

**Report and Conclusions of the 13th Meeting of the
South East Europe Investment Committee (SEEIC)
held in Sarajevo on 19 June 2013**

13th meeting of the South East Europe Investment Committee (SEEIC) took place on 19 June 2013 in the RCC premises in Sarajevo. The meeting was held under the co-chairmanship of the Government of Bosnia and Herzegovina, represented by Mr. Hamdo Tinjak - Secretary of the Ministry of Foreign Trade and Economic Relations, and the Regional Cooperation Council Secretariat, represented by Mr. Goran Svilanovic - Secretary General. Participants at the meeting included Economic Teams of the SEEIC, representatives of Western Balkans NIPAC offices, Dimension Coordinators for the SEE 2020 Strategy, European Commission, international and regional partner organizations, with the main objective of deliberating the progress of the SEE 2020 Strategy development based on the first inputs to the five pillars (Integrated, Smart, Sustainable, Inclusive growth and Governance for Growth), highlighting the roles of the involved parties, and proposing the strategic methodology to guide the process further. The meeting also presented and discussed the efforts made in national strategic planning in relation to the SEE 2020, the role of the Strategy within the overall EU enlargement process, and proposed actions to improve competitiveness and value chains in the region.

During his opening statement, Mr. Goran Svilanovic informed the Committee about the general consent that exists among the Ministers of Foreign Affairs of the Western Balkans for shifting the support to SEE 2020 Strategy from the ministerial level to that of the Prime Ministers or Deputy Prime Ministers, depending on the authority over European Integrations in each of the particular Western Balkans economies. High level political support for the implementation of the SEE 2020 is not only needed, it is inevitable, as the reports on its implementation will be included in each of the participating economies' Progress Report to the European Commission. Mr. Svilanovic also reaffirmed the RCC's full dedication to the SEE 2020, as this role has been endorsed by the RCC Board, RCC Strategy and Work Programme 2014-2016, and approved by the Ministers of Foreign Affairs during the RCC Annual Meeting in May 2013 in Ohrid. He expressed his contentment about the progress made in the developments of the SEE 2020, and stressed the need for its further and stronger integration into national programmes, as the consultations with the countries in the region should be maintained constantly and through adequate intra-governmental coordination mechanisms, in order to ease the transposition of the SEE 2020 agenda into the national strategic frameworks. In terms of importance of the Strategy within the overall EU-accession framework and as the region is moving from peace and stability to development and growth, Mr. Svilanovic conveyed the EU's anticipation from the SEE region to clearly address its economic issues through the SEE 2020, in order to avoid the requests for bailouts upon accession. Furthermore, he highlighted the need for a clear association of the region's governments with the financial facilities, in particular with the Western Balkans Investment Framework, in order to interlink the availability of funds with the political agreement on the national and regional priorities. Mr. Hamdo Tinjak supported the endeavors pertaining to the SEE 2020 undertaken by the SEEIC Economic Teams and regional partners thus far, affirming that, as this year's co-chair of the SEEIC, the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina will continue to provide full support and

contributions to assembling, adopting, and implementing the SEE 2020 Strategy and its Action Plan, which is to guide the further development of our Region and tackle the economic challenges we are facing.

SEE 2020 Progress Report

Upon official adoption of the previous, 12th meeting report and the agenda for the 13th SEEIC meeting, Mr. Svilanovic informed the Committee on the official appointment and promotion of the RCC's Head of Economic and Social Unit, Mr. Sanjin Arifagic to an SEE 2020 Coordinator on the overall RCC level. Mr. Arifagic briefly reviewed on the recent activities undertaken within the scope of the SEE 2020 development, including a number of working group meetings with the region's administration representatives related to all dimensions of the Strategy, SEE 2020 Coordination Board meeting including the SEE 2020 Dimension Coordinators, and appointment of the Vienna Institute for International Economic Studies (WIIW) as an external technical assistance in drafting the Strategy. Mr. Arifagic also presented the timeline envisaged for the development and adoption of the Strategy by the end of 2013, which entails preparation of the first draft by 12 July, which is to be circulated among the SEEIC members and participants in the process electronically for comments and further inputs, preparation of second draft until 30 August, which is to be reviewed at the 14th SEEIC meeting scheduled for 26 September. Consultation rounds coordinated by the RCC are envisaged upon each draft version development, with the representatives of the SEEIC economic teams, SEE 2020 Dimension Coordinators, as well as other regional partners included in the process. Upon finalization of the Strategy text anticipated after the 14th SEEIC meeting, Economic Teams will be expected to submit the Strategy into their respective Government procedures, so that the Ministers of the SEE economies may officially endorse the SEE 2020 Strategy and Action Plan at the next SEEIC Ministerial Conference planned in late November 2013 in Sarajevo.

Dimension Coordinators of the SEE 2020 provided the first set of inputs for the five pillars of the SEE 2020 Strategy - Integrated, Smart, Sustainable, Inclusive growth and Governance for Growth. Ms. Renata Vitez, CEFTA Secretariat Director, informed on the endorsement of the draft on the Integrated Growth pillar at the CEFTA deputy Ministers meeting held the day before, on 18 June 2013 in Sarajevo. Ms. Vitez noted that the Integrated Growth pillar draft has been developed by the CEFTA structures with their own available resources, and that CEFTA will continue to work further on this respective pillar with the SEEIC and corresponding technical advisor from the WIIW. In regard to the linkage of the Strategy with the accession process, CEFTA plans to prepare for each priority areas of the Integrated Growth pillar a correlation table that will illustrate which chapter of the negotiations these priorities interlink with. In terms of going forward, Integrated Growth pillar is supported with a ratified treaty (CEFTA Agreement), which provides a sound legal background for future implementation. For the sake of efficiency, CEFTA intends to consolidate its agenda with the Integrated Growth pillar priorities (Free Trade Area, Competitive Economic Environment, and Integration into Global Economy), so that the same CEFTA structures can be utilized for the implementation for the pillar along with the agreement.

In the area of Smart Growth, Ms. Vanja Ivosevic, on behalf of ERISSE, presented the main priorities determined in the dimension of Education/Competences, which are: 1) labour quality, qualifications and mobility, including measures: development of practical competences through work-based learning, standardisation of qualifications and removing obstacles for their recognition, and teacher education; 2) inclusiveness and life-long learning, that include increasing participation in



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education at all levels and prevention of early school leaving and drop-out from higher education. Official adoption of the measures developed so far is expected by the end of June 2013 by the ERISSE Board. She also informed that the ERISSE Secretariat is currently in the process of official formation as an intergovernmental regional organization, based in Belgrade, and working on enhancing regional cooperation in education and training.

Within the pillar of the Sustainable Growth, Mr. Mate Gjorgjievski from SEETO presented the developments in the transport sector, which is an integral part of the Resource Efficiency Dimension. Priorities determined in this sector are: 1) attracting international transport flows and increasing regional mobility, 2) optimization of individual transport modes and promotion of green & energy efficient transport, and 3) modernization of robust transport systems. As the next steps in the development of the respective pillar dimension, apart from consultations within its own structures, SEETO has envisaged stronger coordination of activities with other partners in the pillar, namely REC, RCC/SEEIC and ECS, as well as liaising with regional partners from other pillars, where transport sector appears as a cross-cutting issue, such as CEFTA, NALAS and Regional Research Platform. Budgeting and participants in monitoring of the implementation of actions also remain to be determined.

In the area of Inclusive Growth, Ms. Efka Heder, director of SEECCEL presented the main three dimensions of this pillar: 1) Employment, with a goal of promoting decent jobs for all, 2) Competencies and Skills, which should ensure that people receive the right mix of skills to succeed in the labor market, and 3) Health, aiming to improve health and well-being of all, along with the priority areas selected in those dimensions. She also presented an array of activities undertaken by SEECCEL and the RCC in these three dimensions (i.e. The Charter for Entrepreneurial Learning: Keystone for Growth and Jobs, signed in 2012, the Third Health Ministers' Forum - Health in All Policies in South-eastern Europe: a Shared Goal and Responsibility in 2011, etc.).

Within the Governance for Growth pillar, NALAS presented results of the findings from a survey executed among the regional organizations and local self-governance administrations. In its endeavours in the development of the respective pillar, NALAS targeted activities in 3 directions: 1) consulting the regional networks related to the area of governance (33 networks contacted, 17 responded), 2) consulting local government associations who are members of NALAS, and 3) reviewing the existing documents of the Western Balkans ministries in charge of Public Administrations. Executed survey resulted in the following priority areas: Continuous professionalization of public servants; Establishment of business-friendly public services; Evidence-based policy and decision-making; Multi-level governance and regional cooperation; and Smart, resource efficient and inclusive policy for territorial development. At this moment, 2nd draft of the pillar dimension is prepared and 2nd round of consultations with the stakeholders is in process.

At the end of the session, Ms. Elisabeth Hagen, director of the Vienna Institute for International Economic Studies (WIIW) presented the team of experts from WIIW and proposed the methodology for the SEE 2020 and some of the main features of the WIIW assistance to the RCC and Dimension Coordinators, where the consultancy services of the WIIW would include providing input for the development of the SEE 2020 strategy document and assisting RCC with the development of a comprehensive drafting process.

The discussion to this session was up to a large extent dedicated to the question of future budgeting of the SEE 2020, which is planned in the near future. In that respect, IPA 2 will be referred to and relied upon until large extent, as the SEE 2020 is already reflected in the IPA programming.



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Nevertheless, SEE 2020 activities are envisaged to be funded both from the national and regional budgets, and for that reason the RCC intends to execute the overall coordination of the Strategy implementation by setting up of a programming committee, which will include the line Ministries of economies involved in the process from the beginning, but will also bring together NIPAC offices, as well as Ministries of Finance, in order to ensure and harmonize the implementation of the Strategy activities in financial terms in each of the Western Balkans economies. The role of NIPAC offices was stressed as highly important, as during the course of the Strategy development and implementation process, their role of NIPACs will be needed on a higher level than only consultative, as it is at the moment.

Implementation of the SEE 2002 – A Value-Chain Approach to Raise Competitiveness

Deliberations on the Competitiveness Dimension contained under the Sustainable Growth pillar of SEE2020 included a set of proposals for a work stream that is to improve regional value chains, as well as the actions to identify and address barriers to value chain development in the Western Balkans. In that endeavour, OECD Investment Compact for SEE presented its planned approach through the New Generation Competitiveness Initiative Project (NGCI). Mr. Milan Konopek, Project Manager deliberated the objective and methodology of the Sector component of the NGCI, which is to support the SEE 2020 Strategy, by identifying and addressing barriers to higher value-added investment and moving to higher value added activities. The intended methodology for this work is envisaged through identification of sectors and establishment of 3 regional sector-specific working groups comprised of Western Balkan businesses and government officials, and assessment of the barriers to competitiveness of regional value chains in the global marketplace, as well as identification of key constraints that are limiting sector competitiveness in the region. NGCI will intend to develop recommendations and actions in each of the three sector working groups, and propose actions to enhance the competitiveness of 3 sectors, addressing the policy barriers. Throughout the course of work, appropriate bodies to implement recommendations and pilot actions will be identified and clear monitoring system for implementation of actions will be developed.

Proposal has been submitted to the SEE Investment Committee to form a SEEIC Working Group on Competitiveness (WGC), which is intended to operate as a standing Working Group of the SEEIC. The emphasis of the WGC activities will focus on improving the economic competitiveness of the Western Balkans by supporting policy reforms and initiatives aimed at enhancing the business environment for SMEs and entrepreneurs. The WGC will also develop policy responses at the sector level to strengthen the region's value chains in the global market place. In this endeavor, WGC will be the primary body at the level of experts that will support the Competitiveness Dimension of the SEE 2020 Sustainable Growth Pillar, as well as the implementation of the Next Generation Competitiveness Initiative. Upon consent of the representatives of the SEEIC Economic Teams on the Terms of Reference for the WGC, Project Leader of the SEE Investment Committee, Ms. Dragana Djurica, requested the representatives of the SEEIC Economic Teams to nominate their respective government experts to this working group by the beginning of July 2013, originating from government institutions and departments in charge of competitiveness, industrial and sectoral policy.

During the discussion, the NGCI methodology and planned recommendations by the OECD have been praised by participants as an efficient approach to consolidate actions in the respective



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priority areas of the SEE 2020. Ms. Inga Stefanowicz, Programme Manager, European Commission, reflected on the policy environment of the project, stating that, since the project is financed by the EU in support to the SEE 2020 Strategy, it is expected that it be integrated well with the SEE 2020 governance and monitoring structures and that the results of the project are internalized at the country level as part of governments' own policies. She advocated for an integrated approach, such as the one currently promoted by the EC through the Country Strategy Papers in which donor support is to be considered as part of an integrated country strategy, rather than an in parallel.

Governance and Monitoring of the SEE 2020

In presenting the monitoring component of the NGCI, Mr. Alan Paic, Head of the OECD Investment Compact for the SEE indicated that the project will closely follow the SEE 2020 Strategy, as well as its pillars and dimensions, assess policies used to implement the SEE 2020 Strategy based on tools developed by the OECD (such as Regional Framework for Investment, Product-Market Regulation, Labour Market Regulation, Services Trade Restrictiveness Index, Government at a Glance, Education at a Glance, Innovation Strategy, etc.), and track progress on the achievement of overall progress on the achievement of the Strategy, including but not limited to the headline targets. In that endeavour, OECD has requested the Economic Teams of the SEEIC to designate a contact point of their administrations which will participate in the monitoring component of the NGCI.

Considering anticipated challenges anticipated in the future implementation and governance of the SEE 2020, and stressing again the need for high-level political support for the future implementation, Mr. Sanjin Arifagic presented the SEE 2020 governance as a part of the broader emerging governance architecture of the enlargement countries for the coming period. He stressed out that greater cooperation, exchange of information and and focus on the monitoring of the overall SEE 2020 and achievement of targets is needed, suggesting that macroeconomic and fiscal surveillance must be strengthened.

Based on the conclusions of the previous SEEIC meeting and the series of consultations held between the RCC/SEEIC team with the representatives of the SEEIC Economic Teams in a wide form (including other line ministries to the SEE 2020, NIPAC offices, regional development and statistical offices), with a goal of strengthening the links of the national development agendas with the regional, members of the SEEIC economic teams presented their national developments and alignment with the SEE 2020. Mr. Bashkim Sykja, Director of Competitiveness Department form the Ministry of Economy, Trade and Energy of the Republic of Albania, informed on the development of the development of Business and Investment Development Strategy, as a national sectoral strategy in line with the SEE 2020, pending approval of the Government of the Republic of Albania in the coming period. Mr. Midhat Dzemic, representative of the Directorate for European Integration /NIPAC Office of Bosnia and Herzegovina presented that, in national strategic planning, BiH relies on the inputs for the draft country strategy paper for IPA 2 received from the European Commission, and for which feedback from national institutions is expected in September 2013. Priorities mentioned in the draft strategy papers include 5 policy areas, namely: 1) Transition process and institution building (good governance, public sector management and the rule of law); 2) Regional development policy area (integrated local development); 3) Transport, environment and climate change; 4) Employment, social policies, human resources, and education; 5) Agriculture and rural



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development. Mr. Cuneyd Ustaibo, Deputy Minister of Trade and Industry of Kosovo^{*} informed on the mechanisms that will implement and monitor the SEE 2020 strategy, referring to the national council of the economic development, recently established under the existing Stabilization and Association Agreement Structure, designated to enhance the economic environment and under the authority of the Deputy Prime Minister and at the same time Minister of Trade and Industry. SAA structure on is composed of 5 working groups on institutional level with capacity to carry out the work designated by the SEE 2020 priorities. Mr. Ance Trifunov, State Secretary of the Ministry of Economy of The Former Yugoslav Republic of Macedonia informed on its strategic priorities of integration to EU and NATO, where growth and competitiveness are the priority and focus of the development of Government measures. In regard to national activities within IPA II, Ms. Zuica Zmejkovska from the Secretariat for European Affairs informed on the 7 priority sectors have been determined within 5 policy areas, based on inputs from the European Commission: 1) Business sector development; 2) Science and innovation; 3) Human resource, health and education; 4) Agriculture and rural development; 5) Environment and balanced regional development; 6) Transport sector development; 7) Justice and home affairs and public administration reform; all sectors where goals could be aligned with those of the SEE 2020.

EU Accession and SEE 2020

Reviewing the role of the SEE 2020 within the overall enlargement process, Ms. Inga Stefanowicz, Programme Manager, DG Enlargement, European Commission reaffirmed the statement of the RCC Secretary General that the links of the SEE 2020 and the enlargement agenda have been recognized at the highest political level, and that regional Prime Ministers and/or Deputy Prime Ministers will have to take the responsibility of integrating the goals of the strategy into national policy agendas, stressing the importance of the internal government coordination. She stressed that the work on the SEE 2020 is driven by the region where countries are in the lead and where the European Commission follows and stressed the links between the national and regional strategies, the Country Strategy Papers and the IPA II programming. The monitoring of the SEE 2020 will be important for the Western Balkans economies for tracking progress in the Strategy implementation, but will equally be an important source of information for DG enlargement when assessing progress on the path towards EU accession on a country by country basis. She added that economic governance will feature prominently in the Commission enlargement strategy to be published in October. The existing fora of economic dialogue, in particular multilateral fiscal surveillance and SAA economic subcommittees will play a greater role. The main proposals will be inspired by the changes in economic governance of the EU (e.g. European semester) to prepare the Enlargement countries for the "EU of tomorrow".

SEE 2020 is seen as part of that bigger economic governance agenda. Commission-led and region-led instruments should not be seen as exclusive but rather mutually reinforcing. One of the main challenges for both sorts of instruments is to raise their political profile. Without recovery from the crisis, political progress can become hostage to economic stagnation.

The Western Balkans Investment Framework (WBIF) was evoked on a number of occasions during the meeting as one of the key financing instruments at the region's disposal and Ms

^{*} This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo declaration of independence



Stefanowicz briefly outlined its *modus operandi* and considerations for the work ahead. This entails an even greater focus on the regional strategic priorities and reform context, as well as exploring further leverage potential. Ms. Emina Kadric from the IFI Coordination Office informed that, following the WBIF steering committee meeting held recently in Athens, IFI Coordination Office will start working on the paper for the European Commission and other stakeholders on the evolution of the WBIF. In the context of these developments WBIF will become highly relevant for the implementation of SEE 2020.

Conclusions of the 13th SEEIC meeting:

- Based on first inputs by the Pillar Dimension Coordinators, the SEE 2020 Strategy development process is going ahead as planned, with decentralized development and implementation mechanisms foreseen.
- Methodology is endorsed for the development of the SEE 2020 strategy proposed by the external technical assistance - Vienna Institute for International Economic Studies
- Milestones are set for the development of the SEE 2020 Strategy and Action Plan by the end of 2013, including:
 - 12 July – 1st draft (followed by consultations with Economic Teams and Dimension Coordinators)
 - 30 August – 2nd draft (followed by consultations with Economic Teams and Dimension Coordinators)
 - 26 September – 14th SEEIC meeting, with a goal of finalization of the SEE 2020 Strategy text (followed by internal Government procedure for adoption)
 - 21 November – SEEIC Ministerial Meeting, with a goal of endorsing the SEE 2002 Strategy and Action Plan by the Ministers of the Western Balkans economies
- The RCC will seek support to the implementation of the SEE 2020 Strategy on the higher political level – level of the Prime Ministers and/or Deputy Prime Ministers in charge of European Affairs.
- Intra-governmental coordination of the SEEIC members, exchange of information and focus on the monitoring of the SEE 2020 will be strengthened for the goal of sound integration of the SEE 2020 agenda into the national strategic frameworks.
- RCC will initiate a formation of a Coordination Board for future budgeting of the SEE 2020 Strategy, a high-level body which will also include NIPAC offices and Ministries of Finance of the Western Balkans.
- SEEIC Working Group on Competitiveness is formed, and pertaining Terms of Reference adopted, which will work in support to the Competitiveness Dimension of the SEE 2020 Sustainable Growth Pillar as well as the Next Generation Competitiveness Initiative Project implementation. Economic Teams will nominate 2 representatives for the WGC.
- Economic teams will nominate a contact point who will represent their administrations in the monitoring component of the Next Generation Competitiveness Initiative Project.



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