infrastructure, to assist governments attain the agreed targets for energy efficiency and renewable energy and to improve specific policies and increase skills among SMEs. For air transport (which does not fall under SEETO's mandate), the newly established Joint Service Provision Area (JSPA) initiative aims to support national efforts to integrate further into the EU's Single European Sky concept.

The environment dimension is more focused at this point in time on identifying specific actions where greater regional cooperation on policy issues can facilitate progress in environmental and rural development issues of common interest to the SEE 2020 economies such as climate change mitigation and adaptation, water resource management and sustainable forestry management. The dimension coordinator, the long-established Regional Environment Centre (REC) will oversee this dimension with specific inputs from relevant partner organisations.

## CREATING EMPLOYMENT OPPORTUNITIES FOR ALL THROUGH INCLUSIVE GROWTH

Actions under this pillar seek to support national governments to develop and implement measures that will improve employment policies and reduce health inequalities. For the employment dimension, previous work under the auspices of the RCC has identified a number of areas for potential regional action and the issues of labour mobility and the possible value of social economy initiatives have been prioritised for initial research. In the case of health, an extensive preliminary list of potential regional actions has been generated and there is a need to review and prioritise the specific actions to be taken at regional level.

The Social Agenda 2020 Working Group, responsible for the employment dimension is currently managed by RCC. The future structure and *modus operandi* of the WG will be

<sup>4</sup> MoU for Development of the Core Regional Transport Network (SEETO Comprehensive Network)

influenced by the detailed SEE 2020 action programme to agreed by the members following the completion of the preliminary analytical work. The SEE Health Network (SEEHN) has been active since 2001 providing analytical and capacity building support to improve the impact of health policies on socio-economic development. Building relations with coordinators across all SEE 2020 dimensions is a key task for this Network.

## UNDERPINNING SOCIO-ECONOMIC DEVELOPMENT THROUGH GOVERNANCE FOR GROWTH

The actions proposed under this pillar should assist national governments improve the capacity of the public administrations in the region (at central and local level) to deliver government services more efficiently; increase transparency and public awareness of the rules governing access to services; and increase capacity and cooperation across the judicial system in the region. Two well established regional bodies – the Regional School of Public Administration (ReSPA) and the Network of Associations of Local Authorities in South East Europe (NALAS) are in the process of refining a regional action plan for capacity building of public administrations that will utilise their expertise and experience in the most coordinated manner. Identifying and elaborating measures to reduce the potential for corruption in the provision of public services particularly the use of e-services is a particular focus for the long-established Regional Anti-Corruption Initiative (RAI). The newly created Working Group on Justice has just adopted a comprehensive list of regional actions in this important field. Further work is underway to prioritise and schedule specific actions such as the development of a regional network of judicial and prosecutorial councils and development of alternative dispute resolution mechanisms.

## EXPLOITING THE POTENTIAL OF A UNIQUE FRAMEWORK

A review of the key issues arising during the work undertaken to date on national and regional actions plans for SEE 2020 implementation indicate that certain steps should be taken in the short-term to ensure effective implementation of individual action plans and hence the overall Strategy. They also give rise to some 'food for thought' regarding how the distinctive nature of the SEE 2020 process can be further exploited to assist the small economies of the Western Balkans overcome some of the challenges. These are elaborated in chapter 5.

In the short term the following should be addressed:

→ **Calibrate regional actions to provide tailor made support for national efforts.**

The comprehensive consultation process in developing the SEE 2020 Strategy has yielded a high level of coherence between regional and national agendas. This is evident also in the current NAPs and RAPs that, even though developed in parallel to meet the short deadline, nevertheless display a high level of consistency. However, some further 'fine tuning' will be necessary in several dimensions to ensure the direct relevance of regional actions to national efforts.

→ **Assess further the relevance and prioritisation of regional actions.**

For some policy dimensions the maturity of the policies in question, the relatively

small degree of regional cooperation to date and the scale of resources available to the regional and national authorities mean that some more analysis and consultation is required to ensure action plans that are ambitious, targeted and feasible.

→ **Intensify role of regional organisations in identifying, planning and monitoring external technical assistance**

The ability of the external assistance programmes such as those currently funded by IPA I and foreseen under IPA II and bilateral donors to provide the greatest level of support for the specific policy area should be improved by the instigation of closer working relations with RCC and the relevant SEE 2020 regional structures with extensive experience in the field. Using existing regional organizations with established governance mechanisms, where available, rather than short-term project structures will generate greater sustainability and, importantly, enhance institutional capacity. It will also leverage and complement substantial funds being invested by the Western Balkans economies in regional cooperation and SEE 2020 implementation – for the 2014-15 period, the Western Balkans Governments are contributing more than EUR 7.5 million into the budgets of regional structures supporting the implementation of SEE 2020.

→ **Increase Transparency and Accountability**

The high level of transparency provided by the SEE 2020 monitoring mechanism and the proposed publicly accessible database/portal should stimulate greater interest in the region by investors - both domestic and international - as well as serve as an incentive for national administrations to move rapidly from policy development to implementation.

→ **Integrate SEE 2020 with other strategic development processes**

As the SEE 2020 strategy addresses many of the economic fundamentals highlighted by the EC as relevant for better economic governance, the actions, activities and resources devoted to implementing SEE 2020 can serve as a valuable input to the annual national reform programme and biennial competitiveness and growth programme that the EC will request from each of the SEE 2020 economies as of 2015. Given the scale of the challenges to be addressed and the constraints on resources – human and financial at national and regional level as well as in the EC, these processes should be seen as mutually reinforcing.

→ **Exploit Current Potential for Cross Dimension/Pillar Cooperation**

An analysis of the actions envisaged under the current RAPs indicates substantial potential for cross dimension or cross pillar cooperation in the short term e.g. labour mobility issues are of interest for the Integrated Growth Pillar that will look at trade in services and the Inclusive Growth Pillar, which is looking at options to increase employment opportunities or that fact that skills gap and skills mismatch analysis and enhancement of curricula is relevant for the competitiveness, education and employment dimensions. This potential for greater cooperation and efficiencies in preparation and implementation should be exploited through the current coordination mechanism established by RCC for the development of the RAPs.

→ **Overarching Strategic Actions for Competitiveness and Growth**

In the medium to long-term, the SEE 2020 provides a unique framework for **stimulating strategic actions on competitiveness and growth** across the region. To date, SEE 2020 seeks to exploit synergies on a vertical basis via the dimensions/pillars. This should

be supplemented by the development of a more horizontal approach to complex strategic issues of substantial importance to the region such as investment generation, industrial development and human capital development building on the five pillars of the Strategy.

## CRUCIAL ROLE FOR RCC

As implementation of the various action plans gets underway, RCC's coordination and monitoring roles will have to evolve to strengthen the structures and communication channels already established between regional dimension coordinators and national SEE 2020 coordinators. It will also have to build up the monitoring system in a user friendly, transparent and accurate fashion.

RCC can also reinforce the capacity of regional dimension coordinators to implement the regional action plans and encourage joint actions in common topics by providing access to targeted and coordinated technical assistance through the so-called SEE 2020 Technical Assistance Facility. RCC's capacity to undertake this important task will be reinforced when it completes the 'six pillar process' required by the EC for organisations that can receive EC funding for subsequent delegation to other bodies. Then RCC can provide the EC, as well as bilateral donors, with an attractive mechanism to channel funds to priority initiatives and programmes under SEE 2020 in a coordinated manner.

Finally RCC can play a valuable role in exploiting SEE 2020's potential for greater strategic development in the region by establishing appropriate working bodies bringing together relevant organisations and expertise to leverage the SEE 2020 framework to address more complex strategies for socio-economic development.





# 2. Introduction

## PURPOSE OF THIS REPORT

This report serves as the first or 'Baseline' Report on the implementation of the South East Europe 2020 Strategy (SEE 2020) adopted by Ministers of Economy of seven South East European economies<sup>5</sup> on 21 November 2013. It seeks to provide all those involved in implementing and supporting the SEE 2020 Strategy with a clear understanding of the achievements to date and the challenges facing the region across the different policy dimensions as they strive to reach the agreed headline targets. It is also a unique document that brings together for the first time, an overview of the comprehensive and wide ranging programmes of actions that governments will implement nationally as well as regionally, through their participation in the actions of the different dimension coordinators in the 2014-2015 period.

### 2.1. SPECIFIC FEATURES OF THE APPROACH TO SEE 2020 IMPLEMENTATION

The goal of the SEE 2020 strategy is to improve living conditions in the region and enhance competitiveness and development. Thus it closely follows the vision of the EU's strategy **Europe 2020**. The strategy contains eleven specific targets covering the five pillars of integrated, smart, sustainable and inclusive growth and good governance for growth. The Strategy is an ambitious one that requires commitment and effort from a range of national and regional actors. The approach taken by the RCC and the regional organizations coordinating actions in the different dimensions incorporates some specific features to make the best use of the resources available.

### DEVELOPING THE BASELINE

It was agreed that implementation of SEE 2020 is to be monitored through an Annual Implementation Report. This should track the progress in achieving the 11 headline targets and the main indicators, assess the main trends and outline the current state of play within the SEE 2020 policy dimensions. As 2014 is the first year of implementation of SEE 2020, the Regional Cooperation Council has put forward this Baseline Report as a precursor to the first Annual Implementation Report due in 2015. It takes stock of the context within which implementation has commenced and presents the plan of action for the next two years.

Specifically this Baseline Report provides an opportunity to assess the progress made so far in attaining the agreed quantitative headline targets and indicates the scale of the challenge that lies ahead. The 11 SEE 2020 regional and national headline indicators are examined by

<sup>5</sup> 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.

looking at actual 2010–2012/2013 data and identifying the gap between the current values and the SEE 2020 targets to estimate whether the targeted values seem attainable under current circumstances or whether possible adjustments should be considered. This review of the actual trends in data and the identification of possible issues with respect to the achievement of targets is timely, given that 2010–2013 has been a turbulent period for the region as the impact of the euro zone sovereign debt crisis has rippled through the region deteriorating economic growth and employment.

This Baseline Report is complemented by a separate Monitoring Report that compiles all the indicators that were identified under each dimension as possible monitoring indicators and reviews and assesses those for which actual data was available and provided by dimension coordinators.

In total, the Dimension Reports identified 322 possible indicators (184 policy indicators and 138 outcome indicators) to monitor the 16 SEE 2020 dimensions. Due to data availability issues, the regional dimension coordinators actually submitted data only for a total of 180 dimension indicators. In addition, for the vast majority of the submitted dimension indicators data has not been submitted by all countries for every year of the observed 2010–2013 period, and/or the data provided is not in a comparable unit/format across the countries/years. Clearly much work remains to be done to improve the data collection process and rationalize the number of indicators. Future monitoring reports should include detailed analyses of all submitted data. Given the data constraints at this point in time, the initial Monitoring Report lists all the dimension indicators for which data has been submitted per pillar, but highlights submitted data for three indicators per dimension with the exception of (i) Dimension O: Anti-corruption for which only two indicators are highlighted, since they are the only two indicators for which data is available for more than one year and one country; and (ii) for Dimension F: Digital Society and Dimension K: Competitiveness for which no data was submitted in time to be included.

### ENRICHING NATIONAL ACTIONS THROUGH REGIONAL SUPPORT

National governments and their administrations are at the centre of the SEE 2020 process and bear primary responsibility for developing and implementing the respective objectives and measures, supported where appropriate by regional structures and initiatives. To this end, the national governments have prepared SEE 2020 action plans for the period of 2014-2015, some of which have been formally adopted while others are in the process of adoption<sup>6</sup>. These action plans are firmly based on the overall national development and/or sectoral strategies of the respective governments and take into account key elements of the respective IPA country strategy papers.

However, in line with its EU namesake, the defining element of SEE 2020 is that it is deliberately designed to **support the achievement of common national goals through regional cooperation**. The SEE 2020 economies are all small economies that are in the process of transition to market economies. In addition they are all on the path to EU membership. All have been badly affected by the global economic crisis and while a fragile recovery is now underway following a

<sup>6</sup> Summary profiles of these national action plans are contained in this report. Full versions of the formally adopted 'NAPs' can be found on <http://www.rcc.int/pages/62/south-east-europe-2020-strategy>. Once adopted the remaining NAPs will also be made available here.



double-dip recession, they remain vulnerable to external shocks, particularly developments in the EU. Most recently, three countries in the region, BiH, Croatia and Serbia, were hit by widespread flooding. A comprehensive damage assessment is yet to be done, but the economic and social impact looks to be severe and will require an even greater focus on reconstruction, growth and development by these governments and their main partners in the region.

The reform process in the region faces political challenges and is also hampered by limited institutional capacity and a lack of human and financial resources. The relatively small size of the individual economies also means that they lack critical mass when it comes to implementing certain policies and measures e.g. improving the availability and quality of third level education. Regional cooperation provides a mechanism to add value to national actions by:

- Elevating certain relevant policies and actions to the regional level (e.g. trade or transport and energy connectivity between the EU and the region);
- Ensuring common understanding and a harmonised and transparent approach on relevant regulatory and legislative issues especially those related to adoption and implementation of the EU acquis and on EU policies which are subject to Open Method of Coordination;
- Providing a forum to address common challenges such as strengthening local government, improving skills and productivity or insuring inclusive access to employment and health services;
- Increasing institutional capacity through shared experience on the development and implementation of policies, promoting best practices and supporting peer learning exercises;
- Leveraging greater resources by facilitating more efficient implementation of policies and investments; and
- Reinforcing the will and capacity of national administrations to tackle pervasive problems such as corruption or environmental degradation.

## STRENGTH IN DIVERSITY

SEE 2020 is implemented through a de-centralized process under RCC's leadership, whereby specific regional partners have assumed the role of 'coordinator' in each of the main policy dimensions of the SEE 2020 pillars to champion the actions to be undertaken.

The regional partners vary considerably in terms of their legal status, membership, scale of resources, years of operation and scope of activities. They range from formal secretariats of international treaties to representative associations. In some cases their entire work programme is relevant for SEE 2020, for others, SEE 2020 related activities comprise a component of their overall work. They have been selected because of the relevance of their mandates to the different dimensions and their diverse nature provides the national administrations access to a broad range of skills and expertise.

The scale and scope of the work programmes in the different Regional Action Plans (RAPs) for the 2014-2015 vary substantially. The objectives and type of measures to be undertaken depend on the degree of maturity of the policy area in question. In some areas where there is longstanding regional cooperation such as in trade and investment or transport networks

many actions are designed to build on the achievements under CEFTA, SEEIC or SEETO and to deepen and widen efforts in agreed areas. For other areas where regional cooperation has not been so prevalent such as employment policy, this initial work programme of the regional coordinator, the *Social Agenda Working Group*, focuses on identifying and assessing the feasibility of future regional actions to contribute to national policies in areas such as labour mobility.

The work programmes proposed also take into account the resources (human and financial) that are likely to be available for the different actions during the 2014 and 2015 period and again this varies from dimension to dimension. Financing sources for the individual work programmes are a combination of national contributions, existing operating budgets and external assistance. Many of the planned actions will benefit from existing or planned external technical assistance and financing. However additional financial support will also be necessary in several dimensions to ensure full implementation. In some cases where the actions are in the early stages of identification or preparation, the availability of appropriate resources will be a key factor in determining the feasibility of implementation.

## INTEGRATED GOVERNANCE

The preparation of these initial national and regional action plans in a relatively short period of time since the adoption of the Strategy in November 2013 has required intensive cooperation between the RCC, national SEE 2020 coordinators and the regional dimension coordinators. The process has illustrated the potential of such a diverse forum to improve information exchange and coordination both within and across different policy areas/pillars and to identify opportunities for greater cooperation.

The potential benefits of such cross cutting cooperation has led the RCC to propose a highly integrated governance structure for SEE 2020. By involving Ministers of European Integration as Governing Board members, SEE 2020 National Coordinators (usually from Ministries of Economy) and RCC Coordinators (Ministries of Foreign Affairs) the governance structure reflects the diverse nature of the SEE 2020 Strategy as well as its key objectives of socio-economic development and European integration.

## 2.2. CONTENTS OF THIS REPORT

Chapter 3 contains an overview of the macro-economic situation in the region and thus the context in which the SEE 2020 Strategy must be implemented. It also provides an assessment of the progress made to date in attaining the 11 headline targets, as well as some of the dimension targets, set for the Strategy.

In Chapter 4, the individual action plans for each dimension have been summarised into pillar specific plans including details on the role of the dimension coordinators and the relevance to the five National Action Plans. Some of the key issues arising in terms of implementation of the action plans and utilising the unique features of the SEE 2020 framework to stimulate the development of enhanced strategies for competitiveness and growth in the region are set out in Chapter 5. Finally Chapter 6 contains individual profiles of the SEE 2020 economies including an outline of their respective individual headline indicator data and a summary overview of the national measures to be undertaken in each pillar.



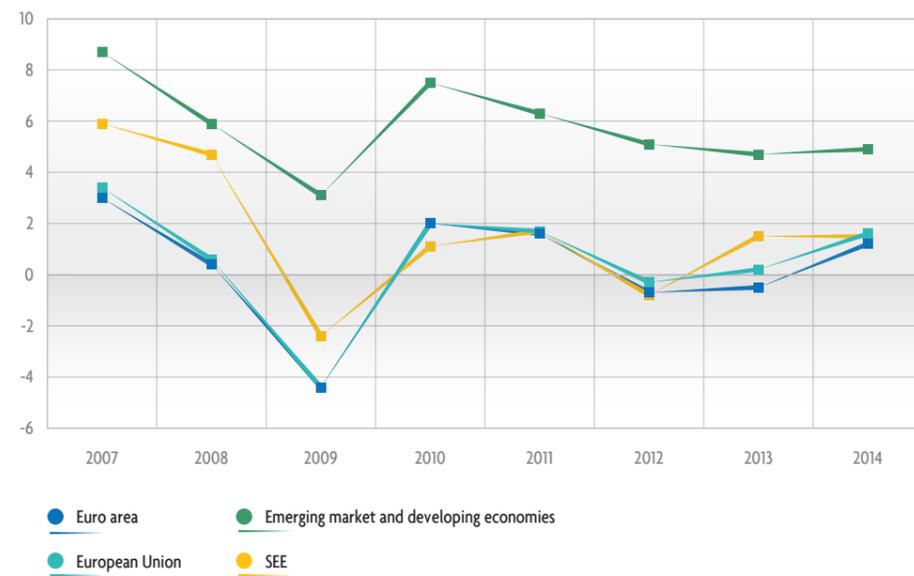
# 3. Regional Macroeconomic Overview and Headline Targets

## 3.1. REGIONAL MACROECONOMIC OVERVIEW

Overall, the current macroeconomic environment and growth trends in the region is driven largely by its interlinkages with the EU, through mechanisms which include trade relations (with around 60% of total SEE 2020 trade volume going to the EU), foreign capital inflows, and remittances. Interlinkages within the SEE region are also an important factor (with almost 20% of the total SEE 2020 trade volume being exchanged among the countries). Growth dynamics in the region are influenced by the fact that Croatia and Serbia hold large shares of the total regional GDP (in total, these two countries hold more than 60% of the regional GDP in both absolute and purchasing power terms).

These particular features of the macroeconomic environment argues in favour of a cooperative, regionalised approach to strategic planning. While, on average, the general global group of emerging market and developing economies continuously shows significantly higher growth (and thus faster convergence to developed countries), the SEE area more closely follows the EU growth pattern, as shown in Figure 1. Thus, after a steady 5% annual growth average in

Figure 1: Real GDP Growth by Country Groups (in annual % change)



Source: IMF, World Economic Outlook (April 2014)

the pre-crisis period, the SEE region saw a sharp contraction when GDP fell by 2.4% in 2009 (average weighted by population). This was reflected in a fall in consumer confidence, declining exports and foreign investments, strained labour markets and higher unemployment, and a reduced fiscal space for public investment and service delivery. The 2010–2013 period saw a slow recovery, with only 0.9 % average weighted annual growth as a double dip recession illustration in figure 1 impacted on growth rates.

An economy-by-economy comparison of the growth dynamics in SEE (Figure 2) shows that those economies, which are more externally open (in terms of foreign capital inflows) and which have a comparatively higher GDP per capita (thus a higher base), predictably displayed a starker economic contraction in 2008–2009. Such analysis should be treated with care given the marked differences between the economies, not only in population size, but also in annual income per capita, which in 2012 ranged from under 6,000 EUR per capita (for real expenditure in purchasing power standards based on EU 27, according to Eurostat data) in Kosovo\* to over 16,000 EUR per capita in Croatia (the other five economies show a smaller divergence in income per capita, ranging from around 7,500 to 10,500 EUR).

Figure 2: Real GDP Growth in SEE Economies (in annual % change)



Source: IMF, World Economic Outlook (April 2014)

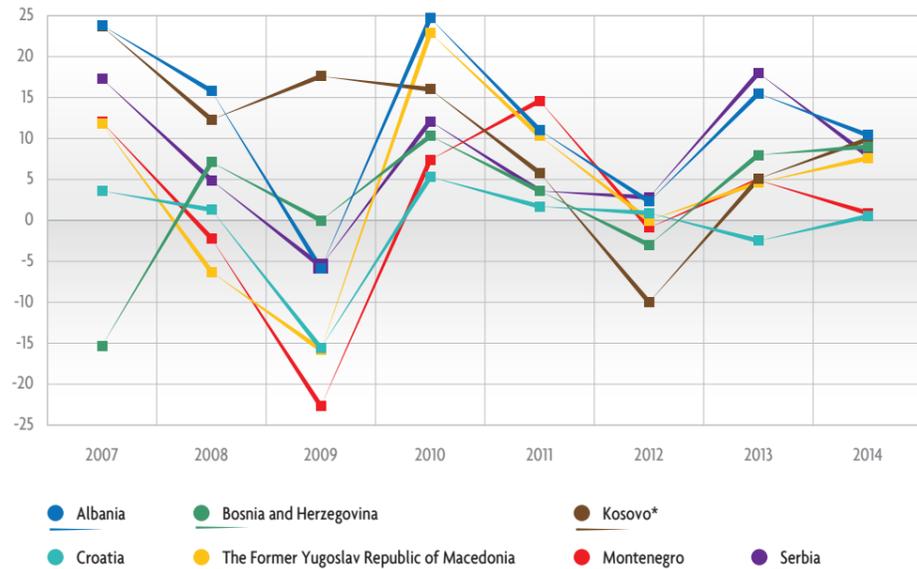
While all economies except Albania and Kosovo\* recorded a GDP decrease in 2009 (ranging from -6.9 in Croatia to -0.9 in The Former Yugoslav Republic of Macedonia), 2010–2011 saw a modest recovery for all economies ranging between 1% and 3%, except for Croatia (which shows continuous GDP decreases). With the euro zone sovereign debt crisis and the accompanying negative impact on trade in 2012 bringing another fall in EU and euro zone GDP, the region also saw GDP contraction averaging at -0.8 (again in all countries except Albania and Kosovo\*, which have a relatively smaller exposure to euro zone banks). The 2013 and 2014 average annual growth for the region is projected at 1.5%, which is at the same level as the EU growth, although the region on average is not expected to show any significant convergence to the EU level in these years. However, the picture is still very mixed among the economies, with annual project growth of Kosovo\*, The Former Yugoslav Republic of Macedonia and Montenegro of around 3%, annual projected growth of Albania, Bosnia and Herzegovina (BiH), and Serbia of around 1%, and ojected further GDP contraction of around -0.8% for Croatia.

\* 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.

In addition to a decrease in domestic consumption and investment, the GDP dynamics have also been influenced by a slowdown in export growth. The annual % change in export volumes fell, on average, from over 10% per year in the pre-crisis period to -7% in 2009. While exports growth rates have generally recovered since 2009, average annual growth rates are still lower than pre-crisis growth, averaging below 7% in 2010–2013 (Figure 3). Thus, increasing the competitiveness of the SEE economies remains a crucial issue.

The slowdown in economic growth is reflected in the unemployment figures, which increased from an average of 18% in 2008 to 22% in 2012 (excluding Kosovo\* for which Labour Force

Figure 3: Volume of Exports of Goods and Service (% change)



Source: IMF, World Economic Outlook (April 2014)

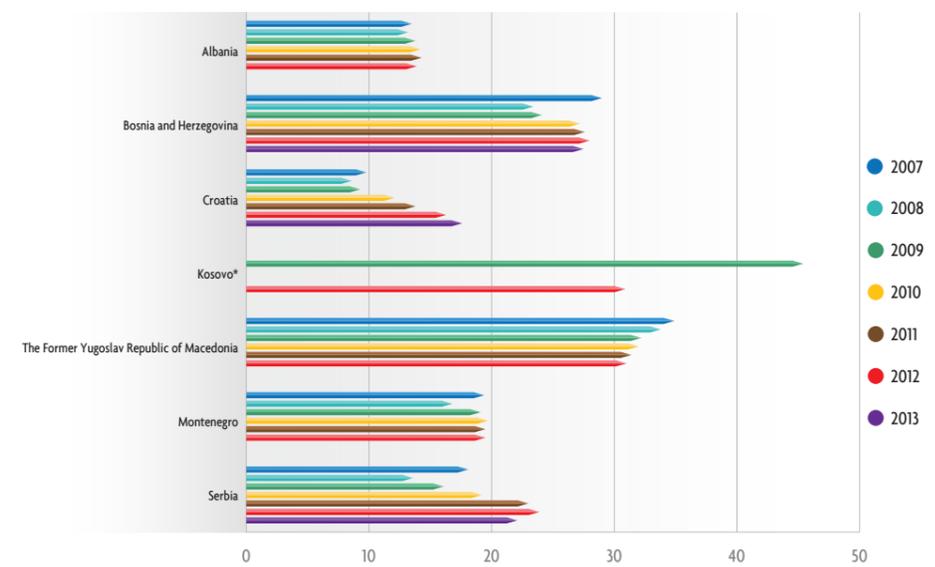
Survey data is not available for 2008). As shown in Figure 4, unemployment rates vary greatly among the different economies, with the highest unemployment estimates in The Former Yugoslav Republic of Macedonia, Kosovo\* and BiH (all at around 30% in 2012). Strong structural reforms are needed across the region to address the long-lasting labour market weaknesses, including the rigid institutional set-up and low flexibility of labour markets, the continuing sub-optimal investment climate that exists in most cases, as well as labour cost factors.

The reduction in GDP growth rates also affected the government's fiscal positions, which deteriorated from modest fiscal surpluses prior to the crisis to deficits averaging around 4% of GDP since 2010. With a decrease in revenues resulting from the economic slowdown, the SEE governments have attempted to consolidate their budgets. However, given the increased social needs, the difficult political environment for the reduction of expenditure in most economies, as well as the necessary prudence in terms of fiscal contractions in a fragile economic environment, expenditure cuts have generally come from one-off cuts of current and capital expenditures, as opposed to long-term structural cuts in current expenditure. Consequently, the region's public debt has seen a significant increase since the pre-crisis period.

Average debt expressed in % of GDP has gone from just above 30% of GDP in 2007 to a current value of over 50% of GDP as a result of increased debt for budget support and capital investment. As shown in Figure 5, most countries have gone from having low debt in the pre-crisis

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Figure 4: Unemployment Rates

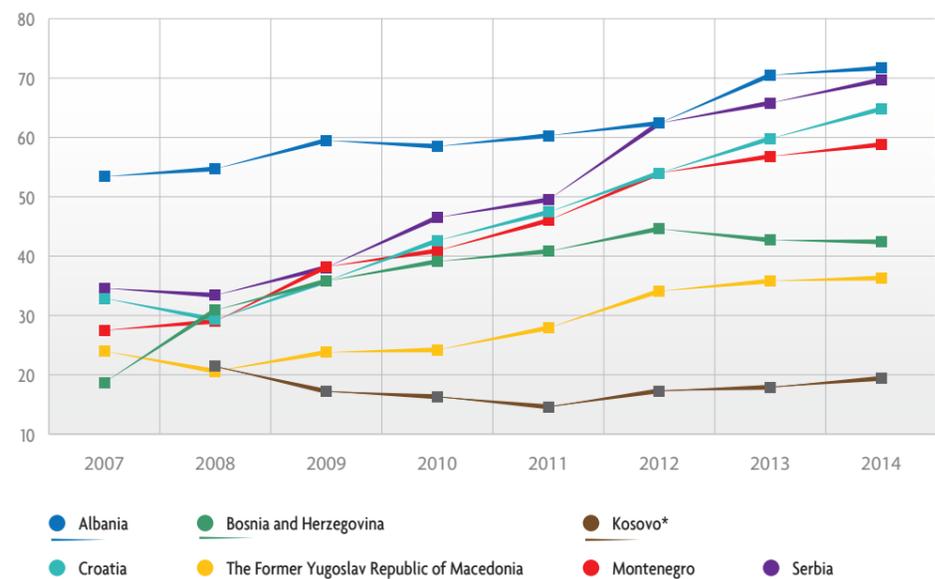


Source: National Agencies for Statistics, LFS data (as of April 2014)

period to moderate/moderately high debt at present. The total regional debt increased by more than 100% since 2007, with debt in BiH, Montenegro, Serbia and The Former Yugoslav Republic of Macedonia increasing by between 100% and 200%. Four countries (Albania, Serbia, Croatia and Montenegro) have a public debt of around or above 60% of GDP. In addition, it needs to be noted that public debt figures may be underestimated in some cases due to possible additional contingencies from public enterprise debt and guarantees, as well the exclusion of some possible additional internal debt (e.g. restitution). Thus, decisions regarding further debt should be taken with care, with a focus on capital investment and structural reform financing needs.

An overall macroeconomic review of the region confirms the need for the SEE economies to implement growth-enhancing reforms. The SEE 2020 Strategy comes at an important time.

Figure 5: Public Debt (in % GDP)



Source: IMF, World Economic Outlook (April 2014)

\* 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.



After the initial fast growth in the late nineties and most of the 2000s when the per capita GDP in the SEE region increased from 28.5% of the EU-27 average in 2000 to more than 36% in 2010, the SEE economies now need to address the internal structural weaknesses of their economies more vigilantly and to further optimise regional economic potentials in order to boost economic development more strongly, as the pre-crisis growth model driven by consumption financed through foreign capital inflows is no longer viable for the SEE economies. Some economic weaknesses common to most SEE countries include feeble investment; a sub-optimal business environment and poor trade competitiveness; growing public debt; the need for greater efficiency and effectiveness in the public sector; and significant structural weaknesses in the labour market. The SEE 2020 Strategy addresses these issues within its policy dimensions, and its implementation has a potential to significantly enhance the region's economic and social development.

## REGIONAL HEADLINE TARGETS - PROGRESS TO DATE

The Strategy contains 11 headline targets covering the five pillars of integrated, smart, sustainable and inclusive growth, and good governance for growth, which were set in the November 2012 Ministerial Statement (shown in Figure 6).

**Figure 6: Overview of the SEE 2020 Strategy**

<b>Overall targets:</b>	(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)				
<b>Pillars:</b>	<b>Integrated Growth</b>	<b>Smart Growth</b>	<b>Sustainable Growth</b>	<b>Inclusive Growth</b>	<b>Governance for Growth</b>
<b>Pillar-specific targets:</b>	(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%  (vii) Add 300,000 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 & 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
<b>Dimensions:</b>	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		

Source: RCC, The SEE 2020 Strategy: Jobs and Prosperity in a European Perspective

The SEE 2020 heading targets are based on 2010 figures that were estimated on the basis of data available in 2011 and 2012.

Following the additional unexpected economic downturn in 2012 (mostly as a result of the impact of the euro zone sovereign debt crisis), it is important to take stock of the actual data for 2011, 2012 and, where available, 2013, and to examine the actual trends recorded so far.

**Figure 7: SEE 2020 Strategy Headline Targets for South East Europe**

	SEE 2010	SEE 2011	SEE 2012	SEE 2013	SEE 2020
Overall Strategic Goals	Adopted Strategy	Actual data	Actual data	Actual data	Adopted Strategy
1. GDP per Capita Relative to the EU average (in PPS), % of EU-27 average	36.4	37.7	38.3	n/a	44.0
2. Total Trade in Goods and Services (EUR million)	94,413	101,061	102,578	104,662	209,500
3. Trade Balance (% of GDP)	-15.7	-14.3	-15.0	-11.9	-12.3
<b>Integrated Growth</b>					
4. Intra-regional Trade in Goods (EUR million)	12,459	13,996	13,845	n/a	30,500
5. Overall FDI Inflows (EUR million)	3,396	5,184	3,227	3,271	8,800
<b>Smart Growth</b>					
6. GDP per Person Employed (EUR at PPS)	27,485	29,317	33,620	n/a	36,300
7. Number of Highly Qualified Persons in the Workforce (million)	1.7	1.6	1.7	n/a	2.0
<b>Sustainable Growth</b>					
8. Net Enterprise Creation (new businesses per year)	30,107	13,161	19,492	n/a	33,760
9. Exports of Goods and Services per Capita (EUR)	1,780	1,814	1,927	1,942	4,250
<b>Inclusive Growth</b>					
10. Overall Employment Rate, % of 15+ population	39.5	35.3	36.8	n/a	44.4

Governance for Growth					
11. Government Effectiveness (World Bank Governance Index)	2.3	2.3	2.4	n/a	2.9

Source: RCC, the SEE 2020 Strategy<sup>7</sup>

Figure 7 shows regional SEE values for the 11 headline indicators for the baseline year 2010 and the target year 2020 from the adopted SEE 2020 Strategy, as well as actual data for 2011, 2012 and, where data is available for all economies, 2013. For most of the headline indicators (six out of 11), the region has improved somewhat to date towards reaching the 2020 target. This includes GDP per capita relative to the EU average, GDP per employee, trade volume, trade balance, exports per capita, and government effectiveness.

However, among these indicators, those relating to total trade volume and exports per capita appear at this point to be too ambitious in terms of 2020 targets (total trade would need to increase by 100% and exports per capita by 113% in the 2014–2020 period), given that improvements in 2010–2013 have not been as strong as expected. The indicator on intra-regional trade in goods after a 2011 increase showed a slight reverse trend in 2012. Thus, in order to meet the regional SEE 2020 target, intra-regional trade in goods would need to increase by a very ambitious 120% in 2014–2020.

Among the headline indicators, there are two indicators with one-off annual data that do not necessarily follow the inter-annual trend – foreign direct investment (FDI) inflows and net enterprise creation. These indicators can vary significantly from year to year, so the 2020 target values may be attainable.

Finally, there are two indicators, which show a reverse trend in 2010–2013, due to possible issues with the original 2010 baseline data. The number of highly qualified persons in the workforce may have been mistaken in the original 2010 data for the number of highly qualified persons of working age in Albania, BiH and Croatia. Data on the overall employment rate for the population aged over 15 seems to be influenced by the fact that the Kosovo\* 2010 original baseline was overestimated at 41.7%, given that labour force survey data for Kosovo\* (available in the Agency for Statistics of Kosovo\* for 2009 and 2012) show employment rates at 26% in 2009 and 2012. However, actual 2010–2012/2013 data for this indicator also shows a reverse trend and a declining employment rate in most of the SEE countries (BiH, Croatia, Montenegro and Serbia).

Thus, while overall the region moved towards the target 2020 value in the 2010–2013 period, the improvements may have been somewhat slower than originally expected, leaving some of the headline targets potentially too ambitious – namely total trade, exports per capita, intra-regional trade and employment rates.

<sup>7</sup> *Jobs and Prosperity in a European Perspective for 2010 and 2020 values from the adopted Strategy, and 2011–2012/2013 data from: Eurostat for indicator 1 (except for Kosovo\*, for which World Fact book data is used); National Accounts data from the national Agencies for Statistics for indicators 2, 3, 9 (except where GDP data by expenditure is not available in the National Accounts data, in which case it was supplemented by IMF data); CEFTA for indicator 4; Central Bank for indicator 5 (supplemented by IMF data where data is unavailable); Labour Force Survey data by the National Statistics Agencies for indicators 6, 7, and 10; Business Registry Data from the national Agencies for Statistics for indicator 10; and World Bank Governance Index for indicator 11.*

\* 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.

It should be noted that, at the EU level, there have been similar findings within the recently published report 'Taking Stock of the Europe 2020 Strategy'<sup>8</sup>, which found that EU 2020 headline targets relating to increasing the employment rate, increasing investment in research and development, and reducing the number of people at risk of poverty or social exclusion may not be attainable on the basis of the current state of play, due to the harsh impact of the euro zone sovereign debt crisis. However, like EU 2020 headline targets, SEE 2020 targets are of foremost importance as policy anchors which, though they may have their limitations, they help to measure and guide the different aspects of the strategy, thus helping to steer political awareness and policy focus at both national and EU level.

## CONSISTENCY CHECK

Finally, in addition to stocktaking the 2010–2012/2013 headline indicator data and the progress towards 2020 targets, it is also important to perform a brief approximate internal consistency check of the relevant headline targets. In other words, it is necessary to check the policy consistency of the quantitative values of the headline indicators, some of which are closely interlinked through quantitative interrelations<sup>9</sup>. In order to ensure broad consistency of the forecasted target indicators of SEE 2020 within an overall macroeconomic framework, short approximation models of GDP on an expenditure basis were drafted for each of the SEE countries. Six out of 11 inter-linked headline indicators were checked for broad consistency as follows:

1. Broad simultaneous consistency of the targeted GDP growth with foreign trade indicators for export growth, foreign trade balance and foreign trade growth. The basic formula used was:  $GDP = (Consumption + Investment) + (Exports - Imports)$ . GDP is set by indicator 1 (see above), exports are set by indicator 9, total trade (exports + imports) is set by indicator 2 and trade balance is set by indicator 3. Thus, Exports – Imports is known internally from our framework. Since GDP is also known, the only unknown is the sum of Consumption + Investment (neither one of which directly enters our framework), which we get as a residual from the formula. So, for the consistency check, no external assumptions are needed for the share of investment or the share of consumption in GDP. Rather, it only deals with the share of Foreign Trade Balance in GDP, which is already set internally in our framework by indicators 1, 9, 2 and 3 as explained above. The resulting share of the sum of consumption and investment in GDP was also checked to ensure broad consistency with current and historical trends and general plausibility; and
2. Broad simultaneous consistency of the targeted growth of GDP per person employed with growth of employment rate. The basic formula used was:  $GDP\ per\ employee = GDP / total\ employment$ . Assuming a constant working-age population, the targeted GDP from indicator 1 is divided by the targeted GDP per employee in indicator 6. The resulting total employment as a share of the working-age population must be in line with the total employment targeted in indicator 10.

While the indicators mostly lie within the broad parameters, the following four indicators show significant inconsistencies:

<sup>8</sup> [http://ec.europa.eu/europe2020/pdf/europe2020stocktaking\\_en.pdf](http://ec.europa.eu/europe2020/pdf/europe2020stocktaking_en.pdf)

<sup>9</sup> A similar broad consistency check was performed at the time of preparation of the headline indicator targets in 2012 and again during the process of preparation of the final SEE 2020 Strategy.

1. For 2010, Albanian GDP per person employed (in EUR PPS) based on actual data is around 22,000 EUR, while the 2010 baseline indicator in the adopted SEE 2020 Strategy is 17,839 EUR;
2. For 2010, Kosovo\* GDP per person employed (in EUR PPS) based on actual data is around 30,000 EUR, while the 2010 baseline indicator in the adopted SEE 2020 Strategy is 14,966 EUR. This is likely explained by the possible error in the Kosovo\* 2010 data already mentioned – the Kosovo\* 2010 original baseline was overestimated at 41.7%, given that labour force survey data for Kosovo\* (available in the Agency for Statistics of Kosovo\* for 2009 and 2012) shows the employment rate at 26% in 2009 and 2012;
3. For 2020, in order to satisfy the ambitious GDP growth and the targeted GDP per employee (which ends up being lower than the 2010 actual value due to the likely error in the 2010 employment rate), the employment rate in Kosovo\* would need to increase from 26% to 58%; and
4. For 2020, the total trade volume in Serbia is calculated at around 51 billion EUR (within the consistency check) while the SEE 2020 target is 60 billion EUR.

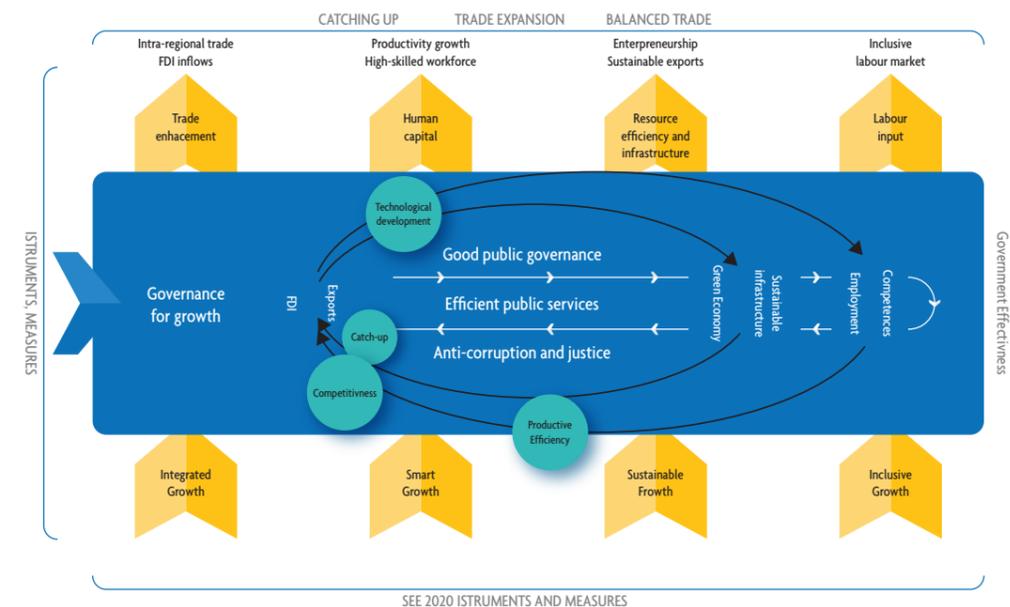
Given that the overall trend in terms of meeting the headline targets indicates that substantial challenges lie ahead, RCC will initiate a review of the targets to determine if some need to be revisited.



# 4. Regional Actions to Support SEE 2020 Implementation

In line with EU 2020, the SEE 2020 Strategy relies on a range of regional actions to support the national efforts of the economies that have adopted to implement this ambitious strategy. The breadth of the Strategy is such that the RCC in association with relevant regional organisations identified 16 specific policy dimensions across the five pillars.

Figure 8: Logical flowchart of the SEE 2020 Strategy



Source: SEE 2020 Strategy

## SUMMARISING DIMENSION ACTION PLANS TO PROVIDE REGIONAL ACTION PLANS PER PILLAR

Following the adoption of the Strategy, each regional organisation assigned to the different dimensions prepared an indicative work programme for the period 2014-2015 which has been assessed by RCC. Based on these preparatory documents, summary regional action plans for each pillar have been compiled indicating the main actions planned, the expected results, the activities to be undertaken and a description of the regional coordinators for the individual policy areas. The regional action plans (RAPs) have also been cross-referenced with the National Action Plans to ensure that regional actions are aligned with and/or complement

\* 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.



those planned at national level. Efforts have also been made to gauge the costs associated with the RAPs and to determine how much of funding necessary is already secured or in the pipeline. Sources of finance include the current operational budget of the regional organisation, contributions from SEE economies, in-kind contributions and current and planned external technical assistance programmes. Some RAPs for this period 2014-2015 have already secured the majority of funding necessary but many plans indicate some actions that are subject to availability of external resources.

## DIFFERING STAGES OF DEVELOPMENT AND MATURITY AMONG RAPs

As noted earlier, the regional organisations vary considerably in their legal status, mandate, membership, structure, scale of activities and available resources. For many SEE 2020 actions are relevant for their entire work programme whereas for others it is only directly attributable to a specific component. For some dimensions such as trade, investment, transport, education and training, and energy, the actions indicated are the logical next step in a long, well established process of regional cooperation and meeting regional obligations. In these dimensions many of the actions foreseen under the RAPs have already been adopted or endorsed by the national representative in the relevant governing boards of the regional bodies – many at ministerial level. Thus very specific actions are indicated such as signing protocols, monitoring implementation of previously agreed commitments or assessing progress on investments agreed as being of regional significance. In other dimensions e.g. employment, environment, and justice, regional actions have not been so prevalent. The RAPs in these dimensions for the 2014-2015 period often comprise targeted analytical and consultative work to identify and assess the most relevant actions that should be delivered on a regional basis regional and securing agreement to these.

## CRITICAL ROLE OF SECRETARIATS/SUPPORT STRUCTURES OF REGIONAL ORGANISATIONS

The management, administrative, coordination and monitoring support provided by the regional organisations - usually through their secretariat or a similar structure - is a critically important feature of the RAPs. While not specifically mentioned in the tables below, these support activities form an integral part of the plans.

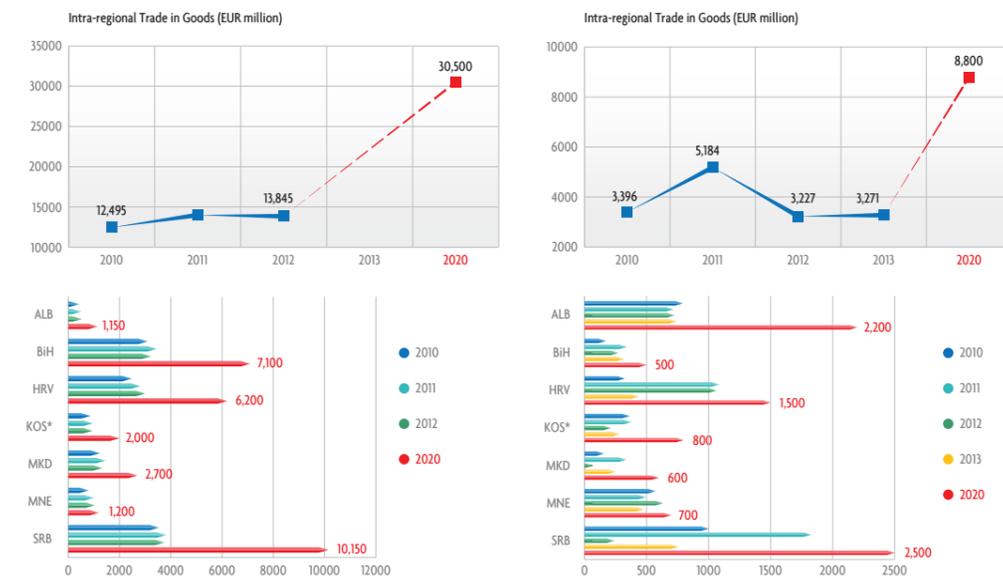
# 4.1. Trade and Investment Integration – Integrated Growth Pillar

## OVERALL OBJECTIVE AND PROGRESS TO DATE

Actions under this pillar are aimed at the further development of the **free trade area**, **increasing the competitiveness** of the region as a destination of FDI and **integrating the region** more fully into the European and global economy. The pillar has very ambitious headline targets namely that by 2020 the region will achieve the following:

- Increase intra-regional trade in goods by more than 140%; and
- Increase overall annual FDI inflows to the region by at least 160%.

Figure 9: Progress to Date towards 2020 Targets in Headline Indicators for Integrated Growth



Source: CEFTA for intra-regional trade and Central Banks for FDI (except for Albania, BiH, Kosovo\* where IMF data used)

As outlined in Chapter 3, actual data up to 2012/2013 shows slower than expected convergence towards the 2020 targets. This especially relates to trade indicators, given that around 60% of total SEE trade volume goes to the EU. Furthermore, most of the foreign capital inflows (including FDI) into the region are from the EU.

Intra-regional trade (data from CEFTA) showed increase in 2011, but then a slight decrease in 2012, making the gap between the 2012 value and 2020 target very large at 120%. Country-by-

\* 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.



country comparison indicates that the 2020 targets are between 102% (The Former Yugoslav Republic of Macedonia) and 170% (Serbia) higher than 2012 values in all economies, except for Montenegro, which has modest 15% gap between 2012 and 2020 target. As noted the indicator for overall FDI inflow is subject to one-off annual data and therefore it is difficult to extrapolate a clear trend. However, given the 2010-2013 annual values, the 2020 targets also seem very ambitious, with the regional 2020 target inflow being 169% higher than the 2013 inflow.

## OBJECTIVE OF PILLAR RAP FOR PERIOD 2014/2015

The main objectives for this initial period are to enact specific steps to deepen the free trade area; promote greater trade facilitation and to identify measures and actions that will improve the attractiveness of the region as a destination for foreign investment and therefore enhance its competitiveness.

## SUMMARY INTEGRATED GROWTH ACTION PLANS

The legally binding regional free trade agreement, CEFTA acts as the main driver for actions in this pillar. Many of the actions to be carried out in this period relate to the implementation of specific trade liberalization and facilitation measures already agreed as part of the Agreement and/or subsequent ministerial decisions and further technical work and negotiations to prepare the next set of trade measures required by CEFTA and/or SEE 2020. The CEFTA Joint Committee has formally aligned the CEFTA agenda with that of the SEE 2020. A number of other actions, particularly those relating to attracting investment are at a more preliminary research and analysis stage.

Action	Expected Results	Activities
Free Trade Area		
Signing of bilateral protocols on tariffs & quotas	Elimination of remaining tariffs & quotas in agriculture in line with CEFTA Commitments.	Meetings of CEFTA structures, signing of bilateral protocols
Review of legislation/measures & classification of NTMs	Agreed process to address NTMs; and increased transparency of trade procedures.	Technical assistance, meetings of CEFTA structures, drafting of provisional agreements
Facilitate customs related information exchange	Identify and commence implementation of measures to simplify customs procedures.	Meetings of CEFTA structures, technical assistance, multilateral negotiations, IT development
Define minimum level of specific commitments on trade in services	Agreed process to remove barriers to trade in services; and determine key issues to improve labour mobility for selected sectors.	Technical assistance, meetings of CEFTA structures, bilateral and multilateral negotiations
Perform comparative analysis of investment policies and focus on key regulatory issues	Identify regional standards for specific policies and encourage the harmonisation of investment policies across the region; and agreed procedures to address key issues to achieve the same level of investment protection across the region, and enhanced transparency to avoid a 'race to the bottom' approach	Technical assistance, meeting of the CEFTA-RCC Joint Working Group on Investment

Action	Expected Results	Activities
Competitive Economic Environment		
Initiate discussions on creation of Trade related networks	Determine interest and feasibility in creating networks of (i) Competition Authorities (ii) IPR authorities and (iii) Public Procurement authorities.	Meetings of CEFTA structures and relevant authorities of CEFTA Parties
Integration into the Global Economy		
Advance discussions on integration of regional supply chains into global market (for selected sectors)	Identification of trade related steps necessary to integrate selected sectors in the region into global supply network.	Technical assistance, meetings of CEFTA structures, SEEIC, Joint CEFTA /SEEICWG & other SEE 2020 related bodies
Ratification of PEM Convention by all CEFTA Parties	Contribute to better market access for the region in EU, Turkey and EFTA.	Meetings of CEFTA structures and meetings of PEM JC and CEFTA Parties

## RELEVANCE TO NATIONAL ACTION PLANS FOR SEE 2020

Given that all the SEE 2020 economies are Parties to CEFTA it is not surprising that all NAPs refer to the commitments they have assumed under CEFTA such as elimination of remaining quotas and identification of procedures to address NTMs. All national plans also highlight improvement of customs services and the need to identify and enact legislative and regulatory procedures in areas such as intellectual property rights and public procurement. Several NAPs foresee efforts to assess the potential of key sectors to integrate further into the global economy and greater regional cooperation to promote inflows of FDI. Actions to promote trade in services and labour mobility are also mentioned in several plans

## PILLAR/DIMENSION COORDINATORS

The leading organisation for this pillar is **CEFTA** (including all CEFTA structures) with specific investment related issues being dealt with under the **SEE Investment Committee**. Most of the actions to be undertaken including several in the field of investment policy fall under the auspices CEFTA. The development and implementation of these actions will be prepared and decided upon by the various formal structures of this ambitious, internationally binding agreement including the Joint Committee (ministerial level), technical sub-committees and working groups. At their November 2013 Joint Committee meeting, the ministers responsible for trade aligned the SEE 2020 strategy with the CEFTA agenda and mandated the CEFTA Secretariat to provide the relevant support to ensure smooth implementation. The CEFTA Secretariat will provide and/or manage technical, managerial and administrative support for all of the actions.

All SEE 2020 economies as well as Moldova are Parties to CEFTA and bound by its commitments. They are also represented on all CEFTA sub-committees and working groups. The CEFTA Secretariat is a small body staffed by professional experts appointed following an international competition. Amongst other things, the CEFTA Secretariat manages an EC-financed Technical Assistance Facility for trade related actions and also coordinates with other externally funded trade related assistance programmes.



The **SEE Investment Committee (SEEIC)** was the regional structure that developed the initial concept and design of SEE 2020 following the European Commission's request to the Western Balkans to enhance their cooperation on socio-economic policies based on the EU 2020 framework. Ministers of economy formally established the Committee in 2007 as part of their cooperation under the SEE Investment Compact supported by OECD. Its operating structures have evolved over time and while the OECD continues to provide technical advice and guidance to the Committee under EC financed TA projects, the SEEIC Secretariat is provided by RCC that was formally given this role by the ministers in 2011. All SEE 2020 economies are members of the SEE Investment Committee, which also has members from neighbouring SEE countries including Bulgaria, Moldova and Romania. All members have appointed representatives to the SEEIC at deputy minister or state secretary level and have also appointed technical experts to the working groups.

CEFTA and the SEEIC have agreed to create a joint investment policy and promotion-working group to advance their work in a coordinated fashion. This includes coordination as appropriate with actions under the competitiveness dimension in the Sustainable Growth pillar. This Working Group will meet on a regular basis to review progress and agree on next steps.

### FINANCING OF RAP IMPLEMENTATION

Many of the activities to be undertaken are part of the CEFTA and SEEIC's overall work programmes including the regular meetings of their different structures. The preparatory and delivery costs relating to these events are covered under the operating costs of the two Secretariats or the relevant structure (e.g. the CEFTA Joint Committee). The majority of technical assistance requirements for this period will be financed from existing or planned TA facilities and/or external programmes that will be made available to the two coordinating bodies e.g. the CEFTA Projects Facility or the OECD-led Next Generation Competitiveness Initiative. Some additional funds for TA may be necessary to undertake activities in the areas of investment policy coordination and promotion.

## 4.2. Enhancing Innovation and Competences – Smart Growth Pillar

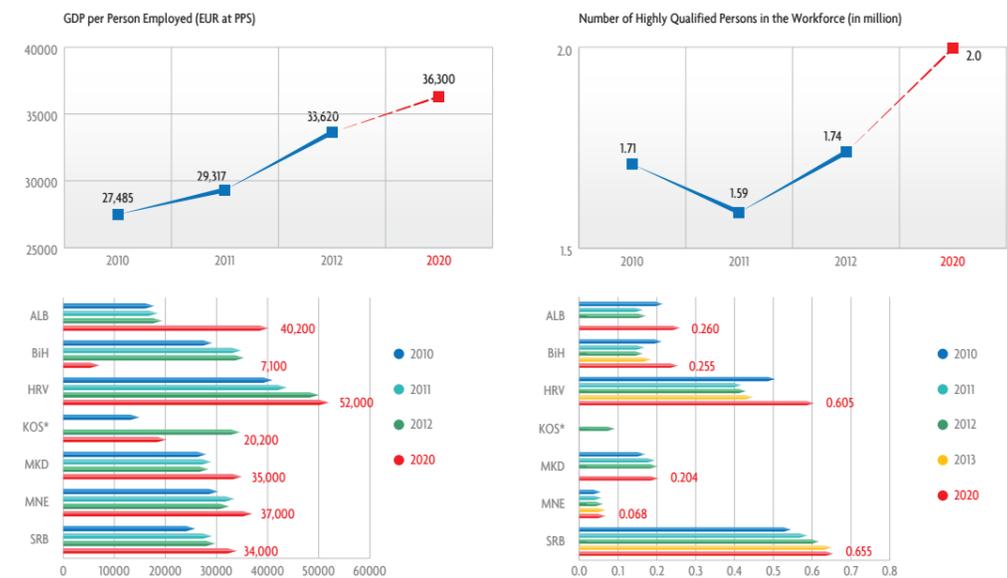
### OVERALL OBJECTIVE AND PROGRESS TO DATE

Promoting innovation and fostering knowledge-driven growth is the central objective of this pillar as the regional economies seek to move away from low-cost labour to other more sustainable forms of competitiveness. The actions underway or planned in this area are aimed at improving access to quality education, increasing the level of research and development in the region, developing ICT infrastructure and promoting creative industries. The headline targets agreed for 2020 are:

- Increase GDP per person employed by 32%; and
- Add 300,00 highly qualified people to the workforce.

Figure 10 shows data for the regional and national headline indicators for this pillar, highlighting gaps between the current situation (2012 or 2013, depending on available data) and 2020 targets.

Figure 10: Progress to Date towards 2020 Targets in Headline Indicators for Smart Growth



Source: Eurostat for GDP PPP and Labour Force Survey data by the National Statistics Agencies for highly qualified workforce

The slowdown in economic activity is clearly reflected in labour market data for the region. Unemployment increased from an average of 18% in 2008 to 20% in 2010 and 22% in 2012<sup>10</sup>. At the same time, the number of employed persons in the region decreased by around 3% in 2012 in comparison to 2010.

<sup>10</sup> Excluding Kosovo\*, for which Labour Force Survey data is not available for 2008.

\* 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.

Given the decrease in the number of employed persons and the slight increase in GDP measured in purchasing power parity standards (PPS) relative to the EU, the headline indicator GDP per person employed shows an improvement in 2012 relative to 2010 (therefore the positive trend in this indicator should be viewed with caution, since it is in part as a result of a negative trend in employment).

Average regional GDP per person employed increased from around 27,500 EUR PPS in 2010 to 33,620 EUR PPS in 2012, thus leaving an attainable gap of 8% to achieve the 2020 target of 36,300 EUR. However, as noted the possible mistake in the 2010 baseline figure for the employment rate in Kosovo\* needs to be taken into consideration. A country-by-country comparison of the remaining economies indicates that the 2020 targets are between 4% (Croatia) and 24% (Albania) higher than the 2012 values in the remaining economies, which may be overly ambitious.

The indicator for the number of highly qualified persons in the workforce shows a reverse trend in 2010–2013, due to possible issues with the original 2010 baseline data in Albania, BiH and Croatia.

Consequently, the number of highly qualified workforce in SEE based on the actual 2011 data is 6% lower than the 2010 baseline data in the Strategy. As a result, the total number of highly qualified persons in the workforce in 2012 is 15% lower than the 2020 target (20% excluding Kosovo\* for which the 2010 baseline and 2020 target were not defined, but for which 2012 data is available), which cannot be attained given the time lag needed for policy in this area to have an impact. The targeted 2020 values for this indicator for Albania, BiH and Croatia may need to be revised in line with the above-mentioned data issues with the 2010 baseline. The remaining economies (The Former Yugoslav Republic of Macedonia, Montenegro and Serbia) each have an attainable 1% gap between the 2012 data and 2020 targets.

## OBJECTIVE OF RAP FOR PERIOD 2014

Under this first RAP for the Smart Growth Pillar, actions range from further analysis and securing agreement on specific tasks to reinforcing specific regional actions in policy areas that the national representatives on the governing bodies of the different organisations have already deemed suitable for a regional approach and that are relevant for SEE 2020.

## SUMMARY OF SMART GROWTH ACTION PLANS

Based on the investigative nature of the work to be undertaken and the operating procedures of the regional initiatives involved in this pillar, specific actions have only been agreed for 2014 (apart from those implemented by SEECCEL which span 2014-15). The outcome of the various exploratory studies and actions currently underway will be used as the basis for the 2015 action plan. Many of the actions identified as potentially suitable build on previous activities that have been undertaken by long standing regional cooperation initiatives such as the ERI-SEE, SEECCEL and e-SEE. Potential regional actions in R&D and creative industries build on more recently adopted strategies and/or programmes. Once the exact actions are agreed, the nature of the role to be played by the dimension coordinator in the future can be determined.

\* 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.

Action	Expected Result(s)	Activities (in addition to 'secretariat support')
<b>Education and Competences</b>		
Identify specific measures to be undertaken at regional level to (i) improve access to education and (ii) increase quality of education through teacher training	Agreed programmes of measures to complement national efforts in these 2 areas endorsed by ERI-SEE Governing Board.	External technical assistance, consultations, expert workshops and meetings ERI-SEE structures
Identify measures to assist SEE economies to remove obstacles to recognition of qualifications	Prioritisation of agreed measures to be undertaken; and enhanced cooperation with related initiatives e.g. ETF Frame and development of links with other SEE 2020 pillars.	Consultations with related programmes and initiatives, expert workshops, meetings of ERI-SEE structures
Strengthen institutional capacity of ERI-SEE	Better quality of available data and analysis on education topics; greater cooperation with national administrations and related EU initiatives; and improved access to expertise	Technical assistance, consultations, IT development, meetings of ERI-SEE structures
Embedding Entrepreneurship as a key competence in all forms of (non) formal education	New entrepreneurial learning instruments developed; EL Learning Outcomes defined; In-service teacher training modules developed; Awareness regarding the EL raised; New EL educational policy frameworks developed; EL network of schools established; Peer learning activities strengthened; Criteria for EL School, EL Teacher and EL students defined; and Pilot institutions involved in the implementation	Organisation of expert workshops/training, development of reports/materials/analysis, piloting the actions among selected institutions, preparation of publications – SEECCEL activities
<b>R&amp;D and Innovation</b>		
Ratify Headquarters Agreement for seat of the Western Balkan Research and Innovation Exercise (WISE)	Formal establishment of the WISE Secretariat & receipt of contributions from all Parties	Consultations, national adoption procedures, and WISE Supervisory Board meetings
Assess options for regional actions to promote technology transfer and propose potential measures/instruments	Identification of legislative and regulatory improvements required to promote collaboration between research institutions and business; mapping of existing initiatives and programmes; assessment of demand and supply for science parks/incubators; and proposal for regional actions.	Technical assistance, expert workshops, meeting of WISE structures
Initiate design of regional programme to develop "networks of excellence" in selected research areas	Launch of study to determine options to advance reforms to allow deeper collaboration and mobility of researchers & optimisation of resource use.	Technical assistance, meeting of WISE structures



Action	Expected Result(s)	Activities (in addition to 'secretariat support')
<b>Digital Society</b>		
Prepare roadmap for ensuring ICT interoperability for delivery of cross-border electronic public services	Agreed programme of policy measures and investments required.	Technical assistance, meetings of e-SEE initiative
Identify scale and scope of future studies on broadband availability and ICT in education	Agreed ToR for studies to support national actions in these areas.	Meetings of e-SEE initiative
<b>Cultural and Creative Sectors</b>		
Continue with strengthening of institutional capacities and implementation of an integrated heritage rehabilitation management tool to ensure rehabilitation of selected cultural heritage sites (Ljubljana process)	Establishment and further development of cross institutional partnerships for cultural heritage sites; increased capacities in rehabilitation and management of cultural heritage; Ljubljana Process Regional Expert Pool available to all; Increased awareness of cultural heritage issues; promotion of regional cooperation in the field of culture and agreed work programme for RCC TFCS Secretariat.	Technical assistance, expert workshops and seminars, training programmes, meetings of RCC TFCS
Identify state of play in the audio-visual industry Determine feasibility of regional film fund	Mapping of existing initiatives to promote regional cooperation in audio-visual industry; outline of regional film fund and action plan for implementation (if deemed feasible)	Technical assistance, stakeholder workshop, meetings of RCC TFCS
Determine feasibility of a regional design incubator	Comparative analysis of potential models based on international experience; and outline of a regional design incubator and plan for implementation (if deemed feasible).	Technical assistance, stakeholders workshop meetings of RCC TFCS

## RELEVANCE TO NATIONAL ACTION PLANS FOR SEE 2020

In the field of education and competencies, all national plans refer to curriculum development to improve the relevance of /access to education to all sectors of society. Most NAPs highlight further development of the qualifications framework to enhance recognition of qualifications as a priority as well as deepening and widening the system of vocational education. Promoting increased research and development and generating greater links between scientific institutions and the business sector are part of all the national plans. Some of the economies have already established pilot centres of excellence/incubators while others plan to investigate this type of action further. All SEE 2020 economies are making efforts to increase the availability and quality of broadband and developing tools and institutional capacity to increase the use of e-learning and e-government is also a common priority across all dimensions of NAPs. All national plans reference the Ljubljana Process on cultural heritage and a number have developed or plan to develop formal strategies to harness the economic potential of creative industries.

## PILLAR/DIMENSION COORDINATORS

Four regional organisations are key players within this pillar. All have been established at the request of the relevant ministers from the region but they vary in terms of legal status, membership, operating period and availability of resources.

The **Education Reform Initiative of South East Europe (ERI-SEE)** has been active since 2003 and its mandate was reinvigorated by ministers of education in 2010 and further expanded in 2013 to take account of SEE 2020. All of the SEE 2020 economies participate in ERI-SEE activities along with Bulgaria, Romania and Moldova. There is a high level of interaction and cooperation with EU and international organisations and programmes such as the European Training Foundation and the Council of Europe. Austria is a longstanding partner of the initiative. ERI-SEE is currently re-organising its various structures including the re-location of the Secretariat from Croatia to Serbia. The specific actions planned under the SEE 2020 Strategy are based on previous work and formal agreements made under this initiative.

The **South East European Centre for Entrepreneurial Learning (SEECEL)** is an independent, non-profit institution founded in 2009 on the initiative of eight South East European countries (Albania, Bosnia and Herzegovina, Croatia, Kosovo\*, The Former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey) with the full support of the EC and the Croatian Ministry of Entrepreneurship and Crafts. SEECEL's mission is to promote the knowledge, conceptual and implementable solutions as well as the network of experts in the field of entrepreneurial learning as a key competence in the countries of SEE. Its activities are coordinated with EU policy frameworks and strategic documents such as SBA for Europe, Education and Training 2020, Europe 2020, Entrepreneurship Action Plan 2020, Rethinking Education Strategy, Key Competence Framework, etc. SEECEL has been recognised as an example of best practice in strategic regional cooperation and best practice for good conceptual solutions in the field of entrepreneurial learning as a key competence. It also play a key role in supporting all pre-accession countries including the SEE 2020 economies in implementing the Small Business Act which is of relevance to this pillar and the Sustainable Growth pillar.

Actions in the field of R&D and innovation are to be coordinated by the newly created **Western Balkans Research and Innovation Exercise (WISE) Facility**. Based on the recommendations of the EC/World Bank technical assistance project for the development of a Western Balkans Regional R&D Strategy for Innovation, SEE economies created this new Facility in October 2013. SEE Ministers responsible for R&D are expected to adopt a MoU on the role and organisation of WISE shortly and have agreed on Croatia's offer to host the Secretariat. During this initial period the focus is on the establishment of this regional platform and the identification of specific measures to be undertaken based on the priority recommendations from the EC/World Bank report.

The UNDP office in Sarajevo hosts the **Electronic South East Europe initiative – e-SEE** that seeks to support government efforts to integrate ICT into their economic development. The initiative's current activities are based on the 2007 MoU signed by all SEE 2020 economies as well as Moldova and support has been provided in the past by the EC and UNECE as well as other partners. SEE 2020 provides the governments participating in e-SEE with an opportunity to determine how best to proceed with better integration of ICT into their socio-economic policies.

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The **RCC Task Force on Culture and Society (RCC TFCS)** was established in 2010 following the positive experience of the SEE economies under the EC-financed Ljubljana Process, as a regional platform for cooperation in the field of culture. It coordinates implementation of **Ljubljana Process II – rehabilitating our common heritage** that aims to identify and rehabilitate important cultural heritage monuments and sites throughout the region and improve their contribution to social and economic development. All SEE 2020 economies participate in this EC supported process that provides a range of assistance including technical assistance to the governments in the region to increase their institutional capacities and to implement specific projects. The key objective of the Task Force for 2014 ad 2015 is to build on the experience gained and continue with the cultural heritage integrated rehabilitation approach through Ljubljana Process, as well as identify and agree on relevant and feasible regional actions to promote and support creative industries in the region.

### FINANCING OF RAP IMPLEMENTATION

The work programme outlined above is fully financed through a combination of country contributions to the regional organisations acting as dimension coordinators and existing technical assistance programmes and donor contributions. Technical assistance required for the investigative and analytical work to determine the feasibility of particular measures is funded via the RCC's SEE 2020 facility. These feasibility studies will consider the issue of availability of adequate and sustainable funding for any regional actions proposed. The governing structures of the various coordinators – which include representatives of all SEE 2020 economies, will then decide if and how to proceed with agreed actions.

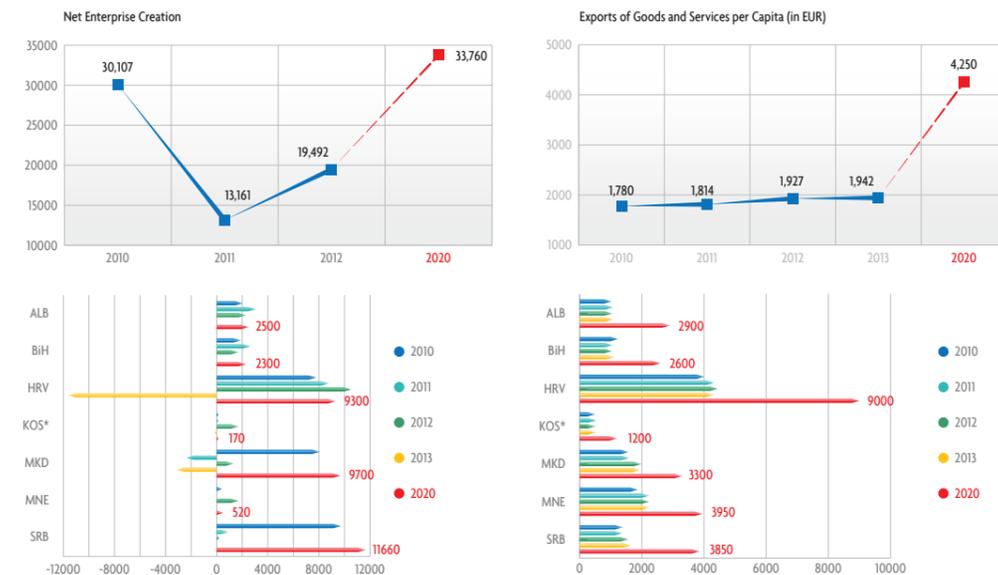
## 4.3. Infrastructure and Competitiveness – Sustainable Growth Pillar

### OVERALL OBJECTIVE AND PROGRESS TO DATE

Actions under this pillar seek to improve efficiencies in the use of resources, upgrade infrastructure and boost entrepreneurship and competitiveness of companies. The overall aim is to provide the necessary underpinning for a strong, diversified and competitive economic base in the region. The ambitious headline targets for 2020 under this pillar are to:

- Increase net enterprise creation (new businesses per year) from 30,107 to 33,760 – an increase of 12%; and
- Increase exports of goods and services per capita from the region from €1,780 to €4,250 (2.3 times).

Figure 11: Progress to Date towards 2020 Targets in Headline Indicators for Sustainable Growth



Source: National Statistics Agencies for enterprise creation and exports of goods and services (National Accounts data except where GDP data by expenditure is not, available in which case it was supplemented by IMF data)

Figure 11 shows data for the regional and national headline indicators for this pillar, highlighting gaps between the current situation (2012 or 2013, depending on available data) and 2020 targets.

The economic slowdown in 2012 negatively affected the enterprise sector in the SEE region, with access to finance from the banking sector in particular becoming more difficult. Since data on enterprises is scarce in the region, the headline indicator chosen in the SEE 2020 Strategy refers to net enterprise creation, based on the criteria of data availability for all countries, although this indicator does not mention the level and success of the business activity. This

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particular indicator is one of the two SEE 2020 headline targets which represent one-off annual data that does not necessarily follow the inter-annual trend. This indicator can (and does) vary significantly from year to year, so the 2020 target values may be attainable.

The targeted 2020 values are around or above two times higher than the recorded annual enterprise creation in 2010–2013 for most countries. In order to invigorate enterprise sector, the improvements required include a wide ranging set of measures dealing with competitiveness, entrepreneurship, and strengthening the regulatory, jurisdictional, tax, and institutional effectiveness and efficiency (this is also clearly implied from the integrated dimension indicators analysed above). Many of these measures are addressed through the respective NAPs, with those that are regionally relevant included in the RAP outlined below.

While exports have recovered in 2013-2014, projected growth rates are still lower than the pre-crisis average annual growth. Consequently, exports of goods and services per capita showed a modest increase in 2010–2012 when compared to the SEE 2020 target, making the gap between the 2012 value and 2020 target large at 121%. A country-by-country comparison indicates that the 2020 targets are between 77% (Montenegro) and 182% (Serbia) higher than 2012 values, with all economies except for Montenegro having a gap of more than 100%. These targets appear too ambitious, as is the case for all trade indicators. Stronger improvements in exports per capita will be conditional on a general economic recovery but also to an improvement in the competitiveness of the SEE economies.

### OBJECTIVE OF RAPs FOR PERIOD 2014-2015

In general, the focus of the sustainable growth RAP in this period is to expedite commitments already made by the SEE 2020 economies with respect to sustainable growth and infrastructure development. This is particularly true of the energy, transport and competitiveness (SME development) dimensions, while the environment dimension is more focused on identifying specific actions where greater regional cooperation can facilitate progress in environmental and rural development issues of common interest to the SEE 2020 economies.

### SUMMARY OF SUSTAINABLE GROWTH ACTION PLAN

In the field of energy many of the actions to be carried out relate to further transposition and implementation of energy related *acquis*. All SEE 2020 economies are signatories to the Energy Community Treaty (ECT) and have assumed specific obligations particularly regarding energy efficiency and the use of renewable energy.

Actions to remove physical and non-physical obstacles to the use and development of infrastructure are common features of the plans for both energy and transport and are in line with the existing commitments taken by the SEE 2020 economies under the ECT and the MoU on the regional transport network<sup>11</sup>. It is important to note that the SEETO Comprehensive Transport Network is now aligned with the EU's Trans European Network and thus serves to integrate the region further with the EU. SEE 2020 serves as an added incentive to implement agreed commitments in these areas.

<sup>11</sup> *MoU for Development of the Core Regional Transport Network (SEETO Comprehensive Network)*

In the area of air transport, actions are aimed at assisting the SEE economies to integrate further into the EU's Single European Sky concept. The Regional Action Plan for the environment dimension aims to determine appropriate regional actions in issues of common concern such as climate change adaptation and mitigation, trans-boundary cooperation on water management and rural development. It will also explore the feasibility of using the use the so-called Nexus Approach to align environmental aspects of economic development. The Competitiveness dimension builds on previous work undertaken under the auspices of the EC-financed SME Index to align the SEE 2020 economies with the EU's Small Business Act and - in close cooperation with the integrated growth pillar – to internationalise companies in the region in selected sectors.

Action	Expected Results	Activities
<b>Energy</b>		
Facilitate and monitor development and /or implementation of national plans for energy efficiency and renewable energy	Contribute to achievement of interim targets set under National Energy Efficiency Action Plans (NEEAP); adoption of National Renewable Energy Action Plans (NREAP) including measures to simplify construction and connection to grid; and increased consumer awareness regarding EE and RE.	Technical assistance, development of financing facilities, meetings of ECT structures Awareness raising campaigns
Identify mechanisms to expedite implementation of key infrastructure projects (Projects of Energy Community Interest – PECl)	Implementation of facility to improve project proposals; identification of financial mechanisms to increase available funding for PECl; and increased number of projects moving from feasibility to tendering stage.	Technical assistance, expert consultations and workshops, meetings of ECT structures
Remove barriers to market integration in energy, mainly in the area of low prices and energy affordability	Contribute to increase in availability and consistency of supply of energy in the region.	Technical assistance and meetings of ECT structures
<b>Transport</b>		
Remove physical and non-physical barriers to development of the SEETO Comprehensive Network	Contribute to prioritisation of transport-related investment needs and policy and investment actions to be taken to develop the regional transport network & facilitate transport operations; and enhanced cooperation with external partners including EC, IFIs and private sector with focus on securing assistance and funding necessary for the prioritised policy and investment actions.	Technical assistance, consultations with external partners, expert workshops, establishment of investment forum/platform; meetings of SEETO structures
Promote further liberalisation of rail services /railway reform (in line with Addendum to MoU)	Contribute to identification and prioritisation of actions required to liberalise rail services in line with EU transport regulations; and identify investment /assistance needs.	Technical assistance, consultations with external partners, meetings of SEETO structures

Action	Expected Results	Activities
Track progress in transport policy areas Improve quality and expand dissemination of research and analysis on key transport issues	More systematic assessment and monitoring of the overall transport system; greater availability / dissemination of up-to-date research and analysis available in different, user friendly formats; and contribution to development of regional and national transport policies and strategies.	Technical assistance, IT development, meetings of SEETO structures
Assess issues arising with respect to use of co-modal transport options in region and/or use of telematics in transport	Design and launch of a study to provide policy makers with relevant information and analysis to determine options to improve co-modal transport networks and use of telematics in transport.	Technical assistance, expert consultations and workshops, meetings of SEETO structures
<b>Air Transport</b>		
Prepare regional performance based navigation plan	Finalised action plan; agreed regional PBN plan with detailed project management plan; and cost benefit analysis.	Training seminars Meetings of JSPA structures
Creation of regional pool of experts for National Supervisory Authorities	Improved access to knowledge and expertise.	Consultations with NSAs and relevant partners; Meetings of JSPA structures; Active expert pool.
Provision of training and transfer of knowledge on key aspects of SES	Enhanced capacity of knowledge among civil aviation authorities and air navigation service providers.	Seminars and workshops
Further development of JSPA Initiative	Agreed action plan and availability of resource for implementation.	Consultations with relevant partners; meetings of JSPA structures
<b>Environment</b>		
Strengthen capacity of REC, GWP-Med and SWG to provide appropriate support for regional actions under the environment dimension	Agreement to the role and tasks to be carried out by REC as coordinator; identification of roles and contributions to be made by other partners including SWG on Rural Development, GWP-Med, ECRAN and other relevant regional initiatives and organizations; and finalisation of agreed regional action programme.	Consultations with stakeholders; Technical assistance



Action	Expected Results	Activities
Determine feasibility of introducing the Water Energy and Food Nexus management approach at national and trans-boundary levels.  Assess status of Trans-boundary Water Resources Management in Western Balkans in terms of cooperation among countries and related challenges and indicate possible means and tools to assist in addressing these.	Facilitate understanding of benefits of Nexus approach in the management of water resources as means of supporting sustainable economic growth; identification of steps and actions for implementing the Nexus management approach if deemed feasible at the national and trans-boundary levels. Identification of potential, means and roadmap to negotiate a Regional Integrated Water Management Framework Agreement.	Technical assistance; expert consultations, meetings of relevant fora including REC, the GWP-Med and the SWG on Rural Development
Design regional programme to improve capacity to instigate climate change adaption measures among range of stakeholders (farmers, agri-business and other water and land users, local governments, CSOs)	Mapping of national actions on policy, programme and project level addressing climate change adaptation; and developing agreed regional programme comprising technical assistance, training and awareness raising.	Technical assistance, consultations, workshops, meetings of relevant bodies, including REC, ECRAN, SWG RRD, GWP-Med
Preliminary Study on identification of measures for sustainable forest management, that foster economic growth, environmental protection and rural development in the WB countries	Assessment and timely audits on environmental management systems, state of forests and forest management and determination of necessary SFM parameters and corrective measures as required.	Technical assistance, consultations, meetings of relevant bodies, including SWG RRD and REC
<b>Competitiveness</b>		
Establishment of expert working groups in selected sectors (food & beverages and tourism) under the auspices of the SEEIC	Functioning expert groups comprising representatives of public and private sector stakeholders in the sectors providing advice and guidance on policy actions.	Technical assistance, meetings of SEEIC structures, and other relevant bodies such as SWG
Initial assessment of main constraints and policy barriers to competitiveness in selected sectors Identification of appropriate policy responses Preparation of regional support programme	Listing of the key constraints that affect the development and competitiveness of companies in these sectors; outline programme of suitable policy measures and identification of relevant bodies to manage implementation at national and regional level; and agreed programme of measures to be taken at regional level to support development of regional value chains in these selected sectors	Technical assistance, consultations, meetings of SEEIC structures, meeting of joint CEFTA-SEEIC working group
Initiate greater cooperation among Investment Promotion Agencies to jointly promote SEE 2020 region as a destination for FDI	Increased number of joint activities and /or joint participation in promotional events.	Technical assistance, SEEIC activities and structures

Action	Expected Results	Activities
Conduct SBA Assessment and align SEE 2020 priorities for SME competitiveness	Regular SBA assessment prepared and disseminated to policy makers at national and regional level; and adaptation as necessary of SEE 2020 priorities for SME competitiveness in line with SBA assessment recommendations.	Technical assistance, consultations with external partners, meetings and activities of SEECCEL, meetings of SEEIC structures
Implement a regional Training Needs Assessment (TNA)	SME policy framework prepared using evidence based policy making approach and open method of coordination; Data collection method enhanced; Awareness raised for using ICT tools in data collection and QA criteria developed.	Organisation of workshops, technical assistance, preparation of documentation (methodology, questionnaire and analysis), preparation of web tool, implementation of survey – SEECCEL activities
Support Women Entrepreneurs	Three 'training of trainers' modules developed based on expressed need from WETNAS; Modules used and implemented by the most representative women business associations in 9 countries; Good practice criteria developed; and Promotion of good practices	Organisation of workshops, technical assistance, preparation of documentation, regular communication in vivo and via CoP – SEECCEL activities

## RELEVANCE TO NATIONAL ACTION PLANS FOR SEE 2020

All of the NAPs reference their commitments under the Energy Community Treaty including the development and implementation of NEEAPs and NREAPs. Further development and improvement of the SEETO comprehensive network is also highlighted in all NAPs where a combination of investments in physical infrastructure and legislative and regulatory measures are planned to remove the physical and non-physical barriers to the transport network. Progress in implementing commitments under the Single European Sky is also highlighted in several NAPs. Actions in the field of climate change and water resource management are a common feature of all NAPs and include a substantial amount of legislative and regulatory measures as well as institutional capacity building. Finally all of the SEE 2020 economies participate in the regular SBA assessments and improving the regulatory and institutional environment for SMEs is among the top priorities for all governments.

## PILLAR/DIMENSION COORDINATORS

Activities in the energy dimension are coordinated by the **Energy Community Secretariat (ECS)** which is the official body created under the ECT to support signatories with the implementation of the Treaty. In addition to the formal structures established by the Treaty such as the annual Ministerial Council, the ECS has established a number of working groups comprising representatives from the contracting parties and international organisations and experts. These groups e.g. the Energy Efficiency Coordination Group serve as a vehicle to

share experience, monitor progress and mobilise assistance. Many of the SEE 2020 actions in the energy dimension are part of the ECS' work programme as adopted by Ministers of Energy in October 2013.

The **SEETO Secretariat** provides coordination for actions in the transport dimension. Its mandate to support implementation of the MoU on the regional transport network lends itself to the implementation of actions relevant for SEE 2020. SEETO structures include an Annual Ministerial Meeting, a Steering Committee comprising all the SEE 2020 economies and the EC, national coordinators, as well as working groups in areas such as railway reform, road safety and transport & border-crossing facilitation. SEETO structures currently benefit from a number of relevant technical assistance projects that will facilitate implementation of the RAP.

The SEETO mandate does not cover air transport issues. The newly created inter-organisational **Joint Service Provision Area (JSPA)** initiative comprising representatives of civil aviation authorities and air navigation service providers, seeks to facilitate implementation of the Single European Sky concept in the region. It has identified a series of actions that would be beneficial for SES implementation and is seeking the necessary institutional and financial support for these.

The **Regional Environment Centre (REC)**, an inter-governmental organisation active in all the SEE 2020 economies (and beyond) since 1990 has agreed to act as the lead coordinator for the environmental dimension with the support of the Standing Working Group on Regional Rural Development (SWG RRD) and the Global Water Partnership-Mediterranean and SEEFCCA. Unlike the other dimensions, while there are some regional capacity building programmes and projects in the environment, there is no regional inter-governmental agreement such as those in the energy or transport dimensions. Thus the provision of support to REC and its partners as they seek to identify and develop suitable regional actions will be key to this first work programme.

The Competitiveness dimension benefits from a number of well-established regional structures led by the **SEE Investment Committee** and including the **SEE Centre for Entrepreneurial Learning (SEECCEL)** both of which have been described in the integrated growth and smart growth pillars respectively. This dimension RAP will also benefit from cooperation with CEFTA structures and other bodies as necessary. The entire SEEIC work programme is relevant for SEE 2020 and it also benefits from EC-financed technical assistance programmes including the OECD led Next Generation Competitiveness Initiative.

## FINANCING OF RAP IMPLEMENTATION

In the areas of energy and transport many of the activities required for the actions outlined are part of the existing work programmes of the regional coordinators and benefit from their operational budgets to which the SEE 2020 economies contribute and existing technical assistance programmes including EC and WBIF financed activities. Some funding from RCC's SEE 2020 Facility has been allocated to different regional organisations to assist with implementation monitoring and/or preparation of future studies and additional funding will be required for some of the follow-on actions such as information campaigns and further analysis. In air transport some of the resources required come from in-kind contributions from the countries involved in the JSPA initiative and from EC financed training activities (i.e. TAIEX). JSPA is highlighting the key benefits (increased safety, safeguarding environment, lower costs,





increased capacity) of SES implementation, as it seeks further funding to ensure implementation of the current JSPA plan.

Actions in the environment area are at an earlier stage of development and some will benefit from funding via the RCC's SEE 2020 Facility to determine the scale, scope and feasibility of the proposals outlined. A combination of country contributions, operating or project budgets of the structures involved to the extent feasible and existing or planned technical assistance programmes such as the EC financed OECD led Next Generation Competitiveness Initiative as well as bilateral assistance will finance actions in this dimension.

## 4.4. Generating Employment Opportunities for All - Inclusive Growth Pillar

### OVERALL OBJECTIVE AND PROGRESS TO DATE

The overall objective of the actions under this pillar is to generate greater employment opportunities for all sections of society in the SEE 2020 economies by improving employment policies and reducing health inequalities.

The headline target agreed for this pillar is to increase the overall employment rate in 2020 (as a percentage of the population aged 15 years and older) from 39.5% to 44.4%.

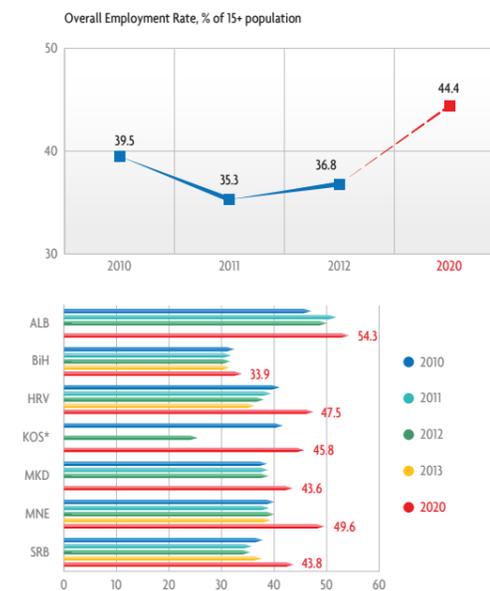
Figure 12 shows data for the regional and national headline indicator for this pillar, highlighting the gap between the current situation (2012 or 2013, depending on available data) and the 2020 target.

As discussed under the smart growth pillar, the economic downturn in 2012 slowed down SEE recovery from the 2009 recession and this is clearly reflected in the labour market data in the region. Unemployment increased from an average of 18% in 2008 to 20% in 2010 and 22% in 2012<sup>12</sup>, while the number of employed persons in the region decreased by around 3% in 2012 in comparison to 2010.

The overall employment rate shows reverse trends in 2010-2012 possibly due to the issues with the original 2010 baseline data for Kosovo\* 2010 as noted earlier.

Strong structural reforms are needed across the region to address the enduring labour market weaknesses, including the rigid institutional set-up and low flexibility of the labour markets, the continuing sub-optimal investment climate that exists in most cases, the mismatch between education and the labour market, as well as labour cost factors. While many of these measures

Figure 12: Progress to date towards 2020 target for Inclusive Growth



Source: Labour Force Survey data by the National Statistics Agencies

<sup>12</sup> Excluding Kosovo\*, for which Labour Force Survey data is not available for 2008.

\* 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.

have been included in the respective NAPs (such as improving labour market information systems in Albania and Kosovo\*, increasing investment readiness in Montenegro, etc.) the regional action plan deals with those aspects that are most relevant in the regional context, such as labour mobility, and best practice dissemination and peer reviews in the areas of employment policy, labour market governance and social economy.

In summary, the overall employment rate in the region would need to increase from 36.8% in 2012 to 44.4% in 2020. Excluding data for Kosovo\*, regional employment would need to increase from 38.1% to 44.4%. The 2012 employment rate ranges from 25% in Kosovo\* and 31.7% in BiH to 40.1% in Montenegro and 50.1 in Albania, according to data from the national statistics agencies. These rates are significantly lower than the current EU rates of around 68% and the 2020 EU target of 75%.

### OBJECTIVE OF RAPs FOR PERIOD 2014-2015

The work programme for this period for both the employment dimension and health dimension seeks to build on previous regional activities and to prioritise and progress specific streams of work from a preliminary list of topics deemed appropriate for a regional approach. Strengthening the regional structures, particularly for employment issues, is another key objective for this initial period. In the case of health, special attention will be paid to developing links with other pillars/dimensions in recognition of the impact of health policies on different aspects of socio-economic development.

### SUMMARY OF INCLUSIVE GROWTH ACTION PLANS

Actions for both dimensions during this time period can be classified into (i) institutional strengthening including securing of financial resources and (ii) research and analysis. While preliminary lists of actions have been identified in each dimension, there is a need to review and refine the specific actions to be taken at regional level. It is also important that the structures be strengthened as necessary to allow them act as a valuable SEE 2020 platform for exchange of experience, provision of access to a network of expertise and research and analysis on topics of common interest.

Action	Expected Results	Activities
<b>Employment</b>		
Strengthen capacity of the RCC Social Agenda 2020 Working Group	Agreed structure and modus operandi of Working Group including appointment of chair and adoption of procedures; greater cooperation and involvement of relevant international partners and programmes e.g. World Bank, ILO, IOM, EC/WB/RCC Partnership on Social Inclusion; and agreement on longer-term work programme including topics relevant for regional cooperation.	Consultations with all stakeholders; Meetings of Social Agenda WG

\* 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.



Action	Expected Results	Activities
Assess current labour mobility policies in the region including identification of socio-economic characteristics and existence of migration hubs	Analysis of the current situation; greater understanding of potential impact on SEE 2020 economies; outline of potential policy measures; and identification of appropriate partner organisations (across all relevant dimensions of SEE 2020 particularly integrated growth).	Technical assistance; stakeholder consultations, meetings of Social Agenda WG and other related SEE 2020 bodies
Develop regional programme to facilitate greater labour mobility among SEE economies	Agreed programme of actions to support policy measures and capacity building in SEE 2020 economies; and allocation of roles and responsibilities among appropriate stakeholders.	Technical assistance, workshops, meetings of Social Agenda WG
Assess potential for further development of social economy initiatives	Overview of current situation, policies and regulatory environment; and identification of opportunities for regional cooperation.	Technical assistance; stakeholder consultations, meetings of Social Agenda WG
Develop regional programme to improve environment for social economy initiatives	Agreed programme of actions to strengthen dialogue among stakeholders and provide forum for exchange of information and access to expertise.	Technical assistance, workshops, meetings of Social Agenda WG
<b>Health</b>		
Review and finalise SEE 2020 related programme for SEE Health Network including assessment of feasibility of proposed measures and prioritisation for regional action	Agreed programme of prioritised regional actions to support national efforts to assess impact of health on socio-economic policies and provide adequate health care to all; identification of available sources of finance; creation of necessary working groups under SEE HN; and allocation of roles and responsibilities among stakeholders including partner organisations and assistance programmes.	Technical assistance, consultations with relevant potential partners, meetings of SEEHN
Develop appropriate links with other SEE 2020 dimension/pillar coordinators	Increased awareness of relevance of health policies to socio-economic policies in areas such as trade, labour mobility, investment, access to education etc.	

### RELEVANCE TO NATIONAL ACTION PLANS FOR SEE 2020

Given the high rates of unemployment, particularly amongst youth and women, it is not surprising that all national plans refer to efforts to implement a variety of employment policies designed to generate employment opportunities (e.g. through Active Labour Market Programmes), ensure wide dissemination of employment related information (e.g. via reform of national employment



services) and to increase employment levels among disadvantaged groups. With respect to health, several NAPs outline plans to assess the impact of health policies on socio-economic development and most have prioritised reforms of health insurance systems including provision of care to vulnerable groups. A number of governments are trying to assess the potential for e-services in both sectors.

## PILLAR/DIMENSION COORDINATORS

The **Social Agenda 2020 Working Group** will coordinate actions in the field of employment. This Group was established under the auspices of the RCC with the specific purpose of providing a regional forum for social policy related aspects of SEE 2020. The Group comprises officially appointed representatives from ministries and national bodies responsible for education and employment services from all the SEE 2020 economies as well as international partners such as the EC, World Bank, ETF and bilateral donors. RCC currently provides secretariat services for the Working Group, which has met on an ad hoc basis to date. Previous work under the Group has identified a number of areas for where regional actions could benefit national efforts. The issues of labour mobility and the potential value of social economy initiatives have been prioritised for initial research that is now underway financed via the RCC SEE 2020 facility. The future structure and *modus operandi* of the WG will be influenced by the detailed SEE 2020 action programme to be agreed by the members following the completion of this preliminary analytical work.

The **SEE Health Network (SEEHN)** has been active in the region since 2001 and promotes regional cooperation on a range of health issues. All SEE 2020 economies participate in SEEHN along with five EU member states and Israel (a recent addition). It has carried out regional programmes (mainly analytical and capacity building work) in a number of specific health related topics as well as providing an active forum for exchange of information on health policy issues of common interest. The Skopje based Secretariat and the overall Network receives technical inputs from the World Health Organisation and other relevant intergovernmental organisations. SEEHN has developed a long list of potential actions that must now be reviewed to agree on those most appropriate and feasible for regional action.

## FINANCING OF RAP IMPLEMENTATION

The developmental activities to be carried out under these dimensions will be financed via the RCC's SEE 2020 facility in 2014. As noted above, a key component of this preparatory work to define and schedule the specific actions to be undertaken will be to assess the availability of resources to implement the necessary activities.

# 4.5. Growth Conducive Environment – Governance for Growth Pillar

## OVERALL OBJECTIVE AND PROGRESS TO DATE

The Governance for Growth pillar is considered a pre-requisite for the achievement of the overall goals of SEE 2020 and thus it is a cross cutting component of the Strategy that underpins the work of the other pillars. It seeks to ensure that the government institutions that implement SEE 2020 are well functioning, transparent and efficient; that corruption is contained and substantial progress is made in the implementation of the rule of law.

The headline target for this pillar is to improve governments' effectiveness as measured by the World Bank's Governance Index from 2.33 in 2010 to 2.9 in 2020.

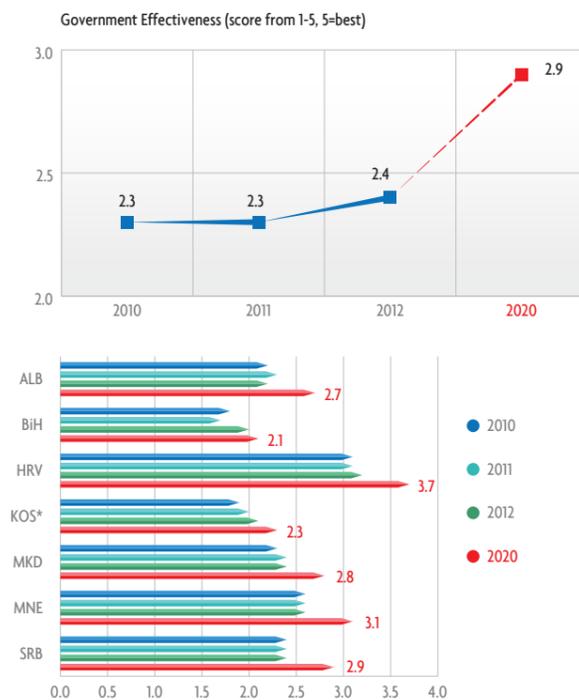
Figure 13 shows data for the regional and national headline indicator for this pillar, highlighting a significant gap between the current situation (2012 or 2013, depending on available data) and the 2020 target.

Improvement in government effectiveness is a crucial precondition for improvement of the business environment and socio-economic well-being in the region. Overall government effectiveness ratings as measured by the Worldwide Governance Index are low in the region, with only Croatia scoring higher than 3 on the scale from 1 to 5 in 2012.

Scores for the remaining economies range from 1.8 in BiH to 2.6 in Montenegro.

While some countries recorded a slight improvement in scores in the 2010-2012 period (BiH, Croatia, Kosovo\* and The Former Yugoslav Republic of Macedonia), the region needs to improve significantly from its 2.4 average score in 2012 to 2.9 as targeted for 2020. The index measures citizens' perception of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation and the credibility of the government's commitment to such policies and thus indicates where improvements are required.

**Figure 13: Progress to Date towards 2020 Targets in Headline Indicators for Governance for Growth**



Source: WBI Worldwide Governance Indicators

\* 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.



## OBJECTIVE OF RAPs FOR PERIOD 2014-2015

The main objective of the actions to be taken in this pillar during this initial period are to improve the capacity of the public administrations in the region (at central and local level) to deliver government services more efficiently; increase transparency and public awareness of the rules governing access to services; and increase capacity and cooperation across the judicial system in the region.

## SUMMARY OF GOVERNANCE FOR GROWTH ACTION PLANS

In the field of government services, the development of a regional action plan is at an early stage and the actions in this 2014-2015 period focus on further analysis and consultations by the dimension coordinators to finalise a suitable plan. In addition activities to train public officials and support public administration reform at the national and sub-national level are planned. Identifying and elaborating measures to reduce the potential for corruption in the provision of service particularly the use of e-services and the development of regional recommendations in the area of corruption-proofing of legislation are the focus of activities under the anti-corruption dimension. Within the justice dimension, the focus during the next two years will be in the area of court efficiency and quality of justice and strengthening cross-border judicial cooperation in business related legal and judicial areas.

Action	Expected Results	Activities
<b>Effective Public Services</b>		
Develop comprehensive regional action plan for enhancement of public services at national and local level	Detailed action plan addressing 4 main themes (i) upgrading policy & regulatory capacity (ii) quality of public services (including introduction of e government) (iii) subsidiarity & coordination between levels (iv) professionalism of public servants.	Annual ReSPA TNAs; consultations with national government and local government representatives as well as relevant current & potential partners organisations; Meetings of ReSPA and NALAS structures
Deliver tailored training programmes to public administration officials from central and local government	Enhanced knowledge and awareness among public officials regarding specific topics of relevance to SEE 2020.	Design and delivery of seminars, workshops and study tours; meetings of ReSPA structures
Provision of advice and guidance and sharing of best practice for local governments across a range of SEE 2020 related topics	Support to public administration reform efforts at sub-national level, particularly for local government; strengthened capacity among local governments; and identification of specific assistance needs.	NALAS Secretariat services; meetings of NALAS structures; dissemination of reports and information
<b>Anti-Corruption</b>		
Devise best practice methodology for assessing corruption risk in public institutions in SEE 2020 economies	Overview of current measures to assess corruption risk assessment; and agreement on series of measures to strengthen current procedures.	Technical assistance, expert consultations, seminars, meetings of RAI structures

Action	Expected Results	Activities
Recommendations for "corruption proofing" legislation in SEE economies;	Overview of current status of legislation with relation to 'corruption proofing'; methodology for strengthening the legislative process; and agreement on way forward-	Technical assistance; expert consultations, seminars, meetings of RAI structures
Identify options to promote greater awareness among civil society of actions to combat corruption	Agreed programme of actions to be taken at regional level by different stakeholders e.g. media, NGOs etc to highlight whistleblowers and publicise research on impact of corruption.	Consultations with relevant stakeholders and potential partners; Meetings of RAI structures
<b>Justice</b>		
Improve efficiency of courts, enhance quality of justice and improve competences of judges and prosecutors	Report on comparative overview of case weighting systems and promotion of best practice; Developed methodology on collecting data for court statistics; raised awareness on CEPEJ SATURN tools; report on comparative overview and best practice in court backlog reduction programmes.	Technical assistance, meetings with stakeholders and potential partners, meetings of WG
Strengthen cross-border judicial cooperation in business related legal and judicial areas and alternative dispute resolution mechanisms	Initiate development of an e-enforcement system on the basis of the authentic documents and e-procedure in bankruptcy matters; Mediation in bankruptcy proceedings started; Increased expertise of judges in the field of cross-border mergers, acquisitions and company/land registration.	Technical assistance, meetings with stakeholders and potential partners, meetings of WG

## RELEVANCE TO NATIONAL ACTION PLANS FOR SEE 2020

Public administration reform and capacity building at both central and local level is a common feature of all national plans. Most countries plan to introduce or amend legislation on the public service and the introduction of e-services is also planned across the region as a way to both improve efficiency and reduce corruption. Legislation to address corruption is being introduced or augmented in all SEE 2020 economies and substantial efforts to increase the independence of the judiciary and improve competence are also common features. The introduction or improvement of alternative dispute mechanisms is another area of focus in NAPs.

## PILLAR/DIMENSION COORDINATORS

The **Regional School of Public Administration (ReSPA)** was created in 2010 by the SEE 2020 economies in conjunction with the EC and aims to enhance the effectiveness of public administration in the region through regional cooperation in training and institutional



strengthening. It provides a range of tailored training programmes for civil servants and local government officials at its campus in Montenegro. Ministries responsible for public administration are represented on its governing board and it is developing partnerships with relevant European and international organisations. Its annual training needs assessments provide an excellent opportunity to ensure that capacity building in areas relevant for SEE 2020 implementation are identified and addressed.

The **Network of Associations of Local Authorities in South East Europe (NALAS)** was established in 2001 and brings together 16 associations from all the SEE 2020 economies as well as Bulgaria, Moldova, Romania, Slovenia and the Marmara region in Turkey. It also has formal relations with a range of international organisations relevant for local government including the Council of European Municipalities and Regions, the Council of Europe's Centre of Expertise for Local Government and the Committee of the Regions. It provides a forum for the sharing of experience and best practice as well as institutional strengthening. NALAS has a governing board and its secretariat, based in Skopje, oversees and coordinates its activities. NALAS operate a number of task forces in subjects of particular interest to local government including energy efficiency, fiscal decentralisation, solid waste and water, sustainable tourism and urban planning. These areas are also highly relevant for different dimensions/pillars of SEE 2020.

The **Regional Anti-Corruption Initiative – RAI** is a longstanding initiative that supports SEE countries in their efforts to curb corruption. All the SEE 2020 economies participate in RAI activities alongside other members – Bulgaria, Moldova and Romania. RAI structures include a Steering Group and a small secretariat based in Sarajevo. SEE 2020 related activities have been specifically foreseen in the overall RAI work programme and are focused on the SEE 2020 economies.

The **Working Group on Justice** is a very new structure recently endorsed by ministries of justice from the SEE economies at their meeting on 22 May 2014. It comprises senior officials from the justice ministries and an annual meeting of ministers is foreseen. The RCC is currently providing secretariat services for this Group.

## FINANCING OF RAP IMPLEMENTATION

Some of the actions proposed under the Governance for Growth pillar are part of the work programme of the different coordinators e.g. ReSPA training programmes or the NALAS information service. For those actions at an early stage of development/design, small TA contracts financed via RCC are assisting the stakeholders to determine the scale, scope and feasibility of proposed actions. These preliminary actions will allow for future assistance needs to be more clearly identified and financing secured from appropriate sources.

# 5. Looking Forward

A review of the process followed to prepare the individual national and regional work programmes that are summarised in this report and an analysis of their content, indicates that certain steps should be taken in the short-term to ensure effective implementation of the different action plans and hence the overall Strategy. They also give rise to some “food for thought” regarding how the distinctive nature of the SEE 2020 process can be further exploited to assist the economies of the Western Balkans overcome some of the challenges and obstacles they face when seeking to improve the competitiveness of the region and boost socio-economic development.

## Effective Implementation of Action Plans

### ENSURE RELEVANCE OF TARGETS AND INDICATORS

The stocktaking of data exercise compiled for this report has several implications for the future regular monitoring of the SEE 2020 Strategy.

First, some of the headline targets may prove to be too ambitious for the countries to reach (i.e. total trade, exports per capita, intra-regional trade and employment rate). Whether or not they are scaled back somewhat depends on the approach SEE 2020 economies wish to take with regard to targets. For example, the EU 2020 headline targets are viewed as policy anchors which, though they may have their limitations, help to measure and guide the different aspects of the strategy, thus helping to steer political awareness and policy focus at both national and EU levels.

Data on the 11 headline indicators should be collected with care and use consistent data sources in order to ensure comparability.

Further refinements in terms of the indicators to be used in the monitoring will be necessary. Some of the indicators for data collection identified in the Dimension Reports have proved to be too ambitious and/or unsuitable since data is not available (dimension coordinators submitted data for 180 indicators in comparison to 322 envisaged indicators), or is partially available, or is not comparable given methodological differences.

The total number of possible indicators for data collection identified in the Dimension Reports (322) is too high for effective and efficient data collection given both the data constraints and institutional capacity constraints in the region. It therefore may be more effective to focus on a fewer number of indicators for which data will be regularly submitted by the dimension coordinators for the purpose of monitoring the implementation of SEE 2020. It is suggested that an optimal number of indicators for data collection could be around five per dimension (80 in total for 16 dimensions), taking into account the relevance, comparability and availability of data.



## INCREASE TRANSPARENCY AND ACCOUNTABILITY

Implementation of the Strategy provides a novel, comprehensive and more transparent overview of policy reforms and economic development in the region. Substantial information on government policy planning and programming as well as actions to meet regional and international commitments have been gathered and summarised under one '*chapeau*' and a monitoring mechanism has been devised that will make a range of data and analysis available on a regular basis to a wide audience of national, regional and international bodies. The SEE 2020 annual reports on implementation should be complemented by a user friendly and accessible database that allows interested parties including policy makers, citizens and investors to easily track and assess progress by dimension, by pillar, by country etc. The high level of transparency provided by such a web-based tool should stimulate greater interest in the region by investors - both domestic and international - as well as serve as an incentive for national administrations to move rapidly from policy development to implementation.

## CALIBRATE REGIONAL ACTIONS TO PROVIDE TAILOR MADE SUPPORT FOR NATIONAL EFFORTS

The preparation of the national and regional action plans in the short period available (less than 6 months) since the adoption of the Strategy has required intensive work by a large number of stakeholders at national, regional and international level. In general this work was carried out in parallel, as the time available did not allow for regional organisations to wait for national plans to be finalised before preparing their proposals. Nevertheless, the comprehensive consultation process in developing the SEE 2020 Strategy and the action plans has yielded a high level of coherence between regional and national agendas with the regional action plans displaying considerable alignment with national programmes.

In some policy areas however, further efforts should be made in the coming months to fine-tune the relevant regional action plans so that they provide the most appropriate and timely support for national efforts. This is particularly evident in those dimensions where the regional bodies are relatively new or where regional actions are in the early stages of identification and development (e.g. R&D and Innovation, or Effective Public Services).

## INTENSIFY ROLE OF REGIONAL ORGANISATIONS IN IDENTIFYING, PLANNING AND MONITORING EXTERNAL TECHNICAL ASSISTANCE

Technical assistance programmes and projects financed by the EC and bilateral donors as well as International Financial Institutions (IFIs) play a very important role in the implementation of the SEE 2020 Strategy. An array of current and planned assistance programmes are referenced in every national and regional plan and it is clear that governments and organisations see such programmes as a vital element of their capacity to implement the planned actions. In some cases new technical assistance projects will be necessary in the future to implement actions that are currently being designed or assessed.

Technical assistance programmes are particularly needed for regional actions, as these are traditionally more difficult to finance than those at national level. Many of the regional assistance programmes while funded by the EC or bilateral donors are implemented by international or European organisations e.g. the EBRD, EIB, CEB, KfW, World Bank Group, OECD, Council of Europe, Eurostat, European Training Foundation, World Health Organisation etc. The level of communication and coordination between these programmes and the RCC and the relevant SEE 2020 regional structures will substantially influence the ability of such assistance to provide the greatest level of support for the specific policy area; to benefit from related work in the topic; to avoid duplication of effort; and to ensure that recommendations are tailored to the specific circumstances in the region and therefore more readily implemented.

In addition, using existing cooperation structures and processes with clear political mandates and governance arrangements instead of creating new short-term project arrangements, ensures sustainability of these assistance programmes, augments their impact and, importantly, increases institutional capacity in the region.

Ideally, the EC and bilateral donors should, as a matter of routine, involve RCC and the relevant regional structures in the preparation of all regional TA programmes on topics of relevance for the SEE 2020 agenda. If possible, the organisations should have a role in supporting and monitoring these assignments to ensure that their outputs are as relevant as possible for the respective policy area's objectives and targets.

The EU's assistance programme for the region - the Instrument for Pre Accession (IPA) plays an important role in the implementation of SEE 2020. The convergence between the SEE 2020 process and the re-orientation of EU support under IPA II offers substantial potential to enhance the impact of the assistance provided. The competitiveness and growth related policy areas listed for EU support both in national IPA strategies and specifically in the IPA II Multi-Country Strategy Programme (MCSP) are all addressed under SEE 2020. The MCSP also highlights the potential of SEE2020 to contribute to greater competitiveness and growth and notes the intention to provide support – both direct and indirect for the achievement of the SEE 2020 targets.

## INTEGRATE SEE 2020 WITH OTHER STRATEGIC DEVELOPMENT PROCESSES

With the introduction of SEE 2020 Strategy, the focus of regional cooperation is firmly anchored within the economic agenda. The dismal state of the EU and SEE economies and the acknowledgment that the EU accession process is heavily influenced by the economic criteria has also informed this regional cooperation process. SEE 2020 was in part designed to help the enlargement countries move towards functioning market economies and attain the capacity to compete in the Single EU market. The measures put forward in SEE 2020 are thus directly relevant to the EU accession process.

This shift in regional cooperation has also coincided with the change in the dialogue between the EU and the SEE economies. In its latest Enlargement Strategy and Main Challenges 2013-2014<sup>13</sup>, the EC has indicated that it will introduce a new approach to economic governance

<sup>13</sup> *Communication from the Commission to the European Parliament and the Council 'Enlargement Strategy and Main Challenges 2013-2014' COM(2013)700, 16 October 2013*



with a focus on tackling economic fundamentals first to allow enhanced strategic and targeted support for national reform priorities. As part of this, all SEE 2020 economies will be asked to prepare annual National Economic Reform programmes and biennial Competitiveness and Growth Programmes on key sector reforms underpinning competitiveness. The EC intends to provide assistance to the SEE economies as well as guidance through the progress reports that form part of the annual Enlargement Strategy.

Given that the SEE 2020 strategy addresses many of the economic fundamentals highlighted by the EC as relevant for better economic governance, the actions, activities and resources devoted to implementing SEE 2020 can serve as a valuable input to the annual and biennial programmes required by the EC. The stronger focus of the EC on the economic agenda is very much welcome and will help in overcoming considerable challenges and constraints on resources – human and financial at national and regional level. SEE 2020 implementation and EC's focus on stronger economic governance are mutually reinforcing processes and will jointly help move the region towards the achievement of its targets.

Furthermore, SEE 2020 can be utilized to better link the region with other macro-regional strategies. In this sense, two strategies are particularly relevant for SEE – EU Strategy for the Danube Region and the draft EU Strategy for Adriatic-Ionian Region. Building on the enlargement process, the Danube Strategy has put in place a cooperation structure to address common challenges and to achieve four strategic policy objectives: Connecting the Danube Region<sup>14</sup>; protecting the environment, building prosperity and strengthening the Danube Region. The draft EU Strategy for Adriatic-Ionian Region intends to build on the lessons learnt inter alia from the Danube Strategy and pursues similar objectives such as better connectivity with a focus on maritime transport and port-hinterland connections. RCC and its participants will actively seek to establish operational links with these two strategic frameworks.

## SEE 2020: A Framework for Stimulating Strategic Actions on Competitiveness and Growth

As highlighted earlier, the SEE 2020 economies face many common challenges, not least the small size of their economies and limited institutional capacities to develop and implement suitable transition policies. In the medium to long term, the SEE 2020 framework should be utilised to assist national governments devise and implement more comprehensive and complex strategies to engender greater competitiveness in the region. To date, SEE 2020 seeks to exploit synergies on a vertical basis via the dimensions/pillars. This should be supplemented by the development of a more horizontal approach to complex strategic issues such as investment generation, industrial

<sup>14</sup> *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "European Union Strategy for Danube Region" (COM/2010/0715 final)*

development and human capital development building on the five pillars of the Strategy. In the short-term this means facilitating the development of joint actions across dimensions and pillars based on the current RAPs. In the longer term this implies the establishment of specific structures to address more complex strategies for socio-economic growth in the region.

## EXPLOIT CURRENT POTENTIAL FOR CROSS DIMENSION/PILLAR COOPERATION

An analysis of the actions foreseen under the current RAPs indicates substantial potential for cross dimension or cross pillar cooperation that should be exploited through the coordination mechanism established for the development of the RAPs. Examples of topics of common interest include:

- Removal of physical and non-physical barriers for facilitation of transport and trade is an objective under both the trade and transport dimensions;
- Labour mobility issues are of interest for the Integrated Growth Pillar that will look at trade in services and the Inclusive Growth Pillar, which is looking at options to increase employment opportunities;
- Identifying policy options to attract greater funding for infrastructure investments is on the agenda of the transport, energy and effective public services dimensions;
- Skills gap and skills mismatch analysis and enhancement of curricula is relevant for the competitiveness, education, entrepreneurship and employment dimensions;
- The so-called digital agenda, particularly developing and implementing e-services facilities is of substantial interest across all pillars e.g. to facilitate more simplified customs procedures (trade dimension); to reduce potential for corruption (anti-corruption dimension); increase awareness of climate change issues (environment dimension); improve access to high quality education and health services (education, employment and health dimensions);
- Finally, sectoral work in the areas of food and beverage processing and tourism, as agreed by the region's Ministers of Economy, represent an excellent basis for common intervention.

## Evolving role of the Regional Cooperation Council

As the region starts to engage in the implementation of SEE 2020, the role of the RCC as the main supporting structure will continue evolving as well.

To date RCC has focused on the following key tasks:

- Development of a forum for coordination between regional organisations responsible for coordinating different dimensions;
- Development of a forum for coordination among national governments who are parties to the SEE 2020 Strategy;
- Facilitating development of national and regional action plans including financing of technical assistance;
- Identifying the key features of the SEE 2020 monitoring system; and
- Establishing an appropriate governance mechanism that reflects the main goals of SEE 2020 – socio-economic growth and EU accession and benefits from the wider regional setting that RCC operates in.

As implementation of the action plans gets underway, RCC's coordination and monitoring roles will also have to evolve to strengthen the structures and communication channels already established and to build up the monitoring system in a user friendly, transparent and accurate fashion. RCC can also reinforce the capacity of regional dimension coordinators to implement the regional action plans and encourage joint actions in common topics by providing access to targeted and coordinated technical assistance through the so-called SEE 2020 Technical Assistance Facility. This will build on the experience gained during this inception phase with the EC funding made available via RCC for preparing the implementation of SEE 2020. The new Facility is expected to operate formally from the beginning of 2015 and clear procedures will be established to govern the application and award process for any assistance.

In line with the approach outlined by the EC in the MCSP to use Indirect Management Delegation Agreements to supply EC managed financing more efficiently, RCC is currently completing the 'six pillar process' required by the EC for organisations that can receive EC funding for subsequent delegation to other bodies. Completion of this process will strengthen RCC's capacity to manage assistance funds to international standards and as such will provide the EC as well as bilateral donors with an attractive mechanism to channel funds to priority initiatives and programmes under SEE 2020 in a coordinated manner.

RCC will also seek to establish appropriate working bodies bringing together relevant organisations and expertise to leverage the SEE 2020 framework to address more complex strategies for socio-economic development. Last, but not least, during 2014, the RCC will embark on an exercise of identifying programme support for SEE 2020 implementation. The objective would be to define initiatives and projects that will ensure and/or facilitate implementation of SEE 2020 measures. It will be structured to coincide with the IPA MB programming cycle and will take into consideration national IPA programming processes.

## 6. Economy Profiles

### Albania

Given its comparatively lower exposure to capital inflows and the banking sector of the euro zone, the Albanian economy has generally outperformed SEE regional economic growth since 2008 (Figure 14), being one of the two economies (the second being Kosovo\*) which did not experience a GDP reduction in 2009 or 2012. However, Albanian GDP per capita relative to the EU average (in purchasing power standards) is among the lowest in the SEE region (at 7,680 EUR in 2012; only Kosovo\* and Bosnia and Herzegovina have lower per capita GDP).

While there has been some increase in unemployment in 2009–2011, according to the Labour Force Survey data of the Albanian Statistics Agency, unemployment is currently the lowest in the region, at around 14%.

Exports per capita in Albania are also among the lowest in the region, but the country has seen some strong increases in exports in recent years (Figure 15).

The general government sector is characterised by a smaller size of government than regional averages, but carries high public debt (the highest in the region, reaching over 70% of GDP), as shown in Figure 16.

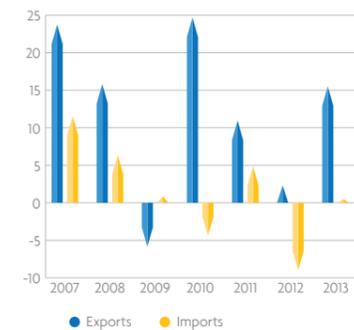
The headline indicators for Albania within the SEE 2020 Strategy are given in Table I, along with the actual 2010–2013 data (where available)<sup>15</sup>.

Figure 14: Real GDP Growth in Albania (% change)



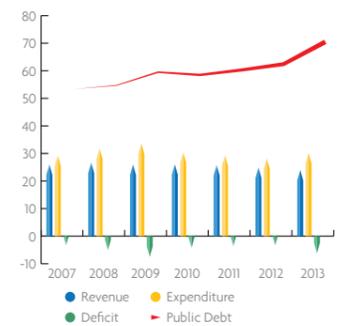
Source: IMF, World Economic Outlook (April 2014)

Figure 15: Exports and Imports in Albania (in annual % change)



Source: IMF, World Economic Outlook (April 2014)

Figure 16: General Government Revenue, Expenditure, Balance and Public Debt in Albania (in % GDP)



Source: IMF, World Economic Outlook (April 2014)

<sup>15</sup> An internal consistency check of the headline indicators implies a possible internal inconsistency for Albania for 2010: Albanian GDP per person employed (in EUR PPS) based on actual data is around 22,000 EUR, while the 2010 baseline indicator in the adopted SEE 2020 Strategy is 17,839 EUR.

\* 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.

For most of the headline indicators, Albania has made some progress to date towards reaching the 2020 targets.

However, for some of the indicators, the data (showing relatively small progress or mixed/reverse trends in 2010–2012/2013) may imply that the 2020 targets are too ambitious. This applies to total trade, which would need to increase by 133% in the 2014–2020 period, exports per capita, which would need to increase by 170%, and inter-regional trade, which would need to increase by 116%.

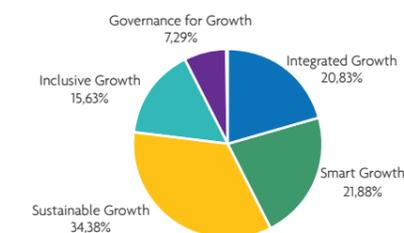
SEE 2020 - ALBANIA						
Description	2010	2011	2012	2013	2020	
Overall strategic goals	Adopted Strategy	Actual data	Actual data	Actual data	Adopted Strategy	Source for 2011-2012/2013 data
1. GDP per Capita Relative to the EU average (in PPS), % of EU-27 average	27.0	30.0	30.0	n/a	38.0	Eurostat
2. Total Trade in Goods and Services (EUR million)	7,695	8,154	7,596	7,498	17,500	IMF, since Agency for Statistics only has GDP by expenditure until 2008
3. Trade Balance (% of GDP)	-24.0	-20.9	-23.1	-19.0	-14.3	
Integrated growth						
4. Intra-regional Trade in Goods (EUR million)	425	509	533	n/a	1,150	Dimension Report data sent by CEFTA
5. Overall FDI Inflows (EUR million)	793	717	727	741	2,200	IMF
Smart Growth						
6. GDP per Person Employed (EUR at PPS)	17,839	18,521	19,359	n/a	24,000	Agency for Statistics LFS, Eurostat for PPS, GDP as above
7. Number of highly qualified persons in the workforce (million)	216,000	163,972	171,819	n/a	260,000	Agency for Statistics LFS
Sustainable Growth						
8. Net Enterprise Creation (new businesses per year)	2,045	3,070	2,291	n/a	2,500	Agency for Statistics
9. Exports of Goods and Services per Capita (EUR)	1,023	1,074	1,050	1,073	2,900	IMF
Inclusive Growth						
10. Overall Employment Rate, % of 15+ population	47.1	51.9	50.1	n/a	54.3	Agency for Statistics LFS
Governance for Growth						
11. Government Effectiveness (World Bank Governance Index)	2.2	2.3	2.2	n/a	2.7	WGI

Table I: SEE 2020 Strategy Headline Targets for Albania

The Government of Albania has drafted and sent for adoption the SEE 2020 National Action Plan (NAP) 2014–2020, which also includes SEE 2020 NAP for the period 2014–2015. A total

Figure 17: Albania - Number of Measures by Pillar

Pillar	Number of Measures	%
Integrated Growth	20	20.83
Smart Growth	21	21.88
Sustainable Growth	33	34.38
Inclusive Growth	15	15.63
Governance for Growth	7	7.29
Total	96	100



of 96 measures have been defined for the 2014–2015 period. Figure 17 outlines a breakdown of the number of individual measures by pillar.

Measures and actions under the **Integrated Growth Pillar** include: reduction of administrative costs and the removal of non-tariff trade barriers (ex-post and ex-ante); strengthening competition rules by creating a trade zone as an instrument of trade protection; improving electronic services in the area of protection of intellectual property rights; improving foreign investment policies; increasing FDI flows by accelerating the privatisation process and promoting economic zones, industrial parks and free zones.

Under the **Smart Growth Pillar**, measures, *inter alia*, consist of the reform of pre-university education, and legislative and institutional actions, such as the development of the new Law in Higher Education. The legal framework for the implementation of financing reform in higher education and the drafting of an action plan on entrepreneurial learning focused particularly on female entrepreneurship are also envisaged. Additional measures and actions include supporting scientific research; facilitating a business approach to innovation; implementing the National Plan for the Development of Broadband and drafting the National Interoperability Framework; and continuing the integrated rehabilitation of cultural heritage (Ljubljana Process) through, *inter alia*, a review of the Cultural Heritage Law.

The **Sustainable Growth Pillar** includes several measures that will focus on developing the First NAP on Renewable Energy and the Second National Action Plan on Energy Efficiency. It also includes measures to further improve legislation and the tariff system to enable a better investment climate and attract more investors; implement the conclusions and recommendations of the National Transport Plan; draft laws and bylaws in the transport sector; draft a National Strategy on Climate Change Adaptation and a National Strategy on Integrated Water Resource Management; promote female entrepreneurship, establish industrial clusters and encourage creative enterprises.

The **Inclusive Growth Pillar** focuses on promoting quality employment and opportunities for education and vocational training for women and men; reforming social care services; a number of actions to further promote gender equality; modernising the system of social assistance; improving public health legislation; drafting the Strategy for Annual Check-ups, and undertaking policies for infectious disease prevention.

The **Governance for Growth Pillar** focuses on the following measures and actions: ensuring full implementation of the Law on Civil Service, getting approval for the Strategy for Public Administration Reform and improving electronic governance; drafting and getting approval for a National Strategy for the Fight against Corruption for 2014–2017; increasing cooperation between the judicial inspectorate and anti-corruption agencies; increasing the efficiency of the courts; and getting approval for the Law on Arbitration.

# Bosnia and Herzegovina

While the pre-crisis economic growth of BiH outpaced average regional growth, the crisis significantly impacted the country (Figure 18). GDP performance in BiH was weaker than the regional average in 2009–2012 due to the external environment, but also because of important internal weaknesses in the economy.

This poor economic performance coupled with the fact that BiH's GDP per capita relative to the EU average (in purchasing power standards) is the second lowest in the SEE region (at 7,424 EUR in 2012, only Kosovo\* has lower per capita GDP), implies that BiH has seen the slowest convergence to the EU GDP in the SEE region since 2010.

Unemployment has also been particularly high, constantly increasing since 2008 from 23.4% to 28% in 2012 (third highest unemployment in the region after The Former Yugoslav Republic of Macedonia and Kosovo\*). Exports per capita in are also among the lowest in the region, but the country has seen some strong increases in exports in recent years (Figure 19).

The general government sector in BiH is the largest in the region at almost 50% of GDP and is also very large globally when compared to countries with similar income levels. Public debt increased from below 20% in the pre-crisis period to over 40% of GDP in 2013.

The headline indicators for BiH within the SEE 2020 Strategy are given in Table 2, along with the actual 2010–2013 data (where available)<sup>16</sup>.

For most of the headline indicators, BiH has made some progress towards reaching the 2020 target.

Figure 18: Real GDP Growth in BiH (% change)

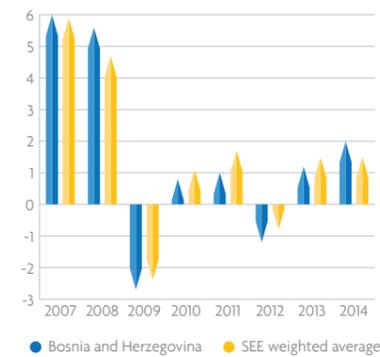


Figure 19: Exports and Imports in BiH (% change)

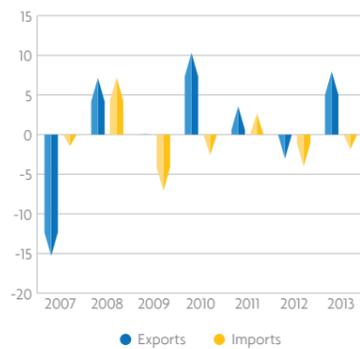
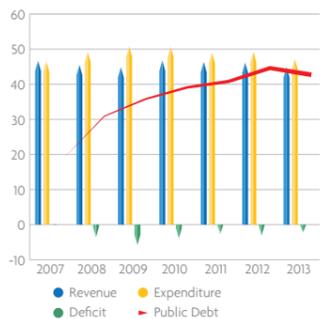


Figure 20: General Government Revenue, Expenditure, Balance and Public Debt in BiH (in % GDP)



Source: IMF, World Economic Outlook (April 2014)

However, for some of the indicators, like all other SEE 2020 economies, actual data (showing relatively small progress or mixed/reverse trends in 2010–2012/2013) may imply that the 2020 targets are too ambitious.

This applies to total trade, which in the case of BiH would need to increase by 111% in the 2014–2020 period, exports per capita, which would need to increase by 135%, and inter-regional trade, which would need to increase by 120%. The overall employment rate shows a continuous reverse trend, with a decrease from 32.5% in 2010 to 31.6% in 2013.

SEE 2020 - BiH						
Description	2010	2011	2012	2013	2020	
	Adopted Strategy	Actual data	Actual data	Actual data	Adopted Strategy	Source for 2011-2012/2013 data
<b>Overall strategic goals</b>						
1. GDP per Capita Relative to the EU average (in PPS), % of EU-27 average	28.0	29.0	29.0	n/a	38.0	Eurostat
2. Total Trade in Goods and Services (EUR million)	12,138	11,418	11,323	11,609	24,500	Agency for Statistics up to 2012 and DEP for 2013
3. Trade Balance (% of GDP)	-25.6	-23.3	-23.5	-22.5	-20.2	
<b>Integrated growth</b>						
4. Intra-regional Trade in Goods (EUR million)	3,100	3,445	3,231	n/a	7,100	Dimension Report data sent by CEFTA
5. Overall FDI Inflows (EUR million)	174	342	273	320	500	IMF (Central Bank data unavailable for 2013, but previous data in line with IMF)
<b>Smart Growth</b>						
6. GDP per Person Employed (EUR at PPS)	29,183	34,838	35,424	n/a	40,200	Agency for Statistics LFS, Eurostat for PPS, GDP as above
7. Number of highly qualified persons in the workforce (million)	213,000	168,000	164,000	185,000.0	255,000	Agency for Statistics LFS
<b>Sustainable Growth</b>						
8. Net Enterprise Creation (new businesses per year)	1,896	2,639	1,694	n/a	2,300	Agency for Statistics
9. Exports of Goods and Services per Capita (EUR)	1,232	1,057	1,038	1,108	2,600	Agency for Statistics
<b>Inclusive Growth</b>						
10. Overall Employment Rate, % of 15+ population	32.5	31.9	31.7	31.6	33.9	Agency for Statistics LFS
<b>Governance for Growth</b>						
11. Government Effectiveness (World Bank Governance Index)	1.8	1.7	2.0	n/a	2.1	WGI

Table 2: SEE 2020 Strategy Headline Targets for Bosnia and Herzegovina

<sup>16</sup> Internal consistency checks of the headline indicators for BiH shows broad consistency. There is a possible issue with the original 2010 baseline data—the number of highly qualified persons in the workforce may have been mistaken in the original 2010 data for the number of highly qualified persons of working age.

\* 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.



Technical assistance provided to the BiH authorities on SEE 2020/National Action Plan (NAP) identified a total of 92 measures for the period 2014-15. Figure 21 outlines the breakdown of number of measures by pillar.

Figure 21: BiH - Number of Measures by Pillar



Proposed measures and actions under the **Integrated Growth Pillar** include: review the Foreign Trade Policy Law; increase institutional and private sector capacity to benefit from the implementation of CEFTA; adopt a coherent legal framework for protection, enforcement and promotion of trade related intellectual property rights; strengthen the internal market in BiH; review the investment framework of BiH; and further improvement of the business climate, especially easing company registration procedures.

Under the **Smart Growth Pillar**, proposed measures, *inter alia*, consist of policies which will increase equitable access to, and participation in, high quality education at all levels; implement measures to prevent early-school leaving and drop-out; improve completion rates at all levels; support the establishment of a Research Excellence Fund and adoption and implementation of e-legislation and related strategic documents.

The **Sustainable Growth Pillar** includes several proposed measures that focus on the development and adoption of the legislative, regulatory and institutional framework for energy efficiency; development of an information campaign and capacity building programme on energy efficiency; improving road infrastructure and the transport network; developing countrywide strategic planning and harmonising the legal framework for environmental protection; developing a functioning environmental monitoring and information system as well as a horizontal and vertical communication and information exchange in this sector; increasing support for small and medium enterprises; and developing the business infrastructure in BiH.

The proposed measures and actions in the **Inclusive Growth Pillar** focus on strengthening the capacities and reputation of the Public Employment Services; development of efficient active labour market policies; adoption and implementation of a model for delivery of universal and high-quality health; promoting health services at all levels of care with an emphasis on the primary care sector; and strengthening human resources in the health care sector

The **Governance for Growth** pillar potential measures focus on improving strategic planning, coordination and policy-making at all levels of government; human resources management; building capacity of the Agency for the Prevention of Corruption and Anti-Corruption; ensuring independence and harmonization of the judiciary; and coordination of authorities in the field of justice.

# Croatia

While Croatia has by far the highest GDP per capita in the region, relative to the EU average (in purchasing power standards) at EUR 16,384 in 2012, its strong economic ties to the EU and internal structural weaknesses have resulted in a continuous decrease in GDP since 2009 (Figure 22). The unemployment rate doubled from 8.6% in 2008 to 17.6% in 2013. However, in the regional context, Croatia still has a lower unemployment rate than the other economies (with the exception of Albania).

Exports per capita are the highest in the region at around EUR 4,300 per capita, but export performance since 2009 has been weak (Figure 23).

The general government sector in Croatia is quite large at over 40% of GDP. Public debt increased from around 30% in the pre-crisis period to around 60% of GDP.

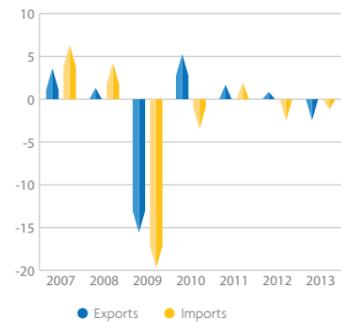
The headline indicators for Croatia within the SEE 2020 Strategy are given in Table 3, along with the actual 2010–2013 data (where available).

Figure 22: Real GDP Growth in Croatia (% change)



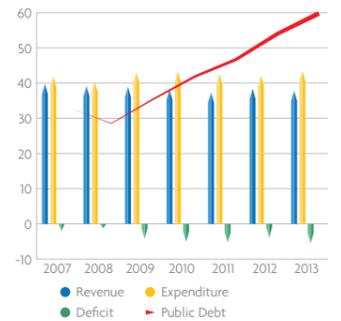
Source: IMF, World Economic Outlook (April 2014)

Figure 23: Exports and Imports in Croatia (% change)



Source: IMF, World Economic Outlook (April 2014)

Figure 24: General Government Revenue, Expenditure, Balance and Public Debt in Croatia (in % GDP)



Source: IMF, World Economic Outlook (April 2014)



SEE 2020 – CROATIA						
Description	2010	2011	2012	2013	2020	
	Adopted Strategy	Actual data	Actual data	Actual data	Adopted Strategy	Source for 2011–2012/2013 data
<b>Overall Strategic Goals</b>						
1. GDP per capita relative to the EU average (in PPS), % of EU-27 average	59.0	60.0	64.0	n/a	68.0	Eurostat
2. Total trade in goods and services (EUR million)	35,400	37,092	37,752	36,701	80,000	Agency for Statistics
3. Trade balance (% of GDP)	-3.8	-0.1	0.6	0.6	-3.3	
<b>Integrated Growth</b>						
						Dimension Report data sent by CEFTA
4. Intra-regional trade in goods (EUR million)	2,474	2,809	3,004	n/a	6,200	Central Bank
5. Overall FDI inflows (EUR million)	326	1,087	1,066	437	1,500	
<b>Smart Growth</b>						
						Agency for Statistics LFS, Eurostat for PPS, GDP as above
6. GDP per person employed (EUR at PPS)	40,990	43,765	50,028	n/a	52,000	Agency for Statistics LFS
7. Number of highly qualified persons in the workforce (million)	504,800	418,000	430,400	448,000.0	605,000	
<b>Sustainable Growth</b>						
8. Net enterprise creation (new businesses per year)	7,800	8,778	10,543	-11,603	9,300	Agency for Statistics
9. Exports of goods and services per capita (EUR)	4,010	4,329	4,441	4,314	9,000	Agency for Statistics
<b>Inclusive Growth</b>						
10. Overall employment rate, % of 15+ population	41.1	39.5	38.1	36.4	47.5	Agency for Statistics LFS
<b>Governance for Growth</b>						
11. Government effectiveness (World Bank Governance Index)	3.1	3.1	3.2	n/a	3.7	WGI

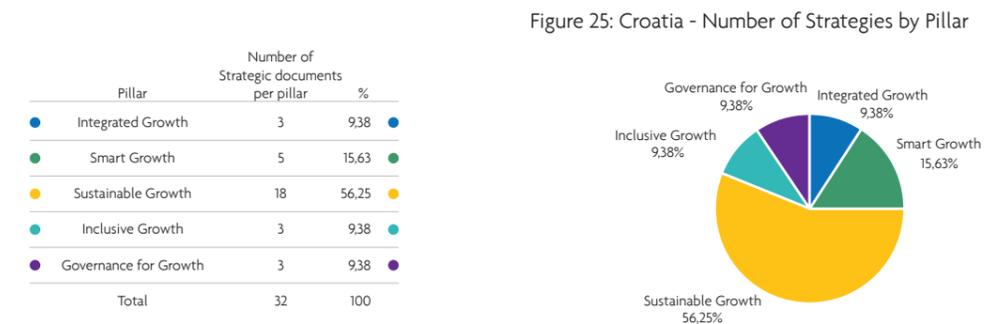
**Table 3: SEE 2020 Strategy Headline Targets for Croatia**

The actual figures generally show that Croatia is gradually progressing towards the set headline targets for 2020. The main convergence with the set targets can be seen in trade balance and GDP per employed person. However, this convergence is due to a variety of rather unfavourable underlying issues, since Croatia has faced deep structural macroeconomic imbalances over the past number of years. This has led to a decrease in employment accompanied by stable or even slightly decreasing real GDP growth, as well as decreasing imports resulting from reduced personal consumption.

Therefore, convergence cannot be observed concurrently in total trade in goods and services and the overall employment rate. Croatia's accession to the EU as of 1 July 2013 has not yet generated the expected growth, as it has not had the time or capacity to fully utilise EU structural funds or Cohesion Funds while at the same time there have been additional budget

pressures due to Croatia's participation in the EU budget. Moreover, export-driven growth has been suppressed due to Croatia's exit from CEFTA, which negatively affected intra-regional trade as one of the 11 set headline targets.

Croatia's strategic vision and its implications for SEE 2020, can be derived from an examination of key strategic documents. Figure 25 presents the number of Croatian strategic documents that are aligned with the main dimensions of SEE 2020. A total of 32 strategies covering the period 2014–2015 have been identified.



Strategies under the **Integrated Growth Pillar** include: the Action Plan for Export Support 2014–2015, the Strategy to Encourage Investment in Croatia 2014–2020 and the Industry Strategy of the Republic of Croatia 2014–2020.

Strategies under the **Smart Growth Pillar** include: the Strategy of Education, Science and Technologies Development, the Innovation Strategy of the Republic of Croatia 2014–2020, the Broadband Development Strategy of the Republic of Croatia in the period 2012–2015, a Strategy for the Protection, Conservation and Sustainable Economic use of Croatian Cultural Heritage for the period 2011–2015 and a Strategy for the Development of Culture to 2020.

Strategies and action plans related to the **Sustainable Growth Pillar** include: the Energy Development Strategy of the Republic of Croatia to 2020, the Strategy of Transport Development for the Republic of Croatia 2014–2030, a Strategy of Maritime Development and Integrated Maritime Policy for the period 2014–2020, the Waste Management Strategy 2005–2025, the Waste Management Plan 2007–2015, the Low-Carbon Development Strategy of the Republic of Croatia to 2050, an Air Protection Plan, Ozone Layer and Climate Change Mitigation for the period 2013–2017, the Strategy of Adjustments to Climate Change, a Water Management Strategy 2008–2038, an Action Plan for the Development of Organic Agriculture 2011–2016, a Strategy for Cluster Development in the Republic of Croatia 2011–2020, the Smart Specialisation Strategy 2014–2020, an Entrepreneurship Development Strategy 2013–2020, the National Strategy for the Development of Social Entrepreneurship 2014–2020, a Convergence Programme 2014–2017, Guidelines for Economic and Fiscal Policy 2014–2016 and a Strategy for Tourism Development in the Republic of Croatia until 2020.

Strategies related to the **Inclusive Growth Pillar** include: a Youth Guarantee Implementation Plan 2014–2020, the National Health Development Strategy 2012–2020, and the National Development Plan for Clinical Centres, University Hospitals, Clinics and General Hospitals in the Republic of Croatia 2014–2016.

Relevant **Governance for Growth Pillar** strategies are as follows: The strategy for the Modernisation of Public Administration 2014–2020, an Anti-Corruption Strategy and Justice Development Strategy 2013–2018.

While Kosovo\* has continuously had by far the highest GDP growth rates in the SEE region since 2007 and remained relatively unaffected by the crisis (given its comparatively lower exposure to capital inflows and the banking sector of the euro-zone), its GDP per capita relative to the EU average (in purchasing power standards) is still by far lowest in the region, at 5,773 EUR per capita in 2012 (Figure 26).

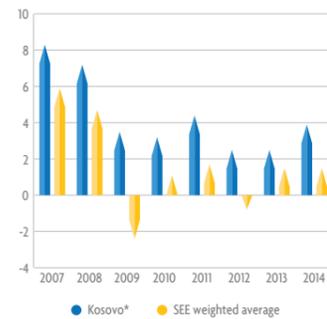
Given that Labour Force Survey data from the Kosovo\* Agency for Statistics is only available for 2009 and 2012, unemployment rate trends cannot be followed in detail, however, the available data shows unemployment rate decreasing from 45% in 2009 to 31% in 2012 (which is, along with the unemployment rate in The Former Yugoslav Republic of Macedonia, the highest unemployment rate in the region).

Exports per capita are by far the lowest in the region (at 522 EU per capita), although there has been some export increase recently (Figure 27).

The general government sector is the smallest in the region at under 30% of GDP. Public debt is low and has held at below 20% of GDP throughout the crisis.

The headline indicators for Kosovo\* within the SEE 2020 Strategy are given in Table 4, along with the actual 2010-2013 data (where available).<sup>17</sup> For most of the headline indicators, it has made some progress towards reaching the 2020 target. However, for some of the indicators, the

Figure 26: Real GDP Growth in Kosovo\* (% change)



Source: IMF, World Economic Outlook (April 2014)

Figure 27: Exports and Imports in Kosovo\* (% change)



Source: IMF, World Economic Outlook (April 2014)

Figure 28: General Government Revenue, Expenditure, Balance and Public Debt in Kosovo\* (in % GDP)



Source: IMF, World Economic Outlook (April 2014)

<sup>17</sup> Internal consistency check of the headline indicators implies significant possible internal inconsistency for Kosovo\* for 2010 – Kosovo\* GDP per person employed (in EUR PPS) based on actual data is around 30.000 EUR, while the 2010 baseline indicator in adopted SEE 2020 Strategy is 14.996 EUR. This is likely explained by the above-mentioned possible mistake in Kosovo\* 2010 data - the Kosovo\* 2010 original baseline was overestimated at 41.7%, given that available labour force survey data for Kosovo\* (available in the Agency of Statistics of Kosovo\* for 2009 and 2012) shows employment rate at 26% in 2009 and 2012. As a result, for 2020, in order to satisfy ambitious GDP growth and targeted GDP per employee (which ends up being lower than the 2010 actual value due to above-mentioned likely mistake in employment rate in 2010), employment rate in Kosovo\* would need to increase from 26% to 58%, which is not realistic.

\* 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.

actual data (with relatively small progress or mixed/reverse trends in 2010-2012/2013) may imply that the 2020 targets are too ambitious. As for all SEE 2020 economies this applies to total trade, which would need to increase by 68% in 2014-2020 period, intra-regional trade that would need to increase by 111% and exports per capita which would need to increase by 130%.

SEE 2020 – KOSOVO*						
Description	2010	2011	2012	2013	2020	Source
<b>Overall strategic goals</b>	<b>Adopted Strategy</b>	<b>Actual data</b>	<b>Actual data</b>	<b>Actual data</b>	<b>Adopted Strategy</b>	<b>Source for 2011-2012/2013 data</b>
1. GDP per Capita Relative to the EU average (in PPS), % of EU-27 average	22.0	23.0	22.6	n/a	27.0	World Fact book
2. Total Trade in Goods and Services (EUR million)	3,321	3,681	3,576	3,573	6,000	IMF, since Agency for Statistics has GDP by expenditure data only to 2011
3. Trade Balance (% of GDP)	-36.6	-37.6	-35.2	-32.0	-17.8	
<b>Integrated growth</b>						
4. Intra-regional Trade in Goods (EUR million)	872	955	946	n/a	2,000	Dimension Report data sent by CEFTA
5. Overall FDI Inflows (EUR million)	366	379	213	286	800	IMF
<b>Smart Growth</b>						
6. GDP per Person Employed (EUR at PPS)	14,966	0	34,621	n/a	20,200	Agency for Statistics LFS, World Fact book for PPS, GDP as above
7. Number of highly qualified persons in the workforce (million)	n/a	n/a	92,000	n/a	n/a	Agency for Statistics LFS
<b>Sustainable Growth</b>						
8. Net Enterprise Creation (new businesses per year)	141	150	1,713	-171	170	Agency for Statistics
9. Exports of Goods and Services per Capita (EUR)	495	525	509	522	1,200	GDP as above
<b>Inclusive Growth</b>						
10. Overall Employment Rate, % of 15+ population	41.7	n/a	25.5	n/a	45.8	Agency for Statistics LFS
<b>Governance for Growth</b>						
11. Government Effectiveness (World Bank Governance Index)	1.9	2.0	2.1	n/a	2.3	WGI

Table 4: SEE 2020 Strategy Headline Targets for Kosovo\*

\* 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.



One of the implications from Kosovo\*’s progress in terms of headline indicators is that there is a possible issue with original 2010 baseline data: data on the overall employment rate for population over 15 seems to be overestimated at 41.7%, given that available labour force survey data (available in the Agency of Statistics of Kosovo\* for 2009 and 2012) shows employment rate at 26% and 25.5%, respectively.

In terms of SEE 2020 implementation, the government has drafted the SEE 2020 National Action Plan 2014–2015. A total of 72 measures have been identified and Figure 29 shows a breakdown of the measures by pillar:

Figure 29: Kosovo\* - Number of Measures by Pillar



More specifically, under the **Integrated Growth Pillar**, the government will, *inter alia*, focus on facilitating the free flow of investment and services, eliminate the remaining tariffs and quotas in agricultural products and tackle non-tariff barriers to trade, improve market access, implement policies to assist foreign investors and to boost FDI, protect trademarks throughout the economy and strengthen the capacities of tax officials to combat tax evasion and fraud. Under the **Smart Growth Pillar**, the focus will, *inter alia*, be on introducing policies to increase equitable access to education at all levels, standardising qualifications and removing obstacles to their recognition, ensuring that education better meets economic and labour market needs, establishing five national Centres of Excellence in priority research areas and creating a fund dedicated to research and innovation in the business sector; developing broadband infrastructure; finalising a strategy and setting a date for the switch from analogue to digital broadcasting; improving access and reliability of e-services from central and local government; digitising national high-school final exams; and a number of measures related to rehabilitating cultural heritage through the Ljubljana Process.

Key strategic actions of the government under the **Sustainable Growth Pillar** are: implementing the second mid-term energy efficiency plan 2013–2015 with the aim of a 3% energy saving from GFEC, completing the legal basis for and establishment of the Energy Efficiency Fund; incentivising renewable energy sources (RES), to attract private investment in RES; getting approval for the Sectorial and Multimodal Transport Strategy and Action Plan, adopting the Framework Strategy on Climate Change and approximating legislation with the EU climate *acquis*; finalising and adopting the Kosovo\* Water Strategy 2014–2033; designing a policy for high growth SMEs; and promoting cooperation in the area of competition policy by strengthening the Kosovo\* Competition Commission (KCC).

Under the **Inclusive Growth Pillar**, the government will focus on developing the necessary legal infrastructure to collect, safeguard and analyse migration data; increasing the capacities of civil servants responsible for planning, facilitating and reporting on the regional consultative process on labour mobility; abolishing labour market restrictions; developing an ICT-based system

*\* 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.*

for the Labour Inspectorate to easily identify those involved in informal employment, and to monitor their performance; introducing concrete policy measures to improve the health of the population, with a focus on people in extreme poverty and those with special needs; and adopting and implementing the Law on Health Insurance.

Under **Governance for Growth Pillar**, the following actions have, *inter alia*, been identified: advancing the integrated strategic planning system at central and local levels; drafting and adopting a training strategy for civil servants; reviewing, updating and implementing the Strategy and Action Plan on e-Governance; introducing an e-procurement system; addressing properly and continuously audit recommendations; establishing the Justice Academy; amending the Law on Notaries and amending legislation on alternative dispute resolution and harmonisation.

# Montenegro

While the pre-crisis economic growth of Montenegro exceeded the average regional growth, the crisis significantly impacted the economy in 2009 and 2012 (Figure 30) due to its high exposure to foreign capital inflows and the banking sector of the euro zone. However, most recent growth rates in Montenegro are higher than the regional averages.

Montenegro's GDP per capita relative to the EU average (in purchasing power standards) is estimated to be the second highest in the SEE region (at 10,496 EUR in 2012, only Croatia has higher per capita GDP). Unemployment increased from under 17% in 2008 to around 20% in 2010–2012 (the third lowest unemployment rate in the region after Albania and Croatia).

Exports per capita are the second highest in the region (second to Croatia) at around 2,200 per capita in 2012, and the country's export trend since 2010 has outperformed SEE averages (Figure 31).

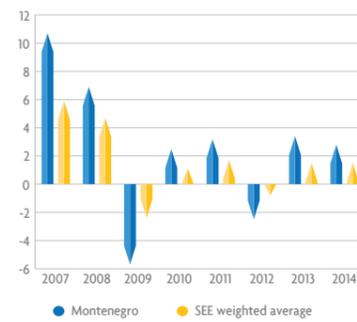
The general government sector in Montenegro is large at over 45% of GDP. Public debt increased significantly from 28% in 2008 to 57% of GDP in 2013.

The headline indicators for Montenegro within the SEE 2020 Strategy are given in Table 5, along with the actual 2010–2013 data (where available)<sup>18</sup>. For most of the headline indicators, it has made some progress towards reaching the 2020 target.

With respect to the main implications of the Montenegrin progress on the headline indicators, trade indicators for Montenegro are somewhat more realistic than for other SEE countries, with the total trade target, export per capita target, and intra-regional trade target requiring 2014–2020 growths of 70%, 76% and 15% respectively.

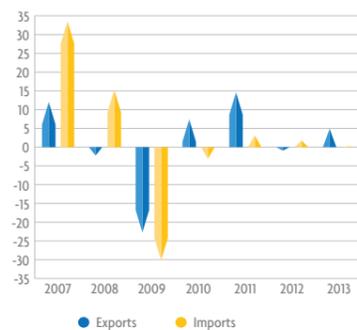
The overall GDP per capita relative to the EU average shows a reverse trend, with a decrease from 42% in 2010–2011 to 41% in 2012. The overall employment rate also decreased from 40.1% in 2012 to 39.4% in 2013.

Figure 30: Real GDP Growth in Montenegro (% change)



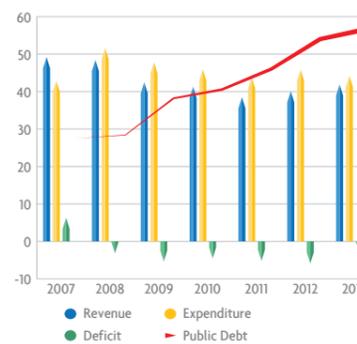
Source: IMF, World Economic Outlook (April 2014)

Figure 31: Exports and Imports in Montenegro (% change)



Source: IMF, World Economic Outlook (April 2014)

Figure 32: General Government Revenue, Expenditure, Balance and Public Debt in Montenegro (in % GDP)



Source: IMF, World Economic Outlook (April 2014)

SEE 2020 – MONTENEGRO						
Description	2010	2011	2012	2013	2020	
Overall Strategic Goals	Adopted Strategy	Actual data	Actual data	Actual data	Adopted Strategy	Source for 2011–2012/2013 data
1. GDP per capita relative to the EU average (in PPS), % of EU-27 average	42.0	42.0	41.0	n/a	51.0	Eurostat
2. Total trade in goods and services (EUR million)	3,118	3,489	3,555	3,530	6,000	Agency for Statistics up to 2012, IMF for 2013
3. Trade balance (% of GDP) <sup>1</sup>	-36.8	-22.2	-24.7	-22.3	-24.0	
Integrated Growth						
4. Intra-regional trade in goods (EUR million)	800	1,003	1,040	872	1,200	Dimension Report data sent by CEFTA2011–2012, Agency for statistics 2013
5. Overall FDI inflows (EUR million)	574	495	634	479	700	Central Bank
Smart Growth						
6. GDP per person employed (EUR at PPS)	30,321	33,534	32,480	n/a	37,000	Agency for Statistics LFS, Eurostat for PPS, GDP as above
7. Number of highly qualified persons in the workforce (million)	56,000	58,200	62,400	69,200	68,000	Agency for Statistics ,LFS, (T 4.1.)
Sustainable Growth						
8. Net enterprise creation (new businesses per year)	436	n/a	1,714	2,986	520	Agency for Statistics, Statistical business register 2012–2013
9. Exports of goods and services per capita (EUR)	1,871	2,230	2,233	2,243	3,950	Agency for Statistics
Inclusive Growth						
10. Overall employment rate, % of 15+ population	40.1	39.1	40.1	40.3	49.6	Agency for Statistics LFS
Governance for Growth						
11. Government effectiveness (World Bank Governance Index)	2.6	2.6	2.6	n/a	3.1	WGI

Table 5: SEE 2020 Strategy Headline Targets for Montenegro

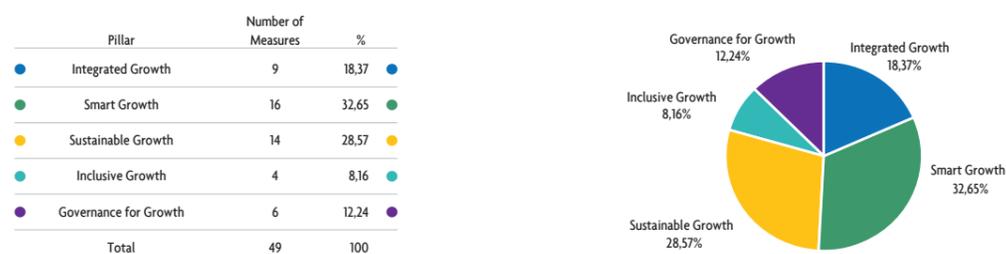
The Government of Montenegro drafted the SEE 2020 National Action Plan for the period 2014–2015. With the utmost priority given to the EU accession process and the ongoing negotiations, the Montenegrin NAP is also fully aligned with the commitments undertaken in the accession strategy. A total of 49 measures have been defined for 2014–2015. Figure 30 outlines a pillar breakdown by number of measures.

Measures and actions under the **Integrated Growth Pillar** include, but are not limited to: implementation of the Strategy and the Action Plan for the Custom Directorate 2013–2015 as well as the Strategy for the implementation of the EU **acquis** in the area of free movement

<sup>18</sup> An internal consistencies check of the headline indicators for Montenegro shows broad consistency.



Figure 33: Montenegro - Number of Measures by Pillar



of goods 2014–2018; legislative drafting in the area of copyrights and patents, simplification of tax payment procedures; and implementation of the Strategy for attracting foreign direct investment 2013–2015, including the development of economic diplomacy.

Under the Smart Growth Pillar, measures, *inter alia*, consist of reforming the higher education financing system, supporting the implementation of the National Qualifications Framework, developing an educational action plan using the PISA 2012 results and analysis; developing the Strategies for Vocational Education Training and Adult Education 2015–2015; supporting the establishment of the first Centre of Excellence (CoE) in Montenegro and realising larger R&D grant programmes; further supporting the implementation of the Strategic plan for the establishment of Montenegro's first technical park (Technopolis); adopting secondary legislation based on the Law on Electronic Communications; adopting a plan to improve digital literacy at a national level; adopting the Law on Cinematography and participating in the Compendium initiative; and increasing linkages between the culture, agriculture and tourism sectors.

The **Sustainable Growth Pillar** includes several measures that will focus on adopting a national renewable energy action plan; adopting the Energy Development Strategy 2030; a number of legislative and institutional actions related to improving road safety; drafting a National Environment Approximation Strategy and a National Strategy and Action Plan for Combating Climate Change; developing a National Strategy for Water Management 2015–2024; implementing the Strategy and Action Plan for SME Development 2011–2015 as well as the Strategy and Action Plan for the Enhancement of Competitiveness at the Micro Level for the period 2011–2015; improving access to finance for SMEs; and adopting the Strategy for Encouraging Women Entrepreneurship 2015-2018.

Under the **Inclusive Growth Pillar**, the focus will be on streamlining regulation regarding the residence and employment of foreigners; developing incentive schemes to encourage formal employment; implementing the Action Plan for Employment and Human Resource Development for 2014; implementing the Law on Professional Development of Persons with University Education; implementing the national screening programme at primary healthcare level for the early identification of the harmful use of alcohol; and actively participating in the work of the Secretariat of the Health Network of SEE countries.

Under the **Governance for Growth Pillar**, the government will focus on developing a Strategy for the Professional Development of Local Governments for the Period 2014–2018, along with an action plan; improving the e-government portal to facilitate communication with citizens and businesses; reporting on the progress achieved in the implementation of the action plans for negotiation chapters 23 & 24; establishing the new Anti-corruption Agency and drafting the Law on Lobbying and the Law on the Special Prosecution Office.

## Serbia

The pre-crisis economic growth of Serbia was lower than the regional average, and the 2009 GDP contraction was strong. The 2010–2012 growth dynamics in Serbia broadly followed regional average trends, while 2013 growth was somewhat stronger (Figure 34).

Serbia's GDP per capita relative to the EU average (in purchasing power standards) is estimated to be the third highest in the SEE region (at 9,216 EUR in 2012, with Croatia and Montenegro having higher GDP per capita).

Unemployment increased significantly from under 14% in 2008 to almost 24% in 2013 (broadly in line with the regional average), exhibiting continuous growth from year to year. Exports per capita are slightly lower than the regional average at around 1,650 per capita in 2012, with a recent strong export increase (Figure 35).

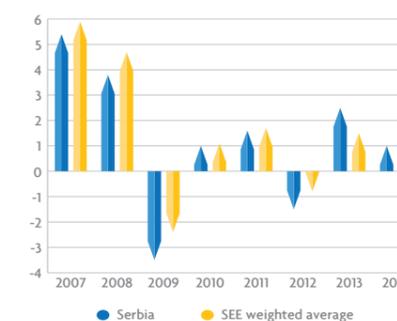
The general government sector is the second largest in the region (second to BiH) at almost 50% of GDP and is also very large globally when compared to countries with similar income levels. Public debt increased significantly from 33% in 2008 to 66% of GDP in 2013.

The headline indicators for Serbia within the SEE 2020 Strategy are given in Table 6, along with the actual 2010–2013 data (where available).<sup>19</sup>

For most of the headline indicators, Serbia has made progress towards reaching the SEE 2020 target. However, for some of the indicators, actual data (showing relatively small progress or mixed/reverse trends in 2010–2012/2013) may imply that the 2020 targets are too ambitious. In line with all other SEE 2020 economies, this applies to intra-regional trade, which in the case of Serbia would need to increase by 210% in the 2014–2020 period, and exports per capita, which would need to increase by 133%.

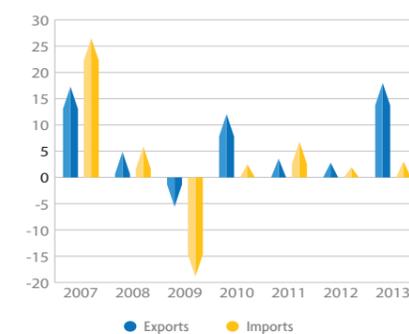
<sup>19</sup> An internal consistency check of the headline indicators implies a significant possible internal inconsistency for Serbia for 2020: total trade volume in Serbia is calculated at around 51 billion EUR, while the SEE 2020 target is 60 billion EUR.

Figure 34: Real GDP Growth in Serbia (% change)



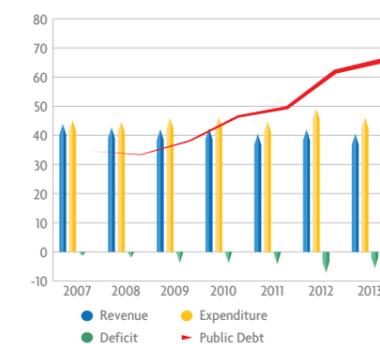
Source: IMF, World Economic Outlook (April 2014)

Figure 35: Exports and Imports in Serbia (% change)



Source: IMF, World Economic Outlook (April 2014)

Figure 36: General Government Revenue, Expenditure, Balance and Public Debt in Serbia (in % GDP)



Source: IMF, World Economic Outlook (April 2014)

SEE 2020 – SERBIA						
Description	2010	2011	2012	2013	2020	Source
<b>Overall Strategic Goals</b>	<b>Adopted Strategy</b>	<b>Actual data</b>	<b>Actual data</b>	<b>Actual data</b>	<b>Adopted Strategy</b>	<b>Source for 2011–2012/2013 data</b>
1. GDP per capita relative to the EU average (in PPS), % of EU-27 average	35.0	36.0	36.0	n/a	41.0	Eurostat
2. Total trade in goods and services (EUR million)	24,907	27,557	29,093	32,004	60,000	Agency for Statistics
3. Trade balance (% of GDP)	-20.4	-16.4	-17.9	-11.7	-14.0	
<b>Integrated Growth</b>						
4. Intra-regional trade in goods (EUR million)	3,544	3,808	3,755	n/a	10,150	Dimension Report data sent by CEFTA
5. Overall FDI inflows (EUR million)	1,003	1,827	242	756	2,500	Central Bank
<b>Smart Growth</b>						
6. GDP per person employed (EUR at PPS)	25,864	29,126	29,774	n/a	34,000	Agency for Statistics LFS, Eurostat for PPS, GDP as above
7. Number of highly qualified persons in the workforce (million)	546,290	587,795	618,120	649,737.5	655,000	Agency for Statistics LFS
<b>Sustainable Growth</b>						
8. Net enterprise creation (new businesses per year)	9,715	903	231	n/a	11,660	Agency for Statistics
9. Exports of goods and services per capita (EUR)	1,381	1,364	1,564	1,653	3,850	GDP as above
<b>Inclusive Growth</b>						
10. Overall employment rate, % of 15+ population	37.9	35.8	35.5	37.7	43.8	Agency for Statistics LFS
<b>Governance for Growth</b>						
11. Government effectiveness (World Bank Governance Index)	2.4	2.4	2.4	n/a	2.9	WGI

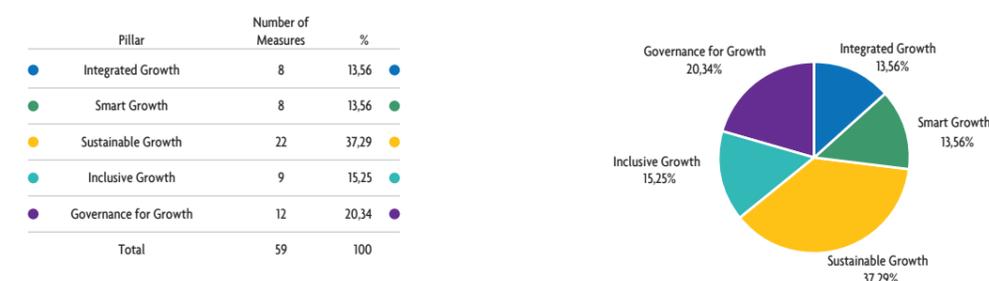
Table 6: SEE 2020 Strategy Headline Targets for Serbia

The 2020 target value for FDI inflow is also quite ambitious, requiring a growth of 170% in 2020 in comparison to the 2013 value albeit that this indicator can be impacted by one-off data.

Figure 37 presents the number of strategic documents of Serbia that are aligned with the main areas of actions/dimensions of the SEE 2020. A total of 59 strategies, covering 2014-2015 period have been identified.



Figure 37: Serbia - Number of Measures by Pillar



Strategies under the **Integrated Growth Pillar**, *inter alia*, include: the Strategy on Market Supervision, the National Anti-Corruption Strategy, the Strategy for Industrial Policy (2011-2020), the Fiscal Strategy for 2014 with the projections for 2015 and 2016, the Strategy for the Development of Quality Infrastructure in Serbia 2014-2020, the Consumer Protection Strategy and Regulatory Reform Strategy in the Republic of Serbia for the period 2013 – 2015.

Strategies under the **Smart Growth Pillar** include: the Strategy for Development of Education in Serbia by 2020, the Strategy of Scientific and Technological Development of the Republic of Serbia, the Intellectual Property Development Strategy for the Period 2011-2015, a Strategy of Development and State Support for the Information Technology Industry, the Strategy of Electronic Communications Development until 2020, the Strategy of Electronic Communications Development until 2020 and the Culture Development Strategy 2013-2023.

The **Sustainable Growth Pillar** includes several strategies and action plans that are in line with SEE 2020 such as: the Energy Sector Development Strategy for the Period 2005-2015, the National Renewable Energy Action Plan until 2020, the Strategy of the Mineral Resources Management until 2030, the Development Strategy for Railroad, Road, Air and Intermodal Transport in the Republic of Serbia for 2008-2015, the National Programme for Environmental Protection 2010-2019, the Environmental Approximation Strategy 2011-2019, the National Strategy for Sustainable Use of Natural Resources and Goods in the Republic of Serbia 2012-2021, the Strategy of Scientific and Technological Development of the Republic of Serbia, the Strategy for the Intellectual Property Development and the Strategy for Development of Information Society in the Republic of Serbia until 2020.

Strategies under the **Inclusive Growth Pillar** include: National Employment Strategy, National Youth Strategy, Republic of Serbia Public Health Strategy, The Strategy for the Prevention and Control of Non-Communicable Diseases, Youth Health Development Strategy, The Strategy for Continuous Improvement of the Quality of Health Care and Patients' Safety, The National Mental Health Strategy, National Strategy on Fight Against HIV/AIDS and The National Strategy on Ageing.

Strategies under the **Governance for Growth Pillar** include: a Strategy for Public Administration Reform in the Republic of Serbia, a National Sustainable Development Strategy, a Fiscal Strategy, a Tax Administration Development Strategy, a Customs Administration Business Strategy, the Strategy of the Ministry of Finance for a Successful European Integration Process and a Strategy for Regulatory Reform.

# The Former Yugoslav Republic of Macedonia

The pre-crisis economic growth of The Former Yugoslav Republic of Macedonia outpaced the average regional growth, and while the crisis impacted the country, it was to a lesser extent than most of the SEE economies (Figure 38), due to a somewhat milder exposure to euro zone capital inflows and the banking sector than in most other SEE economies. The Former Yugoslav Republic of Macedonia's GDP per capita relative to the EU average (in purchasing power standards) is in the middle range in comparison to other SEE economies, at 7,960 EUR in 2012.

Unemployment has been particularly high, with a slight decrease from around 35% in 2007 to 28.6% in 2013, but it still remains the highest in the region.

Exports per capita are at a regional average (just under 2,000 EUR per capita in 2012), as shown in Figure 39.

The general government sector is among the smaller ones in the region, at just above 30% of GDP. Public debt increased from around 20% of GDP in 2008 to around 36% of GDP in 2013, but still remains moderately low.

The headline indicators for The Former Yugoslav Republic of Macedonia within the SEE 2020 Strategy are given in Table 7, along with the actual 2010-2013 data (where available)<sup>20</sup>. For most of the headline indicators, it has made progress towards reaching the 2020 target. However, the overall GDP per capita relative to the EU average shows a reverse trend, with a decrease from 36% in 2010–2011 to 35% in 2013 (partially due to a change in the purchasing power comparison estimates).

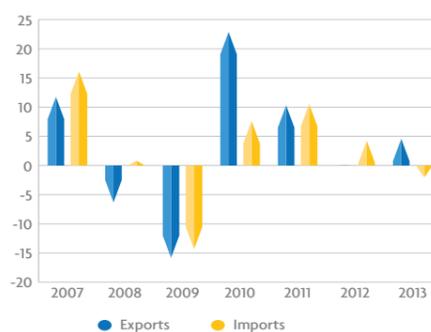
<sup>20</sup> An internal consistency check of the headline indicators for The Former Yugoslav Republic of Macedonia shows broad consistency.

Figure 38: Real GDP Growth in The Former Yugoslav Republic of Macedonia (% change)



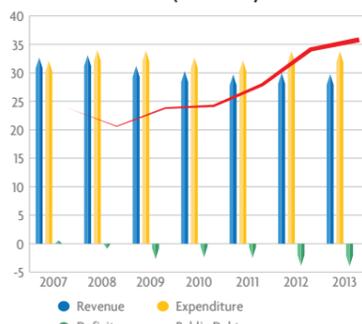
Source: IMF, World Economic Outlook (April 2014)

Figure 39: Exports and Imports in The Former Yugoslav Republic of Macedonia (% change)



Source: IMF, World Economic Outlook (April 2014)

Figure 40: General Government Revenue, Expenditure, Balance and Public Debt in The Former Yugoslav Republic of Macedonia (in % GDP)



Source: IMF, World Economic Outlook (April 2014)

SEE 2020 – THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA						
Description	2010	2011	2012	2013	2020	
<b>Overall strategic goals</b>	<b>Adopted Strategy</b>	<b>Actual data</b>	<b>Actual data</b>	<b>Actual data</b>	<b>Adopted Strategy</b>	<b>Source for 2011-2012/2013 data</b>
1. GDP per Capita Relative to the EU average (in PPS), % of EU-27 average	36.0	36.0	35.0	n/a	43.0	Eurostat
2. Total Trade in Goods and Services (EUR million)	7,834	9,670	9,683	9,747	15,500	State Statistical Office
3. Trade Balance (% of GDP)	-23.0	-19.6	-22.7	-19.6	-17.2	
<b>Integrated growth</b>						
4. Intra-regional Trade in Goods (EUR million)	1,243	1,452	1,336	n/a	2,700	Dimension Report data sent by CEFTA
5. Overall FDI Inflows (EUR million)	160	337	72	252	600	Central Bank
<b>Smart Growth</b>						
6. GDP per Person Employed (EUR at PPS)	28,029	28,998	28,455	n/a	35,000	State Statistical Office LFS, Eurostat for PPS, GDP as above
7. Number of highly qualified persons in the workforce	169,790	194,692	202,262	195,207	204,000	State Statistical Office LFS
<b>Sustainable Growth</b>						
8. Net Enterprise Creation (new businesses per year)	8,074	-2,379	1,306	-3,134	9,700	State Statistical Office
9. Exports of Goods and Services per Capita (EUR)	1,563	1,595	1,986	1,929	3,300	State Statistical Office
<b>Inclusive Growth</b>						
10. Overall Employment Rate, % of 15+ population	38.7	38.9	39.0	40.6	43.6	State Statistical Office LFS
<b>Governance for Growth</b>						
11. Government Effectiveness (World Bank Governance Index)	2.3	2.4	2.4	n/a	2.8	WGI

Table 7: SEE 2020 Strategy Headline Targets for The Former Yugoslav Republic of Macedonia

While the total trade target and export per capita target for are more realistic than for other SEE countries, requiring 2014-2020 growths of 56% and 71% respectively, the inter-regional trade target may be too ambitious, as it implies an increase of 102% in 2014–2020. Although the indicator on FDI inflow is one-off annual data, which does not necessarily follow the inter-annual trend, the 2020 target value for FDI inflows is also quite ambitious requiring a growth of 138% by 2020 in comparison to the 2013 value.



The Government has drafted the SEE 2020 National Action Plan for the period 2014–2015. A total of 67 measures have been defined for 2014–2015. Figure 41 outlines a breakdown of the measures by pillar.

Figure 41: The Former Yugoslav Republic of Macedonia - Number of Measures by Pillar



Measures and actions under the **Integrated Growth Pillar** include: advancing the terms and procedures for intra-regional trade within CEFTA 2006; strengthening the legal and institutional framework for standardisation, accreditation and metrology; further improving the climate to attract FDI; advancing the legal and strategic framework for industrial property through the elaboration of the Strategy for Industrial Property 2014–2017; further improving the business climate for investing in the country and supporting improvements to the structure of industry; and promoting exports.

Under the **Smart Growth Pillar**, measures, *inter alia*, consist of increasing the quality of and access to education at all levels; adopting the VET strategy (2013-2020) and finalisation of Entrepreneurial Learning Strategy (2014-2020), advancing the National Qualification Framework; linking education with labour market needs; enhancing R&D activities and innovation; developing a triple helix model; strengthening capacities to participate in the **Horizon 2020** framework programme for research and innovation; further harmonisation of legislation in the area of electronic communications with the EU **acquis**; promoting e-services of the public sector; further advancing IT and e-education; rehabilitating cultural heritage, giving support to museums and advancing the film industry.

The **Sustainable Growth Pillar** includes several measures that will focus on the advancement of the energy sector in the country: increasing energy efficiency in the public and private sectors; advancing the legal and strategic framework in order to enhance the use of renewable sources of energy; putting in place transport infrastructure to advance regional transport and trade; advancing the strategic framework for climate change and environmental protection; ensuring the implementation of existing programmes for the management of natural resources; and strengthening capacities to increase competitiveness.

Under the **Inclusive Growth Pillar**, the focus will be on supporting the creation of new jobs through active labour measures; increasing the labour market skills of the unemployed; enhancing youth employment; strengthening the institutional framework for labour and social policy; reducing poverty and promoting social inclusion; enabling easier access to health services for all citizens; setting up an e-system for the provision of health services; and cooperating internationally with the SEE countries in the area of health.

Under the **Governance for Growth Pillar**, the government will focus on setting up a legal framework for the reform of public administration; completing the system for measuring the quality of administrative services and user satisfaction; expanding the scope and quality

of e-public services; preventing and suppressing corruption in the Customs Office, local self-government and the public sector; and ensuring the implementation of the framework for further reform of the judiciary system.

# Annex: Individual Headline Indicator Data by Economy

	2010 - Baseline Values from SEE 2020 Strategy						2011 - Actual Data						2012 - Actual Data									
	ALB	BIH	HRV	KOS*	MNE	SRB	SEE Strategy	ALB	BIH	HRV	KOS*	MNE	SRB	SEE Strategy	ALB	BIH	HRV	KOS*	MNE	SRB	SEE Strategy	
<b>Overall Strategic Goals</b>																						
1. GDP per Capita Relative to the EU average (in PPS), % of EU-27 average	27.0	28.0	59.0	22.0	42.0	35.0	36.4	30.00	29.00	60.00	22.95	36.00	42.00	36.00	30.00	29.00	64.00	22.55	35.00	41.00	36.00	38.3
2. Total Trade in Goods and Services (EUR million)	7,695	12,138	35,400	3,321	7,834	3,118	24,907	94,413	11,418	37,092	3,681	9,670	3,489	27,557	7,596	11,323	37,752	3,576	9,683	3,555	29,093	102,578
3. Trade Balance (% of GDP)	-24.0	-25.6	-3.8	-36.6	-23.0	-36.8	-15.7	-20.9	-23.3	-0.1	-37.6	-19.6	-22.2	-16.4	-23.1	-23.5	0.6	-35.2	-22.7	-24.7	-17.9	-15.0
<b>Integrated Growth</b>																						
4. Intra-regional Trade in Goods (EUR million)	425	3,100	2,474	872	1,243	800	3,544	12,459	3,450	2,809	955	1,452	1,003	3,818	533	3,231	3,004	946	1,336	1,040	3,755	11,990
5. Overall FDI Inflows (EUR million)	793	174	326	366	160	574	1,003	3,396	342	1,087	379	337	495	1,827	727	273	1,066	213	72	634	242	3,227
<b>Smart Growth</b>																						
6. GDP per Person Employed (EUR at PPS)	17,839	29,183	40,990	14,966	28,029	30,321	25,864	27,485	34,838	43,765	0	28,998	33,534	29,126	19,359	35,424	50,028	34,621	28,455	32,480	29,774	33,620
7. Number of highly qualified persons in the workforce (thousands)	216,000	213,000	504,800		169,790	56,000	546,290	1,700,000	163,972	168,000	418,000	n/a	194,692	58,200	171,819	164,000	430,400	92,000	202,262	62,400	618,120	1,741,001
<b>Sustainable Growth</b>																						
8. Net Enterprise Creation (new businesses per year)	2,045	1,896	7,800	98,110	8,074	436	9,715	30,107	2,639	8,778	150	-2,379	n/a	903	2,291	1,694	10,543	1,713	1,306	1,714	231	19,492
9. Exports of Goods and Services per Capita (EUR)	1,023	1,232	4,010	495	1,563	1,871	1,381	1,780.0	1,074	1,057	4,329	1,595	2,230	1,364	1,050	1,038	4,441	509	1,986	2,233	1,564	1,927.0
<b>Inclusive Growth</b>																						
10. Overall Employment Rate, % of 15+ population	47.1	32.5	41.1	41.7	38.7	40.1	37.9	39.5	51.9	31.9	39.5	0.0	38.9	39.1	50.1	31.7	38.1	25.5	39.0	40.1	35.5	36.8
<b>Governance for Growth</b>																						
11. Government Effectiveness (World Bank Governance Index)	2.2	1.8	3.1	1.9	2.3	2.6	2.4	2.3	2.3	1.7	3.1	2.0	2.4	2.4	2.2	2.0	3.2	2.1	2.4	2.6	2.4	2.4

	2013 - Actual Data						2020 - Target Values from SEE 2020 Strategy						SEE Strategy									
	ALB	BIH	HRV	KOS*	MNE	SRB	SEE Strategy	ALB	BIH	HRV	KOS*	MNE	SRB	SEE Strategy	ALB	BIH	HRV	KOS*	MNE	SRB	SEE Strategy	
<b>Overall Strategic Goals</b>																						
1. GDP per Capita Relative to the EU average (in PPS), % of EU-27 average	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	38.0	68.0	27.0	43.0	51.0	41.0	38.0	38.0	68.0	27.0	43.0	51.0	41.0	44.0
2. Total Trade in Goods and Services (EUR million)	7,498	11,609	36,701	3,573	9,747	3,530	32,004	104,662	17,500	80,000	6,000	15,500	6,000	60,000	209,500	209,500	209,500	209,500	209,500	209,500	209,500	209,500
3. Trade Balance (% of GDP)	-19.0	-22.5	0.6	-32.0	-17.5	-22.3	-11.7	-11.9	-14.3	-20.2	-3.3	-17.8	-24.0	-14.0	-12.3	-12.3	-12.3	-12.3	-12.3	-12.3	-12.3	-12.3
<b>Integrated Growth</b>																						
4. Intra-regional Trade in Goods (EUR million)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,150	7,100	2,000	2,700	1,200	10,150	30,500	30,500	30,500	30,500	30,500	30,500	30,500	30,500
5. Overall FDI Inflows (EUR million)	741	320	437	286	252	479	756	3,271	2,200	500	1,500	600	700	2,500	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800
<b>Smart Growth</b>																						
6. GDP per Person Employed (EUR at PPS)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	24,000	40,200	20,200	35,000	37,000	34,000	36,300	36,300	36,300	36,300	36,300	36,300	36,300	36,300
7. Number of highly qualified persons in the workforce (thousands)	n/a	185,000	448,000	n/a	n/a	67,600	649,738	n/a	260,000	255,000	605,000	204,000	68,000	655,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
<b>Sustainable Growth</b>																						
8. Net Enterprise Creation (new businesses per year)	n/a	n/a	-1,603	-171	-3,134	n/a	n/a	n/a	2,500	2,300	98,110	9,700	520	11,660	33,760	33,760	33,760	33,760	33,760	33,760	33,760	33,760
9. Exports of Goods and Services per Capita (EUR)	1,073	1,108	4,314	522	1,929	2,243	1,653	1,942.3	2,900	2,600	9,000	3,300	3,950	3,850	4,250.0	4,250.0	4,250.0	4,250.0	4,250.0	4,250.0	4,250.0	4,250.0
<b>Inclusive Growth</b>																						
10. Overall Employment Rate, % of 15+ population	n/a	31.6	36.4	n/a	n/a	39.4	37.7	n/a	54.3	33.9	47.5	45.8	49.6	43.8	44.4	44.4	44.4	44.4	44.4	44.4	44.4	44.4
<b>Governance for Growth</b>																						
11. Government Effectiveness (World Bank Governance Index)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.7	2.1	3.7	2.3	2.8	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	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.







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