

ANNEX 14

to the Commission Implementing Decision on the financing of the multi-country multiannual action plan in favour of the Western Balkans and Turkey for 2021-2022

Action Document for “EU support to Competitiveness and Sustainability in the Western Balkans and Turkey”

1. SYNOPSIS

1.1. Action Summary Table

Title	EU support to Competitiveness and Sustainability in the Western Balkans and Turkey Multi-country multiannual action plan in favour of the Western Balkans and Turkey for 2021-2022			
CRIS/OPSYS number	IPA III/2021/043-643/14			
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)			
Team Europe Initiative	No			
Zone benefiting from the action	Western Balkans (Republic of Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, Republic of North Macedonia, and Republic of Serbia) and Republic of Turkey.			
Programming document	IPA III Programming Framework			
PRIORITY AREAS AND SECTOR INFORMATION				
Window and thematic priority	Window 4: Competitiveness and Inclusive growth (Thematic Priority 2: Private sector development, trade, research and innovation); and Window 3: Green Agenda and Sustainable Connectivity (Thematic Priority 1: Environment and climate change)			
Sustainable Development Goals (SDGs)	Main SDG 8 - Decent work and economic growth Other significant SDGs: SDG 9 - Industry, Innovation and Infrastructure SDG 12 - Responsible Consumption and Production			
DAC code(s)	15110 - Public sector policy and administrative management – 100%			
Main Delivery Channel @	Organisation for Economic Cooperation and Development (OECD) - 47080			
Markers	General policy objective @	Not targeted	Significant objective	Principal objective

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

(from DAC form)	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers @	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Internal markers	Policy objectives	Not targeted	Significant objective
Digitalisation		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Migration		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
COVID-19		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
Amounts concerned	Budget line: 15 02 02 01.02 Total estimated cost: EUR 8 000 000 Total amount of EU budget contribution: EUR 8 000 000 – year 2021			
MANAGEMENT AND IMPLEMENTATION				
Type of financing and method(s) of implementation	Project Modality Indirect management with the OECD			
Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans	Priorities: “Green Agenda”, “Digital Transition”, “Private Sector Support”, “Common Regional Market and Economic Integration” Flagships: “IX Support Competitiveness”			

Final date for concluding contribution / delegation agreements, procurement and grant contracts	At the latest by 31 December 2022
Indicative operational implementation period	72 months following the adoption of the Financing Decision

1.2. Summary of the Action

This Action will assist the Western Balkans and Turkey in reinforcing economic convergence and economic integration, while supporting economic recovery from the COVID-19 pandemic. It will support the EU enlargement strategy by assisting the Western Balkans and Turkey on their European path, to converge towards EU policy standards, to fulfil the economic criteria, and to improve economic governance. Conversely, the Action will provide manifold evidence-based input to the annual Commission Enlargement Package and the Economic and Financial Dialogue between the EU and the Western Balkans. The Action is also designed to reinforce the regional economic integration within the Western Balkans and support the Common Regional Market initiative. Accordingly, there will be a strong regional focus spanning across the areas of support of the Action.

The Action aims to address persistent structural weaknesses, which have further aggravated by the COVID-19 pandemic. They include among others:

- low levels of competitiveness associated with low productivity and innovation outcomes
- human capital and labour market deficiencies and high levels of emigration
- insufficient regional trade, transport and energy connectivity
- lack of environmental sustainability in key policy fields
- inadequately developed digital infrastructure and insufficient digital skills
- uneven level of processes and mechanisms for scientific evidence to provide advice to policy making
- highly vulnerable SME sector and insufficiently integrated in European supply chains.

It seeks to engage with stakeholders from the region in a highly inclusive assessment and policy design process and support the Western Balkans and Turkey in addressing these challenges by identifying root causes, providing policy options helping to overcome binding constraints tailored to the individual circumstances, prioritising and sequencing policy responses. In parallel, it will support the implementation of reforms through institutional capacity building efforts, peer learning platforms and concepts and toolkits enabling the independent design and monitoring of reform action.

The assistance under this Action will be composed of the three areas of support, whereas the first two areas of support are the fundamental blocks of this Action that ensure continuation of the ongoing work with the OECD in the region. The other complementary area of support will increase the impact in the green transition.

1. “Building Back Better” through the Competitiveness Outlook
2. Accelerating SMEs’ Recovery through the Small Business Act Assessment
3. Supporting Green Transition through Circular Economy Roadmaps

All areas of support will contribute to the EU enlargement strategy, the Economic and Investment Plan (EIP) for the Western Balkans¹, the European Green Deal², the Green Agenda³ and the Innovation Agenda for the Western Balkans, and spur the long-term recovery to build more resilient and sustainable economies. It will represent a knowledge reference for the accession negotiations, the Economic Reform Programmes (ERPs), as well for the key sectorial strategies.

2. RATIONALE

¹ COM (2020) 641 final, 6.10.2020

² COM(2019) 640 final, 11.12.2019

³ SWD(2020)223 final, 6.10.2020

2.1. Context Analysis

The main objective of the Action will be to assist the Western Balkans and Turkey in reinforcing economic convergence and economic integration, while supporting economic recovery from the COVID-19 pandemic. This action will support the EU enlargement strategy by assisting the Western Balkans and Turkey on their European path, to converge towards EU policy standards, to fulfil the economic criteria, and to improve economic governance. Conversely, the Action will provide manifold evidence-based input to the annual Commission Enlargement Package and the Economic and Financial Dialogue between the EU and the Western Balkans. The Action is also designed to reinforce the regional economic integration within the Western Balkans and support the Common Regional Market initiative. Accordingly, there will be a strong regional focus spanning across the areas of support of the Action.

The Action will continue providing expertise and policy advice through the Competitiveness Outlook and the SME Policy Index. These are two fundamental policy processes and mutually reinforcing tools, designed and institutionalised by the OECD, that are dedicated to strengthening convergence and integration of the Western Balkans and Turkey. The Competitiveness Outlook helps governments to identify the key constraints to sustainable and inclusive economic growth and to prioritise structural reforms. More precisely, it provides a holistic analytical base for their comprehensive economic development and sectoral strategies. The SME Policy Index identifies the challenges affecting entrepreneurship and SMEs in the Western Balkans and Turkey and makes recommendations to overcome them. It also provides guidance on how they can meet the EU requirements and converge towards the EU good policies and practices. Both assessments became major reference documents for policy makers in the region, helping them in the design of strategies and action plans (e.g. ERPs) as well as regional cooperation.

The new action will reshape both assessment tools and processes to specifically contribute to the EIP for the Western Balkans and the Green Agenda which complements it. They will be upgraded to better identify challenges and formulate concrete policy recommendations in the areas of sustainable connectivity, human capital, competitiveness and inclusive growth, and the twin green and digital transition, the five pillars of the Plan. They will guide policy reform to better align with the Plan and to spur the long-term recovery; they will inform investors to make viable investment decisions; they will connect investment projects with policy priorities; and increase the region's capacity to absorb financial and technical assistance. They will also be adjusted to the (post) COVID-19 context to help addressing the devastating effects on the economies and societies, to build back better and to accelerate recovery. They will be drawing upon OECD initiatives and tools (e.g. Inclusive Framework on Base Erosion and Profit Shifting – BEPS, Going Digital, Green Growth, Future of Work, Services Trade Restrictiveness Index, FDI Restrictiveness Index, etc.) and good practices.

To increase the impact in the green and digital transition, the Action foresees one additional area of support – on circular economy and will address the long ignored environmental challenges which need to be tackled also in view of ensuring sustainable economic growth. It will contribute directly to the EIP, the Green Agenda for the Western Balkans and the Green Deal and will align with the EU Green Deal priorities and the EU Circular Economy Action Plan.

2.2. Problem analysis by areas of support

The Action will be composed of three areas of support. The first two (#1 “Building Back Better” through the Competitiveness Outlook and #2 Accelerating SMEs’ Recovery through the Small Business Act Assessment) are the fundamental blocks of this Action that ensure continuation of the ongoing OECD work in the region. The new complementary area of support (#3 Supporting Green Transition through Circular Economy Roadmaps) will increase the impact in green transition. The recent COVID-19 pandemic has exacerbated the region's lasting structural economic weaknesses. The following areas of support seek to address them in a holistic way:

AREA OF SUPPORT #1: “Building Back Better” through the Competitiveness Outlook

- In the last two decades, the Western Balkans have emerged as a constellation of small but open economies that are making progress in liberalising investment and improving business conditions. However, an average gross domestic product per capita of only about one-third of the European Union's indicate that the region still has a significant gap to close. Despite growth in key manufacturing sectors, wage increases in the export sector are outpacing productivity growth, thus blunting the region's competitive edge. These economic dynamics are also induced by structural weaknesses in the growth model of the Western Balkan economies, which has long been based on credit expansion and consumption, rather than productive investment and exports supported by reforms to enhance the beneficiaries' competitiveness.

- The COVID-19 pandemic has taken a heavy toll on the region, with gross domestic product contracting by 3.3%, exacerbating existing structural challenges and bringing new ones to the fore⁴. The effect of the containment measures and external shocks have led to a significant economic contraction across the region, especially in highly tourism dependent economies. While GDP declined by only 1% in Serbia, it decreased by -15.2% in Montenegro, due to the relative importance of its tourism sector. To mitigate the negative economic consequences, governments responded with fiscal packages and support programmes (wage subsidies). High public spending and reduced tax revenue resulted in higher government debt, which can stymie economic recovery. In Montenegro, for example, the fiscal deficit plunged to 11% in 2020 and public and publicly guaranteed debt rose to 109.2% of GDP. In Albania, a deficit of 6.7% resulted in a further increase in public and publicly guaranteed debt to 77.4% of GDP. In North Macedonia, public and publicly guaranteed debt increased by more than 10% in 2020, from 49.4% to 60% of GDP. Structural weaknesses, such as – human capital⁵ and labour market deficiencies⁶; inadequate transition towards a knowledge-based society⁷; difficulty in business financing⁸ and misalignments in the tax system; uneven playing field for economic actors; insufficient regional trade, transport and energy connectivity; lack of environmental sustainability in key policy fields; underdeveloped digital infrastructure and insufficient digital skills – have further exacerbated by the COVID-19 pandemic.
- For the economic recovery from the COVID-19 pandemic to be durable and resilient, policy approaches need to trigger investment and behavioural changes that will reduce the likelihood of future shocks and increase society’s resilience to them when they do occur. Whether recovery packages can “build back better” include alignment with long-term emission reduction goals, factoring in resilience to climate impacts, slowing biodiversity loss and increasing circularity of supply chains.
- Given the lacking culture of structured inter-ministerial and public consultations, this area of support aims to reinforce coordination and consultation mechanisms, by offering a highly inclusive approach for all stakeholders. In correspondence with the multi-dimensional approach to support competitiveness, stakeholders comprise government representatives from a number of ministries and public agencies in charge of finance, economy, trade, transport, energy, infrastructure, science, technology, telecommunication, environment, justice, competition, tourism agriculture, education, labour, employment. They participate in a self-assessment process, provide policy information, and engage in inter-ministerial consultations and policy roundtables. Central statistical offices play a major role in the provision of data.
- Wider non-government stakeholders involved in the Competitiveness Outlook include private sector representatives (e.g. chambers of commerce and investment promotion agencies), civil society organisations, academia and the donor community. In total, this area of support typically involves about 1000 stakeholders from the region.
- As this area of support covers 16 policy areas key to competitiveness (trade, investment, access to finance, tax, competition, transport, energy, environment, education, employment, science/technology/innovation, digitalisation, agriculture, tourism, state-owned enterprises and anti-corruption), it represents the most comprehensive knowledge base of economic policies for the region and serves directly as reference for the ERPs and can inform the implementation of the Sustainable Development Goals (SDGs) (see Table 1 in the Annex).
- Given its extensive thematic scope, this area of support can also be a key reference for various sectorial strategies and the Common Regional Market Action Plan, thus providing comprehensive diagnostics and targeted recommendations both at central and regional level. The comprehensive assessment and the actionable policy recommendations for each of the 16 policy areas do provide a guide for investors to make informed investment decisions and can be a toolkit for donors and international development agencies to prioritise funding choices. In this regard it can be especially useful to support the development of projects under the EIP for the Western Balkans.

⁴ Competitiveness in South East Europe 2021

(<https://www.oecd-ilibrary.org/docserver/dcbc2ea9-en.pdf?expires=1632993038&id=id&accname=guest&checksum=174F0422F0E4D82D3A4449599B9C20B5>)

⁵ OECD data (footnote 3-6): 2018 Programme for International Student Assessment (PISA) shows that around 50% of students in the Western Balkans fail to achieve the baseline level of proficiency (level 2) in reading, science, and mathematics. By comparison, about 80% of students in EU and OECD countries achieve baseline proficiency across each of the three tested subjects.

⁶ Unemployment remains an important challenge for all Western Balkan economies, with rates ranging from 9% in Serbia to 25.7% in Kosovo. Youth unemployment is particularly high: almost 50% in Kosovo and between 27% and 35.5% in all other Western Balkan economies.

⁷ In 2018, average gross domestic expenditure on R&D in the Western Balkan economies with available data (Bosnia and Herzegovina, North Macedonia, Montenegro, Serbia) stood at only 0.46% of GDP compared to the EU average of 1.62% of GDP.

⁸ In 2019, one in five firms in the Western Balkans identified access to finance as a major constraint to growing their business.

AREA OF SUPPORT #2: Accelerating SMEs' Recovery through the Small Business Act (SBA) Assessment

- Making up 99% of all firms, accounting for 73% of the total business sector employment and generating around 65% of the total business sector value added. SMEs are key players in the Western Balkans and Turkey region's economies and the wider eco-system of firms⁹. However, the policies in the region aimed at fostering entrepreneurship as well as the growth and survival of SMEs are not yet on the same level with those of EU member states and stronger convergence to the 10 SBA principles is needed and required in the framework of Chapter 20 'Enterprise and Industrial Policy.'

Despite significant strides that governments made in building a more SME-friendly policy environment, such as setting up dedicated agencies and developing strategies in line with a view to fostering SMEs' competitiveness as well as reducing administrative burdens on SMEs by streamlining processes and digitalising public services, deficiencies persist that hamper SMEs performance, ranging from access to finance, which remains difficult, costly and predominantly bank-financing to participation in international trade, which has been stagnant despite significant potential to grow in light of the deepening regional integration.

- According to the OECD Western Balkan Business Survey, about half of enterprises had to discontinue their business activity due to COVID-19, while 82% reported losses in revenue compared to pre-COVID levels¹⁰. The COVID-19 pandemic further aggravated current SME-related policy challenges, such as weak engagement with private sector in policy-making; lack of a holistic approach to improving SMEs' access to finance; low participation of SMEs in international trade; insufficient support for SMEs in adopting environmentally sound practices; lack of evidence-based SME policy making. Considering region's advancing economic integration with the EU and post-COVID 19 sustainable and resilient recovery, these challenges are becoming even more crucial if the region is to cope better with competitive pressure and markets forces.
- As SME policy is horizontal in nature and needs to involve representatives from a wide range of resource areas (skills, finance, trade), inter-governmental consultations are paramount to achieve well-balanced growth of the SME sector. Therefore, active involvement of representatives from the ministries of economy, finance, trade, industry, labour, education, science, technology, environment, and agencies of SMEs, employment, innovation, environment will be ensured. They all contribute to the provision of qualitative data and policy information, conducting assessment and actively participating in various meetings, as well as statistical offices, which are key for quantitative data gathering. Since SME policy directly impacts businesses, consultations and feedback loops with the private sector are paramount. This area of support will reinforce the much-needed public private dialogue. Beyond the private, civil society, academia, and the development cooperation community will also participate as wider stakeholders in this process.
- Given its extensive thematic scope, this area of support can also be a key reference for various sectorial strategies such as SME development strategy, smart specialisation, digitalisation, environment, competition, thus providing comprehensive diagnostics and targeted recommendations both at central and regional level. The comprehensive assessment and the actionable policy recommendations for each of the 10 SBA Principles provide a guide for investors to make informed investment decisions and can be a toolkit for donors and international development agencies to prioritise funding choices. In this regard it can be especially useful to support the development of projects under the EIP for the Western Balkans and its Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport.

AREA OF SUPPORT #3: Supporting Green Transition through Circular Economy Roadmaps

- Circular economy, a concept based on the principles of designing out waste and pollution, keeping products and materials in use for longer, and regenerating natural systems¹¹, is still at a nascent stage in the Western Balkans, and enterprises in the region are not aware of its opportunities, such as reduced environmental impact, more sustainable use and preservation of natural resources, lower production costs, boosted innovation, increased competitiveness, higher resilience to external shocks through reduced resource dependency and a creation of new markets and jobs. Over the years, a constant increase in waste generation per capita in the region has been noted, with recycling rate of municipal waste among all the economies being extremely low (less than 5% in 5 Western Balkans and around 18% in Albania as compared to 47% in the EU), whereas resource intensity as a measure of efficiency of resource use has remained comparatively high.

⁹ SME Policy Index: Western Balkans and Turkey 2019: Assessing the Implementation of the Small Business Act for Europe.

¹⁰ COVID-19 Crisis Response in South East European Economies: https://read.oecd-ilibrary.org/view/?ref=129_129649-tclugxbw4j&title=COVID-19-Crisis-Response-in-South-East-European-Economies&_ga=2.86943515.2044881338.1632988980-336244395.1595500242

¹¹ <https://www.ellenmacarthurfoundation.org/circular-economy/what-is-the-circular-economy>

This situation is unsustainable and poses significant burden on the environment, leading to its degradation, biodiversity loss as well as water, air and soil pollution, thus contributing to climate change. The COVID-19 pandemic also showed that dependency on globalised linear supply chains and cheap virgin raw materials poses high economic risks, leading to production disruptions and revenue losses, rendering current linear economic model ('take-make-dispose') unsustainable. Recent analysis conducted by the OECD, the World Bank and the European Central Bank shows that 'greener' economies with less carbon-intensive activities are better placed to ensure faster recoveries¹². In that context, the pandemic has created a unique momentum to make the economic recovery more sustainable, with circular economy representing an optimal tool to contribute to this endeavour.

- Furthermore, in the context of the EU accession, the EIP for the Western Balkans and the related European Green Deal and the Green Agenda for the Western Balkans emphasise circular economy as one of the key broad areas, underlining the need to link economic growth and new business opportunities in the Western Balkans region to more sustainable production and consumption patterns, thus encouraging waste prevention, reuse and recycling, decreasing waste production, increasing resource productivity and reducing pollution (e.g. plastic pollution), to mention a few.
- In addition to the government officials (from different ministries – such as ministries of environment, economy, transport, energy, science, technology; agencies – of SMEs, innovation, environment and statistical offices) main stakeholders under this area of support involve private sector representatives, civil society and academia. The involvement of a wide range of stakeholders is particularly essential under this area of support as there is low awareness of the circular economy marking concept in general and in view of the importance of establishing a dialogue between decision makers, representatives of industry, academia and civil society in making the transition towards circular economy.
- Given its multidisciplinary nature, circular economy roadmaps would feed into circular economy strategies and/or complement various strategies and policies, such as in the areas of waste management, environmental protection, smart specialisation, industry, innovation, energy, transport, agriculture and rural development.

2.3. Relevance and complementarity with strategies supported by key stakeholders

The Action aims at supporting policy making in addressing key challenges, such as the lack of co-ordination in policy design and weak implementation monitoring; the lack of evidence-based policy making; inadequate transition towards a knowledge-based society; difficulty in business financing and misalignments in the tax system; insufficient regional trade, transport and energy connectivity; lack of environmental sustainability in key policy fields; hampered SME access to finance, to mention a few. More concretely, the key issues analysed across the areas of support and the derived recommendations for policy actions would feed into strategic documents, thereby providing enhanced strategic and targeted support for reform priorities, which the new approach to economic governance and to the structural reforms calls for. Insights will feed into strategies such as SME development strategies, local economic development strategies, industrial strategies, sustainable trade, innovation strategies, sustainable development strategies, digital strategies, VET strategies, energy strategies, transport strategies, agricultural strategies, waste management strategies, anti-corruption strategies, etc. By doing so, the Action will foster inter-ministerial co-ordination as well and enhance governmental policy making capacities throughout the entire policy cycle (design – implementation – monitoring and evaluation). Given its regional focus, the action will also contribute to enhancing regional co-operation and connecting economies, thus contributing to the creation of a common regional market not only as a key to integrating the region more closely with the EU but also to facilitate the economic recovery after the crisis.

2.4. Relevance and complementarity with EU policy and EU and other donors' assistance

With the aim to foster economic development and regional co-operation, the Action will contribute to the implementation of the EIP for the Western Balkans supporting the implementation of fundamental structural reforms (such as developing a robust private sector, strengthening research, innovation and technology transfer in the economies through smart specialisation strategies and greening the economies) and reinforcing economic governance. These also coincide with the regional strategic objectives expressed by the wish to create a Regional Economic Area and build a Common Regional Market.

Similarly, the Action will support sustainable reforms and responsible investments in complementarity with assistance planned under the IPA III, most notably under Window 4 on Competitiveness and Inclusive Growth and

¹² [When markets fail – the need for collective action in tackling climate change \(europa.eu\)](https://ec.europa.eu/eip/wb/en/when-markets-fail-the-need-for-collective-action-in-tackling-climate-change)

Window 3 on Green Agenda and Sustainable Connectivity. There is also a clear reference and contribution of the action to convergence towards the 10 SBA principles as well as the alignment with the goals set under the Western Balkans Enterprise and Innovation Facility (WB EDIF) initiative. The action will be implemented in synergy and complementarity with EU bilateral projects addressing the support for economic development and the Green Agenda.

The fulfilment of the economic criteria is a key requirement for EU membership and the main aim of this action is to generate a reform momentum and provide support to evidence-based policymaking. It will also aim at strengthening the Western Balkans presence in global OECD projects (e.g. OECD Green Growth Framework, BEPS, Going Digital, Future of Work) as well as their participation in the OECD data bases e.g., STRI, STIP Compass, FDI RI, etc. allowing universal and transparent access to globally recognised information about the economies in question.

The Action will form a knowledge reference for the accession negotiations (particularly in the areas of connectivity or digitalisation) through specific parts on Digital transition in the Competitiveness Outlook and SME Policy Index assessments, ERPs, as well for the key sectoral strategies. It will also contribute to the EU Green Deal, aimed at transforming the economies into resource-efficient and competitive economies for a sustainable future and at mainstreaming sustainability in different policy areas, not only through its dedicated area of support on Circular Economy (e.g. mobilising industry for a clean and circular economy; accelerating the shift to sustainable and smart mobility, designing a fair, healthy and environmentally friendly food system), but also within the Competitiveness Outlook (the Environmental policy dimension and the presence of environmental component across different policy areas such as (clean) energy, (sustainable) agriculture, tourism, (green) investment, tax) and the SME Policy Index (fostering SME greening transition).

The link to all 17 Sustainable Development Goals is also present, as the Action supports governments in, among other points, introducing instruments to reduce greenhouse gas emissions across different economic sectors including energy, transportation and agriculture and choosing the policy mix that coherently internalises environmental costs into the whole lifecycle of a product to incentivise efficient resource use and circular economy. It also helps policymakers frame and enforce effective science, technology and innovation policies to spur sustainable economic growth across various economic sectors while promoting the creation of stable, high quality jobs.

2.5. Lessons learned and links with previous financial assistance

The relevant IPA III beneficiaries have been involved in a number of technical cooperation projects in recent years involving support to economic competitiveness. This was a main focus of a programme on economic governance and competitiveness implemented by the OECD and funded under IPA 2018.

This programme has provided sound, evidence-based analyses and recommendations and served as an important source for their ERPs and policy dialogue with the EU. This support will run until mid-2022 covering a Competitiveness Outlook Assessment and a SBA Assessment. The institutional capacity in the region seems to have increased in economic competitiveness policies following the OECD intervention and feedback from beneficiaries indicates that the support should be continued and developed with a more prominent focus on sustainability angle, such as supporting their green transition.

The COVID-19 related developments had a significant impact on the Competitiveness Outlook project activities as well as on the OECD team's approach in order to advance on the deliverables. All meetings scheduled to take place after March 2020 could not be held physically. Therefore, the project team made use of all possible digital tools to make sure that the assessment phase started and continued smoothly. When launching the assessment, the frameworks and questionnaires could not be presented and distributed by the team during meetings with government officials in each Western Balkan capital. Therefore, all the assessment materials were transformed into a digital format that are accessible and easy to understand and use for all those involved in the assessment. As result, all the stakeholders welcomed the online assessment frameworks allowing multiple persons to work simultaneously inside the assessment materials and facilitating their internal co-ordination process. Overall, the digitalisation of the assessment framework was a success, and moving forward will require planning, training and technical support (such as purchase of licences, involvement of technical IT personnel).

The continuous organisation of regional policy dialogue meetings proved highly effective in facilitating knowledge-exchange and peer-learning among policymakers in the Western Balkans and Turkey. As the region faces similar challenges affecting private sector development, these meetings provided for the exchange of good practices already present in the region, thereby learning from one another's experience. Moreover, these meetings strengthened regional co-operation, as policymakers and relevant stakeholders worked together towards devising joint solutions to common

problems. Additionally, the meetings provided a forum to share the experience of OECD member states with the Western Balkans, thereby offering practical way forward to implement the recommendations stemming from SME Policy Index. Following the success of the first round, regional policy dialogue meetings were extended beyond SME policies, and used as an effective tool to stimulate progress in other policy areas, covered by the Competitiveness Outlook, in particular tourism and state-owned enterprises (“Supporting the Tourism Sector in the Western Balkans in the COVID-19 Context” and “Reforming State-Owned Enterprises in the Western Balkans”, organised virtually, gathering more than 120 policy-makers and private sector participants).

Last, a crucial lesson learnt was in the area of collection of statistical data for both assessments. Closer co-operation with statistical offices in the Western Balkans (for example through the appointment of a dedicated statistical office contact point each policy dimension in each of the Western Balkans under Competitiveness Outlook 2021) and their involvement in all the major meetings raised the awareness of the importance of the availability of quality data for evidence-based policymaking. In doing so, statistical offices embarked on conducting surveys and publishing data on many key indicators for which no data was previously available.

3. DESCRIPTION OF THE ACTION

3.1. Planned results and intervention logic (describing causal links between impact, outcome(s) and output(s) and including assumptions)

The successful participation in the Competitiveness Outlook assessment and related policy events will lead to increased economic convergence towards competitiveness enhancing policies and stronger ability to design and implement competitiveness enhancing reforms in the Western Balkans, while fuelling economic recovery from the COVID-19 pandemic (Outcome 1).

The effective involvement in the SME Policy Index / SBA assessment and related policy events will lead to improved policies supporting a sustainable and resilient SME sector development and accelerated SMEs’ recovery in the Western Balkans and Turkey (Outcome 2).

Support to develop Circular Economy Roadmaps and associated technical-level meetings will lead to greater awareness of concepts and benefits as well as enhanced policies in favour of circular economy in the Western Balkans (Outcome 3).

If all outcomes are realised, then the intervention will contribute to assist the Western Balkans and Turkey in reinforcing economic convergence and economic integration, while supporting economic recovery from the COVID-19 pandemic; support the EU enlargement strategy by assisting the Western Balkans and Turkey on their European path, to converge towards EU policy standards, to fulfil the economic criteria, and to improve economic governance; provide manifold evidence-based input to the annual Commission Enlargement Package and the Economic and Financial Dialogue between the EU and the Western Balkans; and reinforce the regional economic integration within the Western Balkans and support the Common Regional Market initiative., whereas (Impact).

3.2. Indicative type of activities

AREA OF SUPPORT # 1: “Building Back Better” through the Competitiveness Outlook

- **Highly inclusive assessment and policy design process:** conducting a holistic assessment across 16 policy areas key for competitiveness and sustainable and inclusive growth, is based on a whole-of-government approach. More than 1,000 government officials from the Western Balkans participate in the self-assessment, which serves as a self-discovery and capacity building tool to critically reflect and measure the policy design, implementation and monitoring levels.
The key activities refer to: A1) launching the assessment in beneficiary economies to raise awareness among stakeholders and to secure local ownership of the assessment process; A2) collecting data through a self-assessment process conducted by the government, involving a large number of line ministries, government agencies and statistical offices of each participating economy, which is complemented by an independent expert assessment; A3) analysing data and evaluating the government and expert assessments; A4) verifying analyses through an extensive consultation process with stakeholders in each participating economy; A5) providing regional and economy-specific recommendations.

- **Enhanced and deepened the Competitiveness Outlook methodology:** The next edition will include more indicators in emerging policy areas including the digital transformation, the future of work, trade in services, as well as green growth and sustainable development. As such it will provide an overarching focus on one of the all-encompassing dimensions like environment, innovation or digitalisation, to demonstrate their cross-cutting character and influence on all policy areas assessed, as well as to support the whole-of-the-government approach to these policies especially given their potential in the post-COVID-19 times in “building back better”. It will enable the diagnosis the state-of play and reform implementation considering the new negotiations’ methodology and the new rules of financial assistance.
- **High-visibility publications,** including the regional, comparative Competitiveness Outlook and 6 separate economy profiles, will continue to represent a multi-dimensional benchmarking tool, used by the Western Balkans for their domestic structural reform agendas.
To ensure outreach and commitment for reform action, the action will: A1) provide high level launch of the publication with ministerial roundtable to share findings and recommendations at the highest political level and advocate the adoption of most needed reforms, A2) organise beneficiaries’ roundtables to discuss reform recommendations and to contribute to the economic policy debate and A3) provide universal and users-friendly digital access to the publications and related tools.
- **Policy events, including high-level conferences as well as expert-level thematic workshops** – concrete activities involve A1) identification of activities that require further support in implementation, especially those relevant from the post-COVID 19 recovery perspective; A2) organisation of events (policy dialogues; technical workshops) that support policy makers in policy implementation through peer learning and good practises exchange.

AREA OF SUPPORT #2: Accelerating SMEs’ recovery through the SBA assessment

- **Highly inclusive assessment and policy design process:** offering comprehensive, in-depth and evidence-based assessments, used by the public sector for policy making, private sector for investment decision, academia for research activities and donor community for technical assistance planning – resulting in a high-visibility publication including the regional, comparative SME Policy Index and 7 separate economy profiles.
Concrete activities comprise: A1) enhancing and deepening the SME Policy Index methodology (including a new part on digital transformation for SMEs and an increased focus on inclusive entrepreneurship, by assessing policies promoting entrepreneurship of disadvantaged groups and social enterprises), A2) conducting the SBA assessment in each beneficiary economy and supporting the implementation of certain key recommendations in the 2022 SBA assessment, A3) data evaluation and verification through SBA stakeholder meetings, A4) providing recommendations for SME policy convergence towards EU standards and roadmaps for action through the SME Policy Index (with an accent put on: strengthened support to WBIF-EDIF, by identifying the most challenging areas requiring for additional funding & technical assistance; support in aligning SME policies with the priorities of Smart Specialisation Strategies and broadening the discussion on opportunities for SMEs in greener and circular value chains and in adapting circular business models and standards), A5) providing visibility, including: launch and closing events, final publication, A6) organising workshops on monitoring and evaluation and A7) technology transfer good practice exchange.
- **High-visibility publications,** including the regional, comparative SME Policy Index for Western Balkans and Turkey and 7 separate economy profiles, will continue to represent a multi-dimensional benchmarking tool, used by the Western Balkans and Turkey for their domestic reform agendas. To ensure outreach and commitment for reform action, the activities will: A1) provide high level launch of the publication with ministerial roundtable to share findings and recommendations at the highest political level and advocate the adoption of most needed reforms, A2) organise beneficiaries’ roundtables to discuss reform recommendations and to contribute to the economic policy debate and A3) provide universal and users-friendly digital access to the publications and related tools.
- **Policy events, including high-level conferences as well as expert-level thematic workshops** – concrete activities involve A1) identification of activities that require further support in implementation, especially those relevant from the post-COVID 19 recovery perspective; A2) organisation of events (policy dialogues; technical workshops) that support policy makers in policy implementation through peer learning and best practice exchange.

AREA OF SUPPORT #3: Supporting Green Transition through Circular Economy Roadmaps

- **Mapping:** cross-country mapping, with the following activities envisaged: A1) reviewing existing policy approaches in the Western Balkans to identify the circular economy related institutional and regulatory environment, incentives and a state-of-play as regards the circular economy relevant infrastructure (e.g. for waste separation at source) in close consultation with the circular economy stakeholders (government representatives

and other circular economy stakeholders, i.e. representatives from the private sector, academia, civil society) – this will also help understand the level of advancement as regards the circular economy concept in each of the Western Balkans; A2) identifying areas for regional co-operation under circular economy in the Western Balkans;

- **Circular economy roadmaps: A1)** support for the design through outlining the main beneficiary -level sectors for circular economy transition (those that are most resource intensive and are with the highest circular economy potential, such as manufacturing, agri-food, plastics and packaging, construction), identification of key obstacles in this transition; A2) support for implementation by providing concrete policy options/recommendations to overcome them; A3) support for monitoring progress in the circular economy transition efforts.
- **Creation of platforms:** supporting the creation of platforms gathering circular economy stakeholders in each economy, which will facilitate exchange among government authorities on how to design, implement and monitor progress in their CE transition efforts.
- **Technical meetings and workshops** with the circular economy stakeholders (government representatives and other circular economy stakeholders, i.e., representatives from the private sector, academia, civil society), which would complement activities under mapping the situation and developing circular economy roadmaps.

The above actions are indicative and may be modified according to the needs along the implementation of the programme.

3.3. Risks and assumptions

Risks	Risk level (H/M/L)	Mitigating measures
Political commitment from relevant IPA III beneficiaries	M	Mobilise key high-level contacts to ensure high-level endorsement of the project. Mobilise technical level contacts to ensure government contributions and policy dialogue under this Action.
Political tensions leading to limited involvement of international or local experts	M	Maintain separation of political and technical sphere. Highlight the importance of continuous dialogue and communication.
Sufficient administrative capacity in the relevant IPA III beneficiaries	M	The analytical and management tools will be tailored for use in each IPA III beneficiary and hence will be adapted to take account of the specific administrative capacity and needs in each of them.
Local Ownership	M	Local officials and stakeholders will be involved from the outset in all activities. This includes the elaboration of tools under the components.
Interest of the business community and further stakeholders	M	The opportunities to network with governments, international experts and fellow business people from the region and beyond will provide a significant incentive for the business community and other stakeholders to remain involved in the Action.
Travel restrictions related to the COVID-19 pandemic	M	Virtual meetings and contacts are envisaged should the pandemic endure.

Assumptions (to be reflected in the Logical Framework Matrix above) – grouped by outputs and outcomes

Political stability

Macro-economic stability

Political will and availability to put in place suggested measures

Working group teams organised in each of the relevant IPA III beneficiaries

3.4. Mainstreaming

How does this Action contribute to Gender Equality and Women's and Girls' Empowerment (in line with the EU gender equality strategy 2020-2025)?

The Employment policy area under area of support # 1 ("Building back better" through the Competitiveness Outlook) directly contributes to Gender Equality as it looks into the quality of earnings and equal access to jobs of good quality for men and women and promotes policy making aimed at enhancing the employment of women. Moreover, the Education policy area uses several quantitative indicators to measure disparities between men and women in the access to high-quality education and explores pathways to reduce this gender gap. Component 2 (Accelerating SMEs' recovery

or Increasing SME competitiveness through the SBA assessment) supports Gender Equality and Women's and Girls' Empowerment through its sub-dimension *Women's entrepreneurship* that aims at fostering the design and implementation of policies which would allow women to make a more proportionate contribution to the entrepreneurial economy by overcoming gender gaps in entrepreneurship. This sub-dimension emphasises that economies need to do more to ensure women entrepreneurs play a larger role in building a more sustainable, growth-oriented economy and supports governments in doing so, in particular by placing particular importance on the development of support structures to women entrepreneurs; measures to raise awareness of the importance of women's entrepreneurship and develop skills; expanding dedicated partnerships, networking and support programmes and putting in place the conditions enabling an adequate work-life balance.

How does this Action address Environment and Climate change?

Areas of support # 1, 2 and 3 address these questions by supporting policy makers in framing and implementing policies aimed at preserving environment and securing economic growth that would not come at cost of climate change. In particular, the *Environmental policy* dimension of the Competitiveness Outlook helps the Western Balkans governments to introduce and enforce policies that combat climate change, increase resource efficient productivity, preserve natural asset base and enhance environmental quality of life, thus spurring innovation and new markets for greener technology and new jobs (i.e. boosting the competitiveness of economies) and building resilience against natural disasters and other environment-related risks. Given their cross-cutting nature, the aspects of combatting climate change and preserving the environment are present and analysed in other policy areas of Competitiveness Outlook (e.g. investment, tax, energy, agriculture or tourism). Furthermore, the *SMEs in a green and circular economy* dimension of the SME Policy Index encourages the adoption of policies and tools that promote green behaviour among SMEs, such as environmental policies, SME greening regulatory instruments, fostering the uptake of circular economy practices and businesses models among SMEs, access to green finance through incentives, green business support services, capacity-building programmes and advice and guidance programmes. Area of support # 3 and supporting the transition from linear to circular economy (both in production and consumption) helps increase resource productivity through the reduction of the amount of resources that economic activity requires and extended life cycle of products, thus contributing to safeguarding the environment and combatting climate change.

How does this Action address the Rights Based Approach?

Promoting human rights is one of the key concerns of the Action, notably through the highly participatory approach and the high-level of ownership which underline the Action. Throughout the various phases of collaboration, about 1,000 stakeholders of different types will be included, making them actors shaping their economies' economic and political future. For instance, for areas of support #1 and 2, along policy makers, representatives from the civil society, environmental organisations, businesses and academia will actively contribute and participate in the policy dialogue. Particular attention will be paid on including and empowering marginalised groups (e.g. ethnic minorities, rural population, youth), thereby making sure no-one is left behind and that policy settings foster an inclusive growth and stability. The human rights based approach will also be mirrored in the comprehensive set of the indicators used in the Competitiveness Outlook and SME Policy Index by which the outcomes of policies are continually monitored and evaluated. As part of these efforts, underlying root causes to disparities will be analysed and addressed.

How does this Action promote the systematic engagement with Civil Society?

Given the lack of culture of consultations and generally scarce interaction on policy approaches with external stakeholders, this Action will promote civic engagement in the policy dialogue. Inclusive nature of Action naturally leads to extensive consultation with the civil society representatives, capitalising on their feedback. Close engagement with civil society and other stakeholders is envisaged under all areas of support of the Action, mainly through their involvement in the policy roundtable meetings. In particular, civil society will be included in the assessment processes of the Competitiveness Outlook and SME Policy Index, to complement the results of the government self-assessment. Stakeholders from the civil society will be closely consulted when mapping the situation and developing circular economy roadmaps, and their feedback will also be highly valued.

3.5. Conditions for implementation

- Nomination of Coordinators: A key factor for implementing the Action is the continuous engagement by the governments across all phases of the Action. This includes the nomination of Coordinators for each area of support in the beginning of the process, thereby allowing to structure and initiative the work effectively at economy-level. The Coordinators will form an inter-governmental working group, lead the policy input from the government and act as the interface for the OECD and the line ministries. Similarly, the Coordinator will ensure an accurate and complete review of each assessed economy. The OECD will regularly inform the EU on the progress to fulfil these conditions.

- High level policy dialogue: The EU and OECD are expected to engage with high level policy makers in the region to advocate the adoption of the most needed reforms, as identified in the Action. A first engagement just took place at the

Berlin summit on 5 July 2021 where the leaders of the Western Balkans endorsed the recommendations of the Competitiveness outlook 2021 and agreed that the report provides a useful guidance for necessary reforms and for the successful post COVID-19 recovery of the region.

3.6. Logical Framework for PROJECT MODALITY (3 levels of results / indicators / Baselines / Targets / Source of Data / Assumptions - no activities)

Results	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Baselines (year)	Targets (year)	Sources of data (1 per indicator)	Assumptions
Impact	To assist the Western Balkans and Turkey in reinforcing economic convergence and economic integration, while supporting economic recovery from the COVID-19 pandemic. To support the EU enlargement strategy by assisting the Western Balkans and Turkey on their European path, to converge towards EU policy standards, to fulfil the economic criteria, and to improve economic governance. To provide manifold evidence-based input to the annual Commission Enlargement Package and the Economic and Financial Dialogue between the EU and the Western Balkans. To reinforce the regional economic integration within the Western Balkans and support the Common Regional Market initiative.	<i>Positive macro-economic benefits: improved trade performance (through increased export sophistication), increased government receipts from a more productive business sector</i>	2021	2026	<i>Commission Reports Central and International Offices of Statistics</i>	<i>Not applicable</i>
Outcome 1 (→ competitiveness)	1a) Increased economic policy convergence towards competitiveness enhancing policies 1b) Stronger ability of beneficiaries' to design and implement competitiveness enhancing reforms, especially in the context of the ERP exercise	<i>Increased scores as measured by the indicators of the Competitiveness Outlook (CO) (2024 edition)</i>	2021	2026	<i>CO Assessment results In- beneficiary and regional CO stakeholder meetings Desk research</i>	<i>Stable macro-economic environment Political stability Political will and availability to put in place suggested measures Political commitment from beneficiaries</i>

					<i>Commission Reports</i> <i>Central and International Offices of Statistics</i>	<i>Sufficient administrative capacity in the beneficiaries</i> <i>Local ownership of programme outputs</i> <i>Interest of the Business Community</i> <i>Coordination with related activities</i>
Outcome 2 (→ SMEs)	<p>2a) Improved policies in favour of competitiveness, green and circular economy, sustainability, resilience and SME sector development in the region;</p> <p>2b) Improved public sector capacity to design and implement reforms based on evidence.</p>	<p>- <i>Increased scores as measured by the indicators of the SME Policy Index (2026 edition)</i></p> <p>- <i>Increased enterprise creation and positive developments as regards labour market outcomes (which would in turn have positive impacts on government accounts), measured by: Contribution of SME to employment; Contribution of SME to value added; Number of newly registered enterprises per year; Employment level (age group 20-64)</i></p>	2022	2026	<i>SBA Assessment results</i> <i>In- beneficiary SBA stakeholder meetings</i> <i>Desk research</i> <i>Commission Reports</i> <i>Central and International Offices of Statistics</i>	<p><i>Political will and ability to adopt and put in place suggested measures (developed policy recommendations)</i></p> <p><i>Political will and availability of public sector to actively participate in stakeholder meetings and work</i></p> <p><i>Local ownership of programme outputs</i></p> <p><i>Interest of the Business Community</i></p>
Outcome 3 (→ circular economy)	<p>Greater awareness of the concept and benefits of the circular economy translated into concrete policy actions in line with the Economic and Investment Plan for the Western Balkans and the</p>	<p>- <i>Transition towards a circular economy measured by: Contribution of recycled materials to raw materials demand (circular material use rate); Trade in recyclable raw material (import/exports); Generation of waste</i></p>	2022	2026	<i>Competitiveness Outlook Assessment (Environmental policy dimension,</i>	<p><i>Working group teams organised in each of the economies</i></p>

	European Green Deal (and the Green Agenda for the Western Balkans).	<i>per GDP; Recycling rate (of all waste / of municipal waste); Recycling rate of packaging waste.</i>			<i>circular economy sub-dimension)</i> <i>SME Policy Index (SMEs in a green economy dimension)</i> <i>Desk research</i> <i>Commission Reports</i>	<i>Interest of the governments to work on circular economy related policy framework</i> <i>Willingness of working group teams to cooperate on a regional level</i> <i>Interest of business community, academia and other stakeholders to co-operate with public sector to introduce CE</i>
Output 1 related to outcome 1 (→ competitiveness)	Published a Competitiveness Outlook publication as independent and rigorous fact base and with guidance how to design and implement competitiveness enhancing reforms complemented by economy-specific profiles (1 for each economy). Enhanced participation in OECD instruments.	<ul style="list-style-type: none"> - Issuing of policy guidance and around five recommendations for each dimensions for enhanced competitiveness of the region - Availability of enhanced assessment framework: 1 for each dimension, including new and revised indicators; - Number of assessment kick-off meetings organised increasing the capacity and the involvement of policy makers to analyse, assess and adapt policies (1 for each economy gathering around 30-50 stakeholders); - Number of stakeholder meetings organised increasing the capacity and the involvement of policy makers to assess and adapt policies (1 for each economy gathering around 50-70 stakeholders); - Benchmarking and including the region into OECD instruments for 	2021	2026	<i>Indicator grid</i> <i>OECD Competitiveness Outlook publication</i> <i>Meeting material</i>	<i>Stable macro-economic environment</i> <i>Political stability</i> <i>Political will and availability to put in place suggested measures</i> <i>Political commitment from beneficiaries</i> <i>Sufficient administrative capacity in the beneficiaries</i> <i>Local ownership of programme outputs</i>

		<i>example the FDI restrictiveness Index, Services and trade restrictiveness index; Inclusive framework on Base erosion and profit shifting (BEPS) and/or Science, technology and innovation policy (STIP) Compass.</i>				<i>Coordination with related activities</i>
Output 2 related to outcome 1 (→ competitiveness)	Organised policy events, including high-level conferences as well as expert-level thematic workshops	<ul style="list-style-type: none"> - Number of events held (1 per project year) - Number of policy briefs drafted prior to the high-level conferences - Number of policy-makers and different stakeholder groups taking part in these events: 20-100 policy-makers and stakeholder groups - Share of participants reporting increased awareness of the good policies and practices in the EU-OECD countries: 80% of participants report increased awareness 	2021	2026	<i>Meeting material</i>	<ul style="list-style-type: none"> <i>Political stability</i> <i>Political commitment from beneficiaries</i> <i>Local ownership of programme outputs</i> <i>Interest of the Stakeholders</i>
Output 1 related to outcome 2 (→ SMEs)	Published a high-visibility publication (regional SME Policy Index and 7 economy profiles) with comprehensive, in-depth and evidence-based assessments, used by the public sector for policy making, private sector for investment decision, academia for research activities and donor community for technical assistance planning;	<ul style="list-style-type: none"> - Issuing of policy guidance and recommendations for enhanced SBA implementation in all ten SBA principles through launch of SME Policy Index - Availability of enhanced assessment framework: 1 for each dimension, including new and revised indicators - 25+ in- beneficiary and regional stakeholder meetings organised to collect data and validate key findings respectively - Number of policy-makers and different stakeholder groups participating in these meetings: 70+ per event 	2022	2026	<ul style="list-style-type: none"> <i>Indicator grid</i> <i>SME Policy Index publication</i> <i>Meeting material</i> 	<ul style="list-style-type: none"> <i>Political will and ability to adopt and put in place suggested measures (developed policy recommendations)</i> <i>Political will and availability of public sector to actively participate in stakeholder meetings and work</i> <i>Local ownership of programme outputs</i> <i>Interest of the Business Community</i>

<p>Output 2 related to outcome 2 (→ SMEs)</p>	<p>Organised policy events, including high-level conferences as well as expert-level thematic workshops</p>	<ul style="list-style-type: none"> - Measured by the numbers of events held - Measured by the number of policy briefs drafted prior to the high-level conferences - Number of policy-makers and different stakeholder groups taking part in these events: 70+ policy-makers and stakeholder groups per regional event - Share of participants reporting increased awareness of the good policies and practices in the EU-OECD countries: 80% of participants report increased awareness 	<p>2022</p>	<p>2026</p>	<p>Meeting material</p>	<p>Political will and availability of public sector to actively participate in these events</p> <p>Interest of the stakeholders</p>
<p>Output 1 related to outcome 3 (→ circular economy)</p>	<p>Delivered circular economy roadmaps, supporting the design, implementation and monitoring of the transition towards circular economy</p>	<ul style="list-style-type: none"> - Identification of sectors, policy constraints and policy options for the circular economy transition 	<p>2022</p>	<p>2026</p>	<p>Circular economy roadmaps</p>	<p>Working group teams organised in each of the economies</p> <p>Interest of the governments to work on circular economy related policy framework</p> <p>Willingness of working group teams to cooperate on a regional level</p> <p>Interest of business community, academia and other stakeholders to co-operate with public sector to introduce Circular Economy</p>

Output 2 related to outcome 3 (→ circular economy)	Organised a number of technical meetings on mapping the situation and developing the Circular Economy roadmaps	<ul style="list-style-type: none"> - Measured by the number of technical meetings organised - Measured by the number of Circular Economy stakeholders taking part in these meetings - Meeting material 	2022	2026	Meeting material	<i>Political will and availability of public sector to actively participate in these events</i> <i>Interest of the Circular Economy stakeholders to participate in the meetings</i>
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4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing agreement

In order to implement this action, it is not foreseen to conclude financing agreements with the IPA III beneficiaries.

4.2. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹³.

4.2.1. Indirect management with an international organisation

This action may be implemented in indirect management with the OECD. This implementation entails undertaking all necessary activities to achieve the expected outcomes and outputs under the action by coordinating and providing expertise to contribute to strengthen the economic resilience as well as to boost the competitiveness and regional/global integration of the Western Balkans and support accession negotiations, as well as close partnership and cooperation with local public officials in the region to contribute to their capacity development. The envisaged entity has been selected using the following criteria: its specific expertise in the field of economic policies, and building on the grounds set by the previous EU-funded project on Support to Economic Competitiveness in the region; and its partnership in the region and support in their ERPs.

The OECD has an extensive knowledge of policy assessment, analysis, and design and provides access to the most relevant OECD instruments (e.g. FDI restrictiveness Index, Services and trade restrictiveness index; Inclusive framework on Base erosion and profit shifting (BEPS) and/or Science, technology and innovation policy (STIP) Compass) and best practices. The entity build consensus for economic reforms by facilitating evidence-based, objective dialogue with policymakers, civil society, and private sector, among others, in the region. This approach has contributed to stronger, more effective policymaking and strengthened regional integration among the Western Balkans, enabling them to overcome common challenges through collective solutions.

Additionally, the flagship assessments on SME Policy Index and Competitiveness Outlook (areas of support #1 and 2) are unique; developed and conducted only by the OECD. These assessments were adapted in previous IPA project on EU accession process needs and they became a main knowledge reference and used to monitor progress on economic policies in the region.

4.3. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions;

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the beneficiaries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

¹³ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

4.4. Indicative budget

	EU contribution (amount in EUR) 2021	Indicative third party contribution, in currency identified 2021
All outcomes and outputs		
Indirect management with OECD - <i>cf. section 4.2.1</i>	8 000 000	N/A
Total	8 000 000	N/A

5. PERFORMANCE/RESULTS MONITORING AND REPORTING

5.1. Internal monitoring

The implementing partner will be asked to prepare regular report (an initiation report; semi-annual progress reports, and a final report informing the relevant indicators included in the log frame) prepared to inform all relevant stakeholders, i.e. IPA III beneficiaries, the European Commission, EU Delegations/EU Office, cooperating institutions, and the wider public. For all training activities, implementing partners will collect participants' feedback on the usefulness and impact of delivered activities.

In addition, the action might be subject to external monitoring in line with the European Commission rules and procedures.

5.2. Evaluation

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the Directorate-General for Neighbourhood and Enlargement Negotiations guidelines on linking planning/programming, monitoring and evaluation.

The financing of the evaluation shall be covered by another measure constituting a financing Decision.

6. AUDIT

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing Decision.

7. COMMUNICATION AND VISIBILITY

Visibility of EU funding and communication about objectives and impact of Actions are a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force.

In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the administrations (for instance, concerning the reforms linked to EU budget support), entrusted entities, contractors and grant beneficiaries. Appropriate

contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

The measures shall be based on a specific Communication and Visibility Plan, established and implemented in line with the EU communication and visibility requirements in force. The plan shall include, inter alia, a communication narrative and master messages for the Action, customised for the various target audiences (stakeholders, civil society, general public, etc.)

Visibility and communication measures specific to this Action shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegations and Offices. The European Commission and the EU Delegations and Offices should be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages. It is the responsibility of the implementing partner to keep the EU Delegations/Office and the European Commission fully informed of the planning and implementation of the specific visibility and communication activities.

Communication on this Action should also take into consideration the risks from misinformation and disinformation, and the ways of countering these in order to avoid undermining the Union's efforts and image in the Western Balkans and Turkey.

8. SUSTAINABILITY

The comprehensive, evidence-based assessments and policy recommendations issued under this Action will lead to improved policies in favour of competitiveness, sustainable and inclusive growth, SME sector development, green and digital transformation. Establishing a record of policy approaches will guide future reform actions. The analytical insights and recommendations will be a good source for the development cooperation community, as they can be easily translated into technical assistance projects.

The highly inclusive processes will strengthen inter-ministerial coordination and stakeholder consultation in policy prioritisation and policy design and contribute to overcoming organisational silos and promote a culture of a stakeholder dialogue.

The set of policy seminars and workshops conducted by the experts and the application of OECD toolkits will improve public sector capacity to design and implement reforms across agencies. Diagnosis methods and reform prioritisation processes will be enhanced and implementation, monitoring and benchmarking practices improved.

Regional policy dialogue and high level conferences will foster dialogue and cooperation with regional peers and the EU on cross-cutting policy issues.

By gradually applying OECD tools through the Competitiveness Outlook and adopting EU SBA Principles through the SME Policy Index, the Western Balkans will align closer with EU standards.