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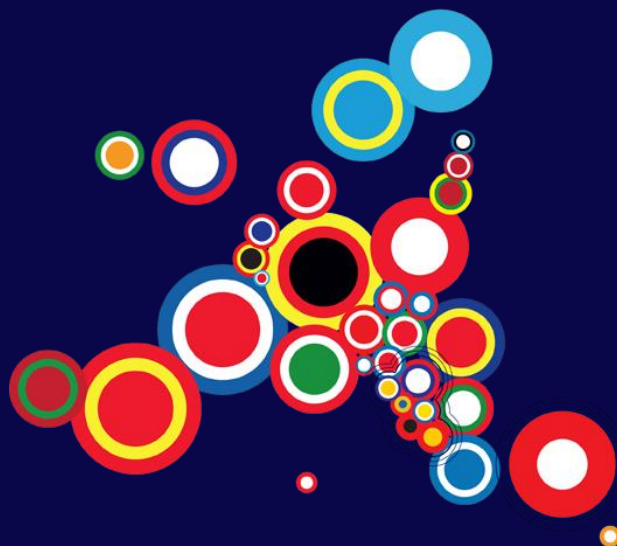
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**Commission Implementing Decision**

**amending Commission Decision C(2014)4293 of 30.6.2014 adopting a Multi-country  
Indicative Strategy Paper for the period 2014-2020**



# **INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II)**



## **REVISED MULTI-COUNTRY INDICATIVE STRATEGY PAPER (2014-2020)**

ADOPTED ON 31/05/2018

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## PART I: INTRODUCTION

### 1. Purpose

The Instrument for Pre-accession Assistance (IPA II)<sup>1</sup> is the main financial instrument to provide EU support to the beneficiaries listed in Annex I of the IPA II regulation in implementing reforms with a view to Union Membership.

The Multi-country Indicative Strategy Paper hereinafter referred to as "Strategy Paper" sets out the priorities for EU horizontal and regional financial assistance for the period 2014-2020 to support Albania, Bosnia and Herzegovina, Kosovo\*, the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey. It translates the political priorities set out in the enlargement policy framework including the stabilisation and association process into key areas and sectors where cross-border and multi-country assistance will be most useful to support the IPA II beneficiaries. It is designed to be consistent with the national strategies as set out in the Indicative Strategy Papers and to complement and enhance them by supporting regional and territorial cooperation, facilitating coordination and effective horizontal implementation mechanisms. This strategy paper - initially adopted by the European Commission (Decision C(2014) 4293 final of 30 June 2014) has been revised and updated at mid-term in accordance with Article 6, paragraph 4 of the IPA II Regulation. It may also be revised at any time upon the initiative of the European Commission.

Financial assistance under IPA II pursues the following four specific objectives: (a) support for political reforms, (b) support for economic, social and territorial development, (c) strengthening the ability of the beneficiaries to fulfil the (future) obligations stemming from Union membership by supporting progressive alignment with the Union *acquis*, (d) strengthening regional integration and territorial cooperation. Furthermore, the IPA II Regulation states that financial assistance shall mainly address five policy areas: a) reforms in preparation for Union membership and related institution-and capacity-building, b) socio-economic and regional development, c) employment, social policies, education, promotion of gender equality, and human resources development, d) agriculture and rural development, and e) regional and territorial cooperation.

In order to increase the impact of the EU's financial support, assistance should be concentrated on the areas where reforms or investments are most needed to meet the specific criteria and tailored to take into account the capacities of the beneficiaries to meet these needs. Assistance under regional programmes should be directed towards areas where similar or joint efforts by several beneficiaries are needed, or where investments will produce a positive impact in several places.

Moreover, EU assistance is only one of the means to achieve the necessary progress. When deciding on priorities for action, due account needs to be taken of the means of the beneficiaries themselves, as well as of the support provided through other EU instruments and by other stakeholders, in particular the international community, bilateral donors or

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<sup>1</sup> OJ L 77, 15.03.2014, p. 11.

\* 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.

International Financial Institutions. Preference should be given to providing financial assistance under a sector approach where possible, which ensures a more long-term, coherent and sustainable approach. This also allows for increased ownership by national authorities, facilitates cooperation among donors, eliminates duplication of effort and brings greater efficiency and effectiveness.

With a view to delivering the priorities set out for EU financial assistance for the beneficiaries for the seven years period, this Strategy Paper contributes to the targets and expected results identified in the Indicative Strategy Papers and identifies the objectives pursued, the key actions and actors and sets out indicative financial allocations.

The mid-term revision of this Strategy Paper has taken into account the priorities already addressed in the period 2014-2017.

A performance reward exercise has been conducted during 2017 on the basis of an assessment of performance and progress; a second performance reward exercise will be conducted by 2020, as defined in Article 14 of the IPA II Regulation.

## **2. Consultation on this Strategy Paper**

In preparation of the revision of the strategic programming exercise, the European Commission has held consultations with the National IPA Coordinators, the EU Delegations, civil society organisations, Member States and other donors, International Financial Institutions as well as international and regional organisations, in particular the Regional Cooperation Council. Strategic dialogues with the European Parliament were conducted both when the document was initially drafted in 2014 and at mid-term in 2018.

Both the European Commission and the stakeholders have emphasised the need to concentrate human and budgetary resources on a limited but key number of priority areas. In the selection of priorities for EU assistance outlined in this revised Strategy Paper, account has also been taken of the South East Europe (SEE) 2020 strategy and EU macro-regional strategies, the **EU Strategy for the Danube Region** (EUSDR<sup>2</sup>) and the **EU Strategy for the Adriatic and Ionian Region** (EUSAIR), as well as the annual beneficiary-specific Economic Reform Programmes (ERPs) outlining each beneficiary's priorities in the socio-economic field and the lessons learned from the programming and implementation of IPA I and IPA II and the findings from internal and external consultations.

# **PART II: ANALYSIS OF THE NEEDS AND CAPACITIES**

## **1. Overall situation in the Western Balkans and Turkey**

When planning pre-accession assistance, the needs and challenges of the IPA II beneficiaries to meet the political and economic criteria and to align themselves with the Union *acquis* must be the starting point. Both the Western Balkans and Turkey face important challenges,

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<sup>2</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "European Union Strategy for Danube Region" (COM/2010/0715 final)

which are common to all of them - although to a varying degree - and are reflected in the enlargement policy framework, notably the EU Enlargement Strategy.

The key challenge in the area of **democracy and the rule of law** is to strengthen the functioning and independence of institutions guaranteeing democracy. This includes ensuring independent, impartial, efficient and accountable judicial systems; empowering civil society including in the face of serious backsliding in some beneficiaries; fighting organised crime and corruption as well as money laundering; ensuring cyber-security and fighting cyber-crime; and safeguarding fundamental rights such as freedom of expression and rights of persons belonging to minorities as well as vulnerable groups, notably Roma and LGBTI. Targeted efforts are also needed to facilitate social inclusion.

Efforts on public administration reform (PAR), including on public financial management (PFM), are ongoing, but challenges remain in all public administration core areas. Many countries have adopted their PAR strategies and PFM reform programmes in line with the principles of public administration, but progress is now needed to ensure their consistent implementation.

Further progress is also required as regards reconciliation, preventing and countering violent extremism (polarisation of the region), overcoming the legacy of the past and resolving bilateral problems, while regional cooperation needs to be fostered.

There is a need for a regional approach on security in South Eastern Europe, taking into account border security, fight against serious and organised crime and terrorism, including cyber-security and fight against cyber-crime.

The migration challenge has demonstrated that support to protection-sensitive migration management via capacity building for border police and civil servants, as well as harmonisation towards and implementation of international legal standards on mixed migration flows, remains essential.

The economic crisis has underlined the need for all beneficiaries in the region to strengthen their governance, in particular **economic governance** and improving competitiveness in order to meet economic accession criteria. None of the Western Balkans beneficiaries is a functioning market economy, public financial management systems need further strengthening and structural reforms need to be prioritised and properly implemented. Enhancing competitiveness in order to boost growth, support fiscal consolidation, and tackle high external imbalances remains a priority. The European Commission growth forecasts foresee stable GDP growth rates for the Western Balkans and Turkey over the medium term. Significant external imbalances remain a key challenge in most Western Balkans, reflected in large merchandise trade deficits. The heavy reliance on remittances from abroad creates macroeconomic vulnerabilities and leads to disincentives to take up employment. The positive aspect of remittances is limited by the fact that funds are usually funnelled into unproductive sectors.

As regards **competitiveness and growth**, significant challenges remain in all IPA II beneficiaries, in particular as regards job creation and youth employment. This includes the agri-food sector, even though the region has the land, labour, location, and climate needed to potentially supply domestic and European markets with high-value products. A return to previously high growth rates is only possible if further structural reforms are accomplished, making the economies more competitive and attractive for investors. Growth prospects are

better in the potential candidates, which have less developed economies and which have been less affected by the economic crisis due to their lower integration into the EU economy. On the other hand, the growth prospects of all beneficiaries are hampered by their extensive vulnerability to the climate change and their dependence on fossil fuels. Notwithstanding some encouraging developments, addressing persistent unemployment remains a key priority in the Western Balkans, with the average rate at 20%. An important aspect of this is improving the quality of education at all levels, keeping in mind that the earlier the investment in education, the greater the impact is on growth and competitiveness.

The region is facing a significant challenge in ensuring that new jobs accompany the forecast growth. This will first and foremost require substantial private sector development in order to better include the economies into global and European value chains. It should be accompanied by investments in infrastructure networks (energy, transport, water and environment, telecommunications, research and innovation, and social infrastructure), and comprehensive action to mitigate and adapt to climate change in order to shift to a low-carbon and climate resilient development path. Investments are particularly needed to create a favourable business climate for small and medium-size, innovative enterprises and for improving access to finance. The growing importance and potential of the circular economy and of the digital economy (eCommerce, eTrade, etc.) should be further recognised and tackled by the region, including Turkey. In addition, in the context of the SEE2020 Strategy, the EU should help the beneficiaries in the Western Balkans to better respond to market signals, integrate the agriculture in expanding regional and international markets, improve efficiency and provide alternative jobs outside agriculture including in the tourism sector. Support is also needed for maritime issues and sustainable coastal development. Another challenge is to strengthening the competition laws and providing a well-functioning state aid control system. This should facilitate entrance of new market players that would in turn improve growth perspectives. Finally, energy efficiency has a great potential in the region, reducing green-house gases, as well as supporting economic growth.

**Gender equality** is among the requirements with which the Western Balkans and Turkey have to comply in the framework of the agreements concluded by the Union with the IPA II beneficiaries. The IPA II beneficiaries have taken steps to advance on women's rights, adopting or amending their relevant legislation (for instance, framework gender equality laws, criminal and labour laws), elaborating national strategies and action plans, and establishing institutional mechanisms to carry out and monitor the policies in the area. However, they are at different stages and implementation is weak. Gender equality is often seen as a low-priority, the main focus being centred on political and economic issues. Women in the region still share similar challenges. Traditional stereotypes place them in a subordinate position, and public awareness of their rights is low. Widespread domestic violence, limited labour market opportunities and unequal access to participation in high-level politics (despite existing quotas) are key issues that needs to be tackled. Gender based violence persists mainly in the form of domestic violence and sexual harassment, stemming from a combination of mentality patterns and a lack of adequate legal protection and access to justice for victims, among others.

## 2. Context for the planning of assistance

### 2.1 Regional cooperation in the context of the Enlargement Strategy

The Strategy Paper concentrates on issues for which there is a clear need for regional cooperation in order to achieve results that a beneficiary listed in annex I of the IPA II Regulation ("IPA II beneficiary") is less likely or even unable to achieve alone or where there is an advantage from providing horizontal support because joint efforts are more cost-effective.

While the priorities for action towards meeting the objectives for each of the beneficiaries will be based on country-specific needs and capacities, in view of the common challenges for the region a number of **common priorities for pre-accession assistance in the period until 2020** can be set out. This relates in particular to the priority of IPA II assistance to support the beneficiaries in **addressing the fundamentals first, which are the rule of law and fundamental rights, public administration reform and economic governance**.

Following the outcome of the last Western Balkans Summit in Trieste in July 2017, there is a clear need to widening the connectivity agenda to include (a) connecting infrastructure; (b) connecting economies; (c) connecting people. This has been further developed in the perspectives for the EU future of the region.

On 6 February 2018, the European Commission adopted a Communication on "A credible enlargement perspective for and enhanced EU engagement with the Western Balkans"<sup>3</sup> ("2018 Western Balkans Strategy"). This Communication aims to generate renewed reform momentum in the Western Balkans and provide significantly enhanced EU engagement to better support their preparations on the European path.

For the period 2018-2020, this Strategy Paper has been revised to ensure coherence with the new strategic orientations, in particular as regards the implementation of the six Flagship Initiatives presented in the Communication. IPA II assistance will continue to support connectivity agenda, economic development and competitiveness, environmental protection, education and youth, rule of law and fundamental rights, governance and territorial cooperation.

As regards **democracy and the rule of law**, a number of common priorities can be identified for support through IPA II:

It continues to be necessary to strengthen **democratic institutions**, which remain fragile in a number of IPA II beneficiaries, including support for electoral and parliamentary reform and promoting inter-parliamentary cooperation between national parliaments of the region and those of the EU Member States and the European Parliament, and internal capacity building of parliament staff.

Similarly, the independence and impartiality of the **judiciary** is to be strengthened to improve legal predictability and to ensure fair and timely proceedings.

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<sup>3</sup> COM(2018) 65 final of 6.2.2018



Keeping in mind the external dimension of EU's migration policy (the policy framework of which is set by the Global Approach to Migration and Mobility and the European Agenda on Migration), IPA II supports: legal migration and mobility, including through maximising the development impacts of migration; the development of functioning asylum systems; the improvement of integrated border management; and reduction of irregular migration through both focused actions and technical assistance. The emphasis of the multi-country programme will be put on building capacity for protection-sensitive management of **migration** flows in accordance with international standards.

The beneficiaries need in particular to join forces and cooperate to **fight organised crime**. This involves strengthening cooperation with international law enforcement organisations operating in criminal justice, police investigations and witness protection, thus enabling effective exchange of information and evidence during investigations and prosecutions. Mixed-migration and border management capacities will be further supported to help the region address the smuggling and migration-related challenges. Where in the context of the accession negotiations action plans are established to meet the requirements under chapter 23 and 24, IPA II support will specifically target these requirements. Special attention will be given to facilitating close cooperation and coordination with all relevant EU agencies, EU Member States and international organisations that could help implement these action plans.

The issue of radicalisation leading to violent extremism is increasingly a part of policy discussions in the Western Balkans. The prominence of the topic has been driven to a large extent by the concerns of ISIL-inspired terrorist acts, the threat of foreign terrorist fighters (FTFs) returning to their home countries and the media attention surrounding terrorist activities.

As stated in the Global Strategy for the European Union's Foreign and Security Policy (June 2016), the EU will work on preventing and countering violent extremism by broadening partnerships with civil society, social actors, the private sector and the victims of terrorism, as well as through inter-religious and inter-cultural dialogue. In addition the EU will further develop human rights-compliant anti-terrorism cooperation with the Western Balkans.

Within the scope of the current enlargement policy, which is also strategic investment in Europe's security and prosperity, the challenges of terrorism and organised crime are shared between the EU and the Western Balkans and should be tackled in cooperation, as highlighted by the Integrative Internal Security Governance adopted by the Justice and Home Affairs Council and endorsed by the Western Balkans. A comprehensive EU response would therefore imply, among others, strengthening partnerships with key countries, supporting capacity building, countering financing, radicalisation and violent extremism, as well as addressing underlying factors and the ongoing crisis. In particular, **counter-terrorism** and the **prevention of radicalisation** will require a comprehensive and multifaceted approach reinforcing regional cooperation and alignment and inclusion in the EU cooperation framework including through the Radicalisation Awareness Network.

There will be continued support for **public administration reform (PAR)**, including **public financial management (PFM)**, as this is a fundamental. The European Commission has strengthened its focus on public administration reform by outlining six key areas for reform to ensure adequate administrative capacity for implementation of the *acquis*: strategic framework for public administration, policy development and coordination, public service and human resources management, accountability, service delivery and public financial management.

Keeping in mind the importance of public administration reform in the enlargement process, the commitment of the beneficiaries to meet the Principles of Public Administration and the commitment of the EU to the Better Regulation agenda, the key elements of public administration reform will be systematically addressed in all IPA II sector interventions. IPA II assistance will especially ensure the **Better Regulation approach**, whereby policies and legislation in all sectors are prepared on the basis of best available evidence (impact assessments) in an inclusive approach involving both internal and external stakeholders.

The economic reform programme (ERP) and the policy guidance jointly adopted by the EU and the Western Balkans and Turkey annually are the EU's main instruments for economic policy dialogue with the beneficiaries. The ERP contains a thorough diagnostic of key structural obstacles to long-term growth by sector and a list of structural reform measures to address these. Assistance under IPA II shall take the identified key constraints and the reform priorities identified by the beneficiaries in the ERP and in the jointly adopted policy guidance into account in its programming and shall support the implementation of both the reform measures included in the ERP and the policy guidance. The approach to **economic governance** allows enhanced strategic and targeted support to each beneficiary's economic reform priorities. The economic reform programmes provide a single integrated approach to boost competitiveness and inclusive growth across all sectors of the economy, partly based on more targeted policy guidance jointly adopted by the EU and the IPA II beneficiaries. The reforms outlined in the respective programmes will be underpinned by IPA II assistance.

Increased support to **civil society organisations**<sup>4</sup>, including capacity building and encouraging the creation of an enabling environment for its development and greater involvement of stakeholders in reforms, including through greater transparency of government action and spending.

Promoting freedom of expression and media, political and financial independence of media, **and media literacy among the public** in a more structured and strategic manner and in close cooperation with key international organisations in order to counteract shrinking space for media outlets, negative impacts of political propaganda and fake news.

As regards **competitiveness and growth**, the following common priorities can be identified for support through IPA II:

Investing in competitiveness and innovation of the private sector will allow participation in the global economy and improvement of the overall business environment including the capacity for research and innovation, skills, and trade integration. The development of a Smart Specialisation Strategy is the prerequisite that underpins national research and innovation strategies and policies. It helps to prioritise national research efforts and to allocate the resources needed. In terms of research and innovation capacity building it also helps to identify regional centres of excellence and to support the creation of technology transfer and commercialisation capacity. A particular focus is needed on private sector development and SMEs. This includes limited support to promote cross-border and regional and/or rural tourism offers and branding of the region.

Investing in **education, employment and social policies**, to increase access to education and training systems, improve their quality and relevance, activate people on the labour markets,

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<sup>4</sup> As defined in the 2012 Commission Communication "The roots of democracy and sustainable development: Europe's engagement with civil society in external relations", COM (2012) 492, 12.09.2012.

align and improve the skills base to meet labour market needs, promote gender equality, the rights of the child, and foster social inclusion as well as investing in health – across these areas, a special focus is required to reach the most marginalised groups including Roma.

Progress in closing the gender employment gap in the region has been slow. High inactivity rates, especially among women, the low-educated and the young. Women's labour market participation is significantly lower than men's, with differences being particularly noticeable in Kosovo, Bosnia and Herzegovina and the former Yugoslav Republic of Macedonia<sup>5</sup>.

Support to youth, education and training policies shall be supported and mainstreamed through IPA II, in line with the major EU policies in the area, in particular the *Education and training 2020, the Bruges - Copenhagen Process* for Vocational Education and Training, and the Riga Conclusions 2015<sup>6</sup> on a new set of Priorities for Vocational education and training 2015-2020, endorsed by the relevant IPA II beneficiaries.

The 2018 Western Balkans Strategy reiterates the importance of Roma integration as part of the Fundamental Rights priority. Furthermore, the EU Roma integration Framework (2011-2020) mandates the European Commission to improve the delivery of support under IPA towards a strategic and results oriented programming. The Roma integration objective will be supported both by including Roma integration benchmarks in mainstream actions and through targeted projects. IPA II assistance will also take into account the national policy framework (Roma Integration Strategy and Action Plan), commitments related to Roma integration, the visa liberalisation process and the conclusions of the Roma Seminar.

Assistance under the regional portfolio has a particular focus on the **connectivity agenda** for the Western Balkans. Improving connectivity within the Western Balkans and between the Western Balkans and the European Union is a key factor for growth and jobs and will bring clear benefits for economies and citizens. The Western Balkans have made the connectivity agenda one of its highest priorities, with a special emphasis on the preparation and financing of regional infrastructure investment projects and on the implementation of technical standards and connectivity reform measures.

Investing in improved **transport and energy** interconnections within the region and with the EU, as well as scaling up energy efficiency measures to promote sustainable economic growth, jobs, trade, cultural exchange and reconciliation. This will be pursued in the framework of the connectivity agenda and the 'Berlin process'.

Investing in the area of **environment and climate action** to promote protection of the environment, quality of life particularly in the areas of water, waste management and air pollution, climate change adaptation and mitigation including disaster risk reduction, and the development towards a resource-efficient, low-carbon and climate-resilient economy. This will notably be done in the framework of the implementation of the 2015 Paris Agreement on Climate Change and the EU 2030 framework for climate and energy policies as well as the EU's Circular Economy Action Plan, to help the beneficiaries meet their own targets. Further mainstreaming of climate and environment related actions within the priorities highlighted for

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<sup>5</sup> <http://documents.worldbank.org/curated/en/289221491270732309/pdf/113922-REVISED-PUBLIC-Regional-Report-Western-Balkan-Labor-Market-Trends-2017-FINAL-A4-Logo-WB-neu.pdf>

<sup>6</sup> [http://ec.europa.eu/dgs/education\\_culture/repository/education/policy/vocational-policy/doc/2015-riga-conclusions\\_en.pdf](http://ec.europa.eu/dgs/education_culture/repository/education/policy/vocational-policy/doc/2015-riga-conclusions_en.pdf)

IPA II assistance shall be enhanced and ensured by all relevant stakeholders. This will be done keeping in mind the aim to gradually increase the share of climate relevant spending with a view to reaching the 20% target by 2020 for IPA II. Increasing share of these resources shall be invested in all relevant types of projects including sustainable infrastructures and capacity building. The programming frameworks for IPA need to be aligned to the EU policy on the transition to a low carbon, resource efficient and circular economy. Challenges and benefits of circular economy could be further reflected. Specific areas where the macro-economic relevance of the circular economy and improved resource efficiency are significant are green public procurement, investments in waste and water infrastructure, sustainable construction, critical raw materials, air pollution, biofuels and biochemicals, as well as energy and climate related investments. A circular economy pays off in economic growth, job creation and sustainability terms but also for the health of the citizens and for the environment, which are becoming more relevant in the policy agenda in the beneficiaries.

In programming IPA II assistance to support competitiveness and growth, and within the specific context of each of the beneficiaries concerned, the European Commission will take due account of the **Europe 2020 Strategy** introducing five EU headline targets for 2020<sup>7</sup>, as well as the regional strategy **South East Europe 2020** which promotes a comprehensive approach to the economic development of the region. Due account is also taken of EUSDR and EUSAIR in which some of the beneficiaries participate along with EU Member States. Where appropriate, synergies with and funding from other EU instruments will be sought.

IPA II will continue to provide support to territorial cooperation programmes and measures. This will take place in particular through IPA cross-border cooperation activities - both at borders between beneficiaries and between them and adjacent EU Member States - and through the participation of relevant enlargement region in transnational cooperation programmes with EU Member States.

## **2.2 Relevant (macro-) regional strategies and initiatives**

The Europe 2020 Strategy<sup>8</sup> introduces five measurable EU headline targets for 2020, backed by seven flagship initiatives. While Turkey aims to align directly with the Europe 2020 Strategy, the Western Balkans beneficiaries adapted this strategy to their specific situation. The regional strategy **South East Europe 2020** is modelled on the Europe 2020 strategy, and it seeks to promote a comprehensive approach to the economic development of the region by stimulating key long-term drivers of growth – innovation, skills and trade integration. Regional headline targets to be achieved by 2020 have been set for five development priorities: integrated, smart, sustainable, and inclusive growth, as well as governance for growth. The regional targets will be translated into national targets and action plans. As concerns education, the beneficiaries are voluntarily following and making efforts to converge to the Education and Training 2020 strategy and its benchmarks.

The **South East Europe Transport Observatory (SEETO)** is the regional transport organisation for the development of the Core Regional Transport Network (Memorandum of Understanding). The aim of the SEETO is to promote cooperation on the development of the

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<sup>7</sup> The headline targets focus on employment, R&D, climate action, energy management, education, and poverty reduction.

<sup>8</sup> COM(2010)2020 of 3 March 2010

main and ancillary infrastructure on the multimodal Indicative Extension of TEN-T Comprehensive/Core Network to the Western Balkans and to enhance local capacity for the implementation of investment programmes as well as data collection and analysis on the Indicative Extension of TEN-T Comprehensive Network to the Western Balkans. It is an effective coordination and communication network amongst the regional partners and the European Commission. Until the **Transport Community Treaty** enters into force, SEETO will continue to function in this respect. The overall goal of the Treaty is to allow deeper integration of the Western Balkan transport market into the EU on the basis of the relevant EU transport policies and legislation.

The Treaty establishing the Energy Community aims to create a stable regulatory and market framework capable of attracting investment in gas networks, power generation, and transmission and distribution networks. In October 2013, the Ministerial Council adopted an **SEE Energy Strategy** outlining the key objectives and actions needed to create a regional energy market, as well as the investment needs for energy efficiency and renewable energy. They also adopted a list of projects of interest for electricity and gas interconnections that would contribute to the Western Balkans economic development and further integration. This list is under constant evaluation and update, the latest version was adopted in October 2016.

Both SEETO and the Energy Community Secretariat have been instrumental in supporting the connectivity agenda and notably the identification and follow-up on the connectivity measures the beneficiaries have agreed to implement in the framework of the 'Berlin process'

In its conclusions of 22 October 2013, the Council recognised the added value of macro-regional strategies provided inter alia by strengthening integration of the Member States concerned and cooperation with third countries in the areas of common interest and in addressing common challenges of the respective macro-region, by promoting multi-level governance by encouraging cooperation between regional, national and local levels and by improving access to financing for development of project ideas. The Council emphasised the importance to align available financial sources with the objectives of macro-regional strategies and to prioritise operations deriving from these strategies. These considerations are equally valid for funding under IPA II.

More specifically, the Council encouraged the Member States to strengthen cooperation with the beneficiaries under the EUSDR and the EUSAIR. The EUSDR is a cooperation structure to address common challenges and to achieve four strategic policy objectives: Connecting the Danube Region; Protecting the environment, Building prosperity and Strengthening the Danube Region. The EUSAIR builds on the lessons learnt inter alia from the EUSDR and focuses on a limited number of areas of mutual interest, where the added value of cooperation is the highest: Blue growth; Connecting the Region (transport and energy); Environmental quality; and Sustainable tourism. Capacity building, communication, research, innovation and businesses support are cross-cutting issues.

### **2.3 Conditions for managing pre-accession assistance**

IPA assistance in the form of horizontal and regional programmes is managed directly and indirectly by the European Commission. Cross-border cooperation with EU Member States and transnational cooperation programmes are implemented under shared management with the relevant EU Member States.

Substantial specific know-how and experience in supporting the reform agenda of the beneficiaries is available in Member States and in European and international organisations

such as the European Border and Coast Guard Agency (EBCGA), the European Asylum Support Office (EASO), the European Union Agency for Law Enforcement Cooperation (Europol), Eurojust, the European Agency for Law Enforcement Training (CEPOL), Interpol, the World Bank, the Organisation for Economic Cooperation and Development (OECD), the Council of Europe, the UN including the International Office for Migration (IOM), the office of the United Nations High Commissioner for Refugees (UNHCR) and the United Nations Office for Drugs and Crime (UNODC), as well as the European Central Bank (ECB)/EU National Central Bank, the Centre for Excellence in Finance (CEF) and the International Monetary Fund (IMF). They have specific expertise in governance including economic governance and key conventions linked to democracy, human rights and the rule of law. The European Commission does have a keen interest in making available this pool of know-how and experience to the beneficiaries. Likewise, the Financial Institutions such as the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), the Council of Europe Development Bank (CEB) or the Kreditanstalt für Wiederaufbau (KfW) provide significant amounts for investments in the beneficiaries. Close coordination and co-financing will be important to ensure focus and enhance the overall impact of the assistance.

A significant part of the financial assistance provided under horizontal and regional programmes will therefore be managed under delegation/contribution agreements with the international organisations and Financial Institutions.

All stakeholders and implementing partners shall ensure the visibility of EU financial assistance provided through IPA II throughout all phases of the programme cycle. They shall ensure communication about the results of the activities implemented through this assistance. Visibility and communication aspects shall follow the guidance provided by the Communication and Visibility manual for EU external actions and shall be complementary to the activities implemented by the European Commission and the EU Delegations in the field.

In this regard, any visibility or communication measures linked to IPA II assistance shall highlight the impact of EU's interventions and promote transparency and accountability on the use of funds. This can be achieved also by concentrating resources on a lower number of (bigger) actions which might have a comparative advantage in terms of EU visibility.

#### **2.4 Donor coordination and complementarity with other EU assistance**

In defining the scope of horizontal and regional support, the European Commission will seek coherence and complementarity with other external action instruments and with assistance granted by EU Member States, European and International Financial Institutions and other donors. In particular in the area of investments, the European Commission will continue to systematically consult also with other donors. The Western Balkans Investment Framework (WBIF) has proven to be a successful forum for cooperation among all stakeholders. It is a unique platform where the Western Balkan beneficiaries alongside the EU, the International Financial Institutions (IFIs) and bilateral donors can identify, prepare and implement priority socio-economic investments through the pooling of expertise and financial resources, in particular regarding the connectivity agenda. The European Commission has pledged up to EUR 1 billion for support to connectivity projects which will be leveraging loans for the partner IFIs. These investment projects are deemed to be (i) important for national or regional strategies and the European perspective and (ii) financially viable. The Regional Housing Programme provides a well-coordinated mechanism for channelling donor funds through a single implementation mechanism implemented by the CEB. In addition, cooperation

platforms, such as the Regional Energy Efficiency Programme (REEP) or Green for Growth Fund (GGF) as well as the Enterprise Development and Innovation Facility (EDIF) have successfully widened their activities in the Western Balkans (and Turkey for GGF).

In promoting the Rule of Law and fundamental rights, co-operation with other major players will enhance the impact of the actions. Effective coordination mechanism such as the Western Balkan Integrative Internal Security Governance will be used for this purpose.

Complementarity will be also sought with other thematic instruments, such as the European Instrument for Democracy and Human Rights (EIDHR).

## **2.5 Consistency with EU policies**

Financial assistance in the priority areas identified in this Strategy Paper will be granted in line with, and in support of, the Enlargement Strategy and with the 2018 Western Balkans Strategy. It will be shaped to contribute to EU policies in the same area. Attention will be paid in particular to ensure alignment with the European Agenda on Migration, the EU Better Regulation Agenda, the EU Gender Action Plan 2016-2020, as well as with the Europe 2020 strategy and EUSDR and EUSAIR macro-regional strategies, and the SEE 2020 strategies as the flagship initiatives to boost growth and jobs and promote smart, inclusive and sustainable growth initiatives. The objectives set until 2020 reflect the level of economic development and beneficiaries' level of preparedness.

## **PART III: THE OVERALL DESIGN OF HORIZONTAL AND REGIONAL PRE-ACCESSION ASSISTANCE**

The EU is determined to strengthen and intensify its engagement at all levels to support the region's political, economic and social transformation, including through increased assistance based on tangible progress in the rule of law, as well as in socio-economic reforms, by the Western Balkans partners.

Assistance under this Strategy Paper will support reforms and investments in line with the key challenges identified in Part II in complementarity with assistance provided under the Indicative Strategy Papers. It aims at creating favourable conditions for the IPA II beneficiaries to meet the Copenhagen criteria and speeding up the transposition of the Union *acquis*.

Assistance will be delivered along the following four axes (differing from the sector approach in the bilateral IPA programmes), each one presenting an added value to the horizontal and regional programming:

- i) Horizontal support to sector policies and reforms;
- ii) Regional structures and networks;
- iii) Regional investment support;
- iv) Territorial cooperation.

**Horizontal support** to the formulation and implementation of national sector policies and related reform strategies is needed in particular in the sector **Democracy and Governance** including public administration reform and public financial management; support for electoral and parliamentary reform; as well as **Rule of Law and fundamental rights**. Support is also needed on economic governance. The support should focus on granting the beneficiaries access to the combined available know-how of EU and international organisations and best practices and should be tailored to the specific situation of each beneficiary. It should also comprise support to strengthening Civil Society as a relevant actor in a democracy, support to the integration of marginalised groups, support to free and independent media and support for evidence based policy making (statistical cooperation) and strengthening regional monitoring tools (e.g. by taking inspiration from EU monitoring mechanisms in the rule of law area).

**Regional structures and networks** are expected to make a major contribution to the development of the beneficiaries in particular in the following sectors:

- **Democracy and Governance** (inter alia through the Regional School for Public Administration - ReSPA),
- **Rule of Law and fundamental rights** (in areas such as police and judicial co-operation, anti-money laundering (prevention and enforcement) anti-radicalisation and countering violent extremism, through bodies such as the Prosecutors' Network, International Law Enforcement Coordination Units ILECU, the Radicalisation Awareness Network),
- **Environment, climate action and energy** transition (through initiatives such as the follow-up of the Environment and Climate Regional Accession Network —ECRAN, which will be split into two separate components, on environment and on climate); as well as support to the Energy Community;
- **Transport** (support to SEETO and the Transport Community Treaty and its Secretariat),
- **Competitiveness, innovation** including trade, **agriculture and rural development** (Central European Free Trade Agreement-CEFTA, Regional Rural Development Standing Working Group-SWG),
- **Education, employment and social policies** (relevant education and employment platforms).

Particular emphasis should be given to strengthening the Regional Cooperation Council (RCC) in order to ensure swift and efficient implementation of the regional SEE 2020 Strategy. In this respect, synergies between priorities identified at bilateral, regional and applicable macro-regional level will be sought, for example in the case of tourism as a key sector contributing to the overall economic development and competitiveness of the region.

**Regional investment** support will mainly focus on the connectivity agenda under the 'Berlin process' aiming to enhance the connectivity between the IPA II beneficiaries and the EU Member States, as well as between IPA II beneficiaries, and thus contributing to the socio-economic development of the IPA II beneficiaries. It should also address investment needs related to the development of the competitiveness of businesses protection of the environment and mitigation of and adaptation to climate change, following notably the entry into force of the 2015 Paris Agreement on Climate Change. Particular emphasis should be put on attracting private capital to the region in order to boost growth. The main instruments for such support are the blending facilities under the umbrella of the WBIF, such as the Enterprise Development and Innovation Facility (EDIF), the Green for Growth Fund (GGF), the Regional Energy Efficiency Programme (REEP) as well as the Western Balkans Guarantee



Instrument. The Regional Housing Programme (RHP) contributes also to investments in relevant infrastructure in the region. The European Commission will work also to improve the overall investment climate, through technical assistance, increased policy dialogue centred around the annual ERPs exercise, and engaging with the private sector.

**Territorial cooperation** is to foster good neighbourly relations and promote the socio-economic development of border regions.

The priority areas for territorial cooperation programmes (i.e. cross-border, transnational and interregional) are set out in Annex III of the IPA II Regulation in order to guarantee consistency among them. The scope of the assistance for the participation of IPA beneficiaries in transnational cooperation programmes and in cross border cooperation or sea-basin programmes under the European Neighbourhood Instrument are established in accordance with the regulatory framework of those instruments.

Finally, while programming IPA assistance, specific attention will be paid to a number of **cross-cutting issues** that impact more than one sector and therefore require action across a number of sectors. These include the prevention of and fight against corruption, public administration reform, digital transformation, environmental sustainability and climate action, gender equality, strengthening of democracy, human rights and civil society participation as well as protection of cultural heritage as appropriate.

Gender mainstreaming shall be ensured by all stakeholders and implementing partners throughout all phases of the programme cycle of IPA II. IPA assistance shall include an assessment of the different situations and needs for women and men and translate this assessment into indicators, activities and results.

The new orientations of the 2018 Western Balkans Strategy, in particular the implementation of the six Flagship Initiatives are also reflected. More focus will be put on the widening of the connectivity agenda to include: (a) connecting infrastructures in line with flagship initiatives 4 (increasing connectivity) and 5 (a Digital Agenda for the Western Balkans); (b) connecting economies and fostering economic governance (including the set-up of the Regional Economic Area), in line with flagship initiative 3 (supporting socio-economic development); and, (c) connecting people with a stronger focus on Education (doubling Erasmus +) and Youth, while tackling brain drain, in line with flagship initiative 3 and extended support to reconciliation initiatives, in line with flagship 6 (supporting reconciliation and good neighbourly relations). Additionally, renewed priority will also be put on security and migration issues, stepping up joint operational cooperation on organised crime (including counter-terrorism), border control and migration management, in line with flagship initiative 2 (reinforcing engagement on security and on migration). As per flagship 1 (strengthened support to the rule of law) measures continue to be envisaged.

The indicative financial allocations per dimension resulting from the priorities defined in this strategy paper are set out in Annex 1.

## **PART IV: EU ASSISTANCE DURING THE PERIOD 2014-2020**

This Strategy Paper complements interventions at national level. Consequently the results, indicators and targets are identical to those used in the Indicative Strategy Papers. This part will only include some additional results and indicators which are considered to be specific for regional interventions.

It builds on the lessons learned from IPA I, which demonstrated that progress towards meeting EU membership criteria is best achieved by a mix of measures planned both at national and at regional level. The IPA interim evaluation and meta- evaluation recommended that the Multi-beneficiary programme should develop more rigorous selection criteria for programmes and focus on areas with clear needs for a regional approach. It also concluded that further efforts are needed to involve regional stakeholders more in programming and that national administrations should be involved in project implementation as a way to improve ownership and coordination.

Other conclusions concern economies of scale in horizontal programmes versus efficiency risks, due to the complex organisation for implementation of multi-beneficiary assistance under IPA I.

Under IPA II the efficiency concerns will be addressed by more effective coordination, as illustrated already through the WBIF, focusing on fewer priorities, comprehensive and longer-term planning and, where relevant, a sector approach.

Participation of Civil Society Organisations across all sectors will be promoted.

Finally, priorities for IPA II assistance shall also contribute to the reaching of some of the 17 goals<sup>9</sup> of the Agenda 2030 for Sustainable Development and to the Paris Agreement targets on climate action.

### **1. Horizontal support to sector policies and reforms**

#### **1.1 Needs and capacities**

The beneficiaries require state-of-the-art knowhow and relevant experience with related reforms and international standards and conventions, available in international organisations such as the OECD/SIGMA, World Bank, the IMF, the European Central Bank/EU National Central Banks, OSCE/ODIHR as well as the Council of Europe. The IPA II beneficiaries need to familiarise themselves with the working methods within the European Union including through cooperation with / participation in relevant EU agencies. Since the challenges are broadly similar, the support to be provided to the individual IPA II beneficiaries should

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<sup>9</sup> to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all; to achieve gender equality and empower all women and girls; to ensure availability and sustainable management of water and sanitation; to ensure access to affordable, reliable, sustainable and modern energy for all; to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; to take urgent action to combat climate change and its impacts<sup>6</sup>; and, to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

<sup>6</sup> Acknowledging that the United Nations Framework Convention on Climate Change is the primary international, intergovernmental forum for negotiating the global response to climate change.

therefore be managed through the multi-country programme, but tuned to the specific situation of each IPA II beneficiary, so that the support addresses specific national needs and problems.

**Democracy and Governance**, especially the need to strengthen parliamentary oversight over the executive and public administration reform (PAR) continue to be a key priority. PAR is essential for the functioning of the state, for its responsiveness to the needs of citizens and businesses, for implementing the reforms needed for economic development and for the EU accession process. Since 2014, the European Commission has defined PAR comprehensively according to six core areas: strategic framework for reform; policy development and coordination; public service and human resources management; accountability; service delivery; and public financial management. On this basis, OECD/SIGMA developed, in close cooperation with the European Commission, the Principles of Public Administration, which define each core area in detail. The principles provide the framework to regularly monitor countries' progress with implementing PAR. So far, most beneficiaries have developed or are in the process of developing comprehensive national PAR and PFM strategies, which are based on these principles and which outline mid-term objectives and support needs to address key challenges. These challenges include the needs for depoliticisation and professionalisation of civil service, inclusive and evidence-based policy-making and legislative drafting process, improved accountability of administration, better service delivery for citizens and businesses and improved management of public finances.

Good public governance and **Rule of Law** are also important for sustainable socio-economic development and stability. In this respect, IPA II beneficiaries are expected to build up their administrative and institutional capacities, as well as the capacity of the judiciary and law enforcement, for the adoption and correct implementation of the Union *acquis* including through cooperation with / participation in relevant **EU agencies**. They also need to comply with relevant Council of Europe conventions and standards as well as OSCE/ODIHR recommendations. Weak institutions, inefficient public administration, weak public financial management, flaws in law enforcement and lack of proper statistics and related assessment on organised crime and corruption in the beneficiaries, all hamper socio-economic development and delay the necessary reforms. They also need more and better quality **statistics** to support evidence based policy making and planning.

An empowered **civil society** is an essential component of a participatory democracy. Although most IPA beneficiaries are gradually adopting legislation and strategies more favourable to civil society development, engagement with civil society remains weak. In line with the *"Guidelines for EU support to civil society in enlargement countries 2014-2020"*<sup>10</sup>, an enabling legal and financial environment should be promoted while also ensuring that the necessary structures and mechanisms are in place for civil society to cooperate effectively with public authorities, including social dialogue. At the same time, to fulfil their role and become credible, civil society organisations (CSOs) need to improve their autonomy, representativeness and accountability. To participate effectively in the political process, they have to strengthen their capacity for analysis, monitoring and advocacy while also becoming better at networking, partnership and coalition building. The IPA II beneficiaries must guarantee an open and pluralistic media landscape which allows for a culture of critical and independent journalism. Media politicisation and media cronyism remain the most serious

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<sup>10</sup> [http://www.tacso.org/doc/doc\\_guidelines\\_cs\\_support.pdf](http://www.tacso.org/doc/doc_guidelines_cs_support.pdf)

problems affecting the quality of media in the region. The independence of regulatory authorities is constantly challenged and not sufficiently supported by law. The judiciary is far too often used to silence critical media. A recent evaluation of EU support to Civil Society in Western Balkans and Turkey confirms that overall the EU's priority objective has, to a significant extent, been achieved. However, due to the changing context in a number of IPA II beneficiaries, including Turkey, capacity building of Civil Society should continue to be reinforced, with a particular focus on further empowerment of CSOs, as well as on enhancing their role in the Enlargement Strategy. There is a need for over-arching regional scale support which offers an integrated combination of non-financial and financial assistance.

Specific actions in support of marginalised groups such as Roma are needed. Whilst some positive trends can be registered, big gaps continue to exist between Roma people and the rest of the population in the areas of health, employment, primary education, housing and civil registration.

In addition to migration flows from the Western Balkans following visa liberalisation, the Western Balkans has in recent years also become an important route for transitory migratory flows from outside the region. The increasing pressure requires the beneficiaries to step up their efforts to develop protection-sensitive migration management systems for asylum, smuggling, irregular migration and overall border management issues.

**Economic governance** continues to be one of the fundamentals of the enlargement policy and will be supported through IPA II. Support to the improvement of the ERPs exercise is a need identified at the level of all IPA II beneficiaries. Economic governance support will focus on the analysis, design and implementation of structural reform measures to boost the competitiveness of the national economies and their growth potential.

Improving **competitiveness and innovation** through of the private sector development and support is essential especially for the Western Balkans. SMEs in the Western Balkans strive to compete in international markets and they are poorly integrated in global value chains. The low level of specialisation and innovation in value chains, as well as the scarce integration at regional level does not contribute to attract needed foreign direct investments. The development of a Smart Specialisation Strategy will help in identifying strengths and in prioritising efforts. Chambers of Commerce and business support organisations can play a pivotal role in supporting SMEs in the region improving their competitiveness. The level of innovation is low throughout the region and public and private expenditure on research and development sparse.

The region will highly benefit from the implementation of the regional economic integration agenda as initiated by the 'Berlin Process'. This ambitious agenda, which aims at creating an economic area of the Western Balkans, will require support effort to materialise into removed barriers, economic integration, and tangible business opportunities.

**Education, employment and social policies** have an impact on various facets of social and economic development and is a key driver of sustainable development. Education and vocational and educational training (VET) are important catalysts for achieving progress in other social sectors and ensuring a skilled workforce. The IPA II beneficiaries need to improve the quality of education and an important element of this is the modernization of study programmes.

Erasmus+ is the European programme for education, training, youth and sport. It addresses the challenges of quality, relevance, staff development, access to international networks, by

offering a balanced mix of actions addressing individuals, institutions and higher education systems. Through its **two types of mobility** actions in the field of higher education ("credit" and "degree" mobility), Erasmus+ will have an impact on the personal development and employability of students but also a structured and sustainable impact on universities. This is particularly the case of "**credit mobility**" (short-term Erasmus type mobility), open also to learners and teachers in the VET sector for the relevant beneficiaries covered by the Erasmus+ programme, that has an impact not only on individuals, but also on institutions which need to develop better services to send and receive foreign students, compare and upgrade curricula, improve teaching and strengthen their institutional leadership and management to gain international visibility. Erasmus+ will enable the IPA II beneficiaries to benefit from the EU-wide systems and their experience in supporting reforms, have access to models and assistance for developing new methodologies and programmes and for organising peer reviews and assessments. The above needs cannot be covered by action at national level alone. In addition, youth mobility and capacity building for youth workers and organisations will be provided under Erasmus+ via special funding provided by IPA II for the participation of the Western Balkans. This will also support the implementation of the priorities identified by the Regional Youth Co-operation Office (RYCO).

## **1.2 Objectives, results, actions and indicators**

The **overall objective** is to enhance **democracy and governance**, including public administration and economic governance, **and Rule of Law and fundamental rights** by further improving the professionalism of the public service and the independence, impartiality and effectiveness of the judiciary, build capacity, improve efficiency of service delivery (including e-governance) and improving the analysis, design, prioritisation and implementation of structural reforms to boost competitiveness. It is also important to strengthen public financial management and thus enhance the overall quality, reliability, integrity, transparency and accountability of public administration, as well as to meet public financial management standards, preparing at the same time the ground for possible sector budget support.

The support focuses mainly on providing technical assistance, information and training to the authorities in the IPA beneficiaries through the TAIEX instrument and in the form of twinning; making available the know-how and best practices from the EU and international organisations, including for evidence based policy making, thereby helping improve the formulation and implementation of national sector policies and the related reform strategies; providing support across the region to strengthen Civil Society, to ensure free and independent media, and to promote better understanding, reconciliation and good neighbourly relations (including cooperation in culture, youth and sport), as well as work towards a regional solution to resolve the issues of missing persons and landmines; building capacity and promoting mobility in higher education and for young people by contributing to the Erasmus+ Programme.

The main **expected results** are the following:

- Improved overall effectiveness of governments and public administrations; better alignment of national laws and practices with the EU *acquis* and European and international standards and conventions;
- Better economic governance including public financial management compliant with international standards; generally accepted public administration principles or standards applied throughout the administration;

- Improved availability of statistical data to support policy making; increased role of Civil Society, strengthened social dialogue, enhanced critical and independent journalism in a less politicised media landscape, improved understanding, contacts between people, and greater reconciliation;
- Increased mobility of students and university staff, enhanced people to people contacts and improved quality of the higher education system.
- Increased mobility and capacity building of VET learners and staff, as well as school and adult learning staff for the relevant beneficiaries covered by the Erasmus+ programme.

In addition to results, indicators and targets included in the Indicative Strategy Papers, the following **indicators** will be used in relation to the regional assistance:

- Government effectiveness (percentage rank) (Source: World Bank)
- Composite indicator on Rule of Law (Source: European Commission)
- Composite indicator on PAR (Source: European Commission)
- GDP per capita (current prices-PPS) as % of EU level (Source: Eurostat)
- Research and development expenditure (% of GDP) (Source: Eurostat)
- Distance to frontier (Source: World Bank)
- Number of students and staff from the region completing relevant mobility programmes (Source: European Commission).

**Public administration reform** (PAR) is an essential component of democratic governance. In this area, joint actions including peer learning and networking offer a cost effective and coherent way to support the region, whilst ensuring that the interventions are tailored to the individual needs of each beneficiary. Actions will involve assessments and monitoring against the principles of public administration as well as support to the implementation of national PAR and PFM strategies aimed at facilitating the policy dialogue with the beneficiaries in the PAR Special Groups. Depending on the size of the beneficiary, governance structures need to be multi-layered. The capacities of local administrations need to be enhanced in close cooperation with the Committee of the Regions and the Council of Europe. Support for reinforced cooperation between national parliaments might also be considered.

Concerning **economic governance**, assistance is provided to support the development of the ERPs through capacity building of national institutions in charge of diagnostic, prioritisation and costing and implementation of structural reforms, as well as the implementation of the country-specific policy guidance jointly adopted at Ministerial level in May each year. This support will be provided through technical assistance to be provided in strong cooperation with IFIs.

Improving the **management of public finances** is a priority also for the economic governance agenda (as mobilisation and effective prioritisation of scarce public resources is key). In addition, sound public finance management remains a key eligibility criterion in the continued implementation of budget support operations. Support will be provided for preparation and implementation of PFM reform programmes, for strengthening fiscal institutions and for improving existing PFM systems and processes, including building efficient and effective revenue administrations.

Support should also be provided for building the capacity of **statistical services** to improve the conditions for evidence-based policy making and to harmonise the statistical methods and

standards with EU norms, including the robust quality management now applied to European statistics. Geospatial data need to be collected, made available and processed in all beneficiaries in a coherent manner to underpin political choices. Moreover, there is a need of in-depth research and analysis of **organised crime and corruption**, as well as anti-money laundering, relying on evidence based surveys in all the beneficiaries. Fighting radicalisation and violent extremism will also be addressed.

Support to **civil society** is following the "*Guidelines for EU support to civil society in enlargement countries*" and should be focused on creating the conditions for enabling and stimulating participatory democracy. This means supporting the development of civil society dialogue, empowering civil society to create demand for enhanced transparency, accountability and effectiveness from public authorities, as well as to facilitate a greater focus on the needs of citizens in policy making. With regards to **media integrity and freedom of expression**, support will contribute to improved conditions for an independent and accountable media. Special attention will be given to (i) the enabling environment and resulting responsibilities of main actors, (ii) advancing media to a modern level of internal governance, (iii) increasing the capacity and representativeness of journalists' professional associations, (iv) quality investigative journalism, (v) financial independence of media, and (vi) media literacy, (vii) overall quality of reporting.

In relation to Roma, efforts will be taken to follow up on the Decade of Roma Inclusion 2005-2015, in particular in relation to the priorities embedded in the national Roma integration strategies.

In order to support the development and operationalisation of effective **migration management** systems, a series of actions will be taken; efforts will be made to enhance cooperation and coordination between the IPA II beneficiaries and with the EU, in the areas of information exchange, identification (including victims of trafficking in human beings), registration of migrants, integrated border management, better management of irregular migration, as well as translation services, and local resilience. Solutions will be offered on assisted voluntary and non-voluntary return. Adding to national efforts, support may be provided to develop asylum systems and capacity in line with international standards. The strategy will aim to close the gap between national legal frameworks and international standards on migration flows, with a human rights based approach. Inter-institutional cooperation with EU agencies and Member States on migration management issues and fight against smuggling will also be covered.

In order to improve **competitiveness and innovation** through private sector development, actions will be taken to strengthen the cooperation among Chambers of Commerce in the Western Balkans through the WB Chambers Investment Forum, whilst addressing the actual needs of SMEs through the provision of tailor made and high quality services. Actions will aim at improving accessibility of EU financed instruments (e.g. EDIF) for SMEs in the region, through tailor-made services offered by the Chambers, contributing to set up strategies and instrument to support SME internationalisation in the Western Balkans and facilitating the implementation of trade facilitation measures (CEFTA Agreement) in favour of SMEs in the Western Balkans, with the support of national chambers of commerce. In order to improve innovation and competitiveness of the private sector, support is envisaged also to support Smart Specialisation and Technology Transfer.

Further quality improvements should be made in the development of higher education systems in the IPA II beneficiaries through cooperation between local higher education

institutions and those of the EU Member States. Capacity building projects between peers will aim to develop and modernise curricula as well as teaching and learning practices, upgrade facilities and equipment, improve university governance and create better links between higher education and the labour market but also to support and accelerate the commercialisation of research results generated by universities and research centres. In addition Erasmus+ offers two types of mobility actions ("credit" and "degree" mobility) which will have an impact on the personal development and employability of students but also a structured and sustainable impact on universities. Overall projects in the education sector should result in improved quality of higher education, enhanced relevance for the labour market, improved university administration, greater regional cooperation between universities, increased mobility of students resulting in enhanced skills for students and staff and better employability prospects for students and academic staff and enhanced intercultural understanding.

The Technical Assistance and Information Exchange instrument (**TAIEX**) will help beneficiaries address key challenges identified in this document by providing short-term capacity building with regard to the approximation, application and enforcement of EU legislation as well as advice about EU best practices. It is largely demand-driven and facilitates the delivery of appropriate tailor-made public sector expertise to address issues at short notice. TAIEX assistance will be mobilised both on multi-country and on bilateral levels. TAIEX support can also be called upon to support priority sectors established by IPA Indicative Strategy Papers and in response to unforeseen priority needs relevant to the course of (future) accession negotiations. Technical assistance through the TAIEX instrument comes in different formats and across a wide range of areas. Partner administrations can benefit from TAIEX's flexibility to help meet wider training needs in EU legislation through organising workshops and seminars which can reach a significant number of officials. Narrower, more specialised needs can be met through the expert mission format. Study visits on request of beneficiary partners are a complementary institution building service.

Continued support might also be required for interim civilian organisations such as the Office of the High-Representative (OHR) in Bosnia and Herzegovina.

Financing will also be provided for support measures for the implementation, monitoring, audit and evaluation of IPA programmes, as well as for information and communication activities.

### **1.3 Types of financing**

Horizontal support will be provided in particular through: TAIEX; agreements with EU Member States and international organisations/EU agencies such as OECD, Europol, EBCGA, the World Bank, IMF, ECB/National Central Banks, CEF, IOM, UNHCR, UNODC, OSCE/ODIHR and the Council of Europe; co-financing of the operational costs of the OHR will also be envisaged; support for the National Statistical Systems through grants and technical assistance managed by Eurostat; support to civil society through the Civil Society Facility (CSF), as well as support to freedom of expression and media integrity, from both multi-country and national IPA funds; financial contribution for participation in the Erasmus+ programme (for mobility and capacity building as well as support to alumni related activities) including the youth dimension of the programme, as well as for the participation in a selected number of EU agencies.



## 1.4 Risks

The main risks involve horizontal support provided by bodies or institutions without a sufficiently clear mandate and experience, or support that is not tailored clearly to the national needs and priorities. These risks are addressed through a rigorous selection mechanism privileging long standing partnerships which have already demonstrated a clear added value. Another element is to ensure that the horizontal support is based on a clear national needs assessment done in close collaboration with the beneficiaries, the EU Delegations, the geographical units, relevant European Commission services and other stakeholders.

## 2. Regional structures and networks

### 2.1 Needs and capacities

Regional cooperation remains a catalyst for the enlargement process. The beneficiaries face a number of common problems which they could more efficiently address through peer review and sharing of good practices.

Regional cooperation is a key enabling factor for comprehensive reforms and the return to sustainable economic growth. The European Union intends to focus resources on those regional organisations, which have a strong, clear mandate and which comprise sufficient sector expertise and resources to be able to help the beneficiaries address problems they could not solve on their own. In this regard, it is welcome that the RCC has shifted focus from the organisation of a significant number of regional meetings to engaging more intensively in a limited number of flagship initiatives which have a clear added value for the beneficiaries.

The participation in regional structures and networks will produce the expected impact only if such participation is specific and inclusive, and firmly linked to national reform priorities.

In the sector **Rule of Law**, the beneficiaries need in particular to join forces and cooperate to fight organised crime, including anti-money laundering and cyber-crime. This involves strengthening cooperation with international law enforcement organisations operating in criminal justice, police investigations and witness protection, thus enabling effective exchange of information and evidence during investigations and prosecutions. There is a need for close cooperation and coordination with relevant EU agencies, with full respect to their regulations and without prejudice to Member States' positions on status, as well as with EU Member States and international organisations.

Regarding **Fundamental rights**, the beneficiaries need to focus on implementation of legislative and policy tools, including through exchanges of good practices. Ensuring freedom of expression, freedom of assembly and association, building tolerant and diverse societies where discrimination is consistently denounced are priorities which can be addressed through cooperation between citizens and responsible institutions from the beneficiaries. Strengthening data protection, procedural rights and victims rights, the protection of marginalised groups, the rights of children and equality between women and men are shared challenges for the beneficiaries.

The 2013 thematic evaluation of Rule of Law assistance to the Western Balkans identified a number of lessons learned and recommendations at programming, implementation, and monitoring level. The most significant lessons relate to the challenge of local political will and ownership and local capacity to plan, implement, monitor and develop the programmes'

activities over time. Joint action at regional level, peer learning and networking are the most appropriate ways of overcoming the existing difficulties and are the best means of enhancing ownership and political commitment of all participants.

The beneficiaries need to cooperate in particular in the following structures and networks (further structures may be added as appropriate):

- **Democracy and governance:** The Regional School for Public Administration (ReSPA) is the inter-governmental organisation for enhancing regional cooperation, promoting shared learning and supporting the development of public administration in the Western Balkans. ReSPA's purpose is to help governments in the region develop well-functioning public administrations and overall governance systems with the aim to deliver better services for their citizens and businesses, and to progressively align to the Union's rules, standards, policies and practices. Since its inception, ReSPA has contributed to the development of human resources and administrative capacities through training programmes and innovative cooperation mechanisms such as the exchange of good practices, peer reviews and development of know-how.

The operational budget of ReSPA is financed by the IPA beneficiaries, whereas EU funding is required for the implementation of ReSPA's programme of work and the overall Governance priorities of the beneficiaries.

- **Environment, climate action and energy including civil protection:** the follow-up of the Environment and Climate Regional Accession Network (ECRAN) provides an interface between the regional aspects of environmental protection and climate action and the respective national priorities, helping the beneficiaries to exchange information and experience related to preparations for accession and to assist their progress in the transposition and implementation of EU environmental and climate *acquis*. The follow-up programme has two components: one on environment focusing on waste, water, nature and air; and one on climate action for further support to implementing the 2015 Paris Agreement on Climate Change. The Union Civil Protection Mechanism is the EU framework for cooperation in the field of disaster prevention, preparedness and response, and it is open for participation to the candidate countries and potential candidates. Regional capacity building programmes based on cooperation with the Mechanism should ensure their preparedness to join the Mechanism (if not done yet) and their further integration. The Energy Community Treaty extends the EU energy *acquis* to South East Europe and beyond, including the internal energy market. Its goal is to create a single and stable market and regulatory space to attract investments. In recent years, the scope of the Energy Community has extended to cover other areas of the energy *acquis*, including energy efficiency, renewable energies, oil stocks, security of supply and some environmental and climate change *acquis*. The 2013 Energy Strategy identifies the key actions needed to complete a regional energy market with competitive prices and secure supplies, whilst saving energy, using less polluting energy sources and reducing the carbon footprint from the energy sector. The SWG has been facilitating the process for policy integration of waste and natural resource management in compliance with rural development programmes.
- **Transport:** The South East Europe Transport Observatory (SEETO) promotes cooperation on the development of the main and ancillary infrastructure on the multimodal Indicative Extension of TEN-T Comprehensive/Core Network to the Western Balkans. It also enhances local capacity for the implementation of investment

programmes, as well as data collection and analysis on the Indicative Extension of TEN-T Comprehensive Network to the Western Balkans. In addition SEETO fosters co-operation in alignment of certain transport sectors with the EU *acquis*. This concerns the creation of the SEE railway transport area based on the relevant railway *acquis*, a road safety forum and a border crossing facilitation as well as an intermodal working group. In October 2017 a Treaty establishing the Transport Community (TCT) was signed and all parties except Kosovo have already ratified it. The aim of the Treaty is the creation of a Transport Community in the field of road, rail, inland waterway and maritime transport as well as the development of the transport network between the European Union and the South East European Parties. The Transport Community shall be based on the progressive integration of transport markets of the South East European Parties into the European Union transport market on the basis of the relevant *acquis*, including in the areas of technical standards, interoperability, safety, security, traffic management social policy, public procurement and environment, for all modes of transport excluding air transport. The Treaty institutions should build on the work done by SEETO.

- **Competitiveness and innovation:** Since 2015, the beneficiaries have submitted annual ERPs to the European Commission. They are an expanded version of the previous [Pre-Accession Economic Programmes](#) for candidate countries. The ERPs contain medium-term macroeconomic projections (including for GDP growth, inflation, trade balance and capital flows), budgetary plans for the next three years and a structural reform agenda. The structural reform agenda includes reforms to boost competitiveness and improve conditions for inclusive growth and job creation in the following areas: Public finance management; Energy, transport and telecommunications markets; Sectoral development; Business environment and reduction of the informal economy; Research and innovation; External trade and investment facilitation; Education and skills; Employment and labour markets; Social inclusion, poverty reduction and equal opportunities.

The European Commission and the ECB both make assessments of the ERPs that are submitted to the Council of Ministers for direct discussions with the IPA II beneficiaries. All IPA II beneficiaries participate in a multilateral dialogue meeting with the Ministers of Finance of the EU Member States, the EU and the ECB on an annual basis. The participants adopt [Joint Conclusions](#) with country-specific policy guidance for each of the beneficiaries outlining economic policy priorities for the coming 12 months. Such comprehensive approach to competitiveness, in particular coordination of the multiple sectors important for competitiveness (transport, energy, telecommunications, employment, education, etc.) will result in better impact of concrete actions.

A major step for the liberalisation of trade flows took place in 2006 through the signature and ratification of Central European Free Trade Agreement (CEFTA). Efforts must now focus on the full implementation of the agreement by all signatory parties. The major issues on the agenda of CEFTA include the further reduction and eventual removal of non-tariff barriers to trade, improvement of trade logistics, liberalisation of trade in services, harmonisation of norms and standards, as well as the protection of intellectual property rights and patents. The role of the CEFTA secretariat in tackling obstacles to trade and free movement of goods and services in the region should be enhanced.

Within the framework of the 'Berlin Process', the regional economic integration agenda has accelerated over the years leading to new agreements (for instance Trade Facilitation Agreement in 2016, Agreement on Trade in Services in 2017 as additional protocols to CEFTA); these agreements, based on the compliance to the EU *acquis*, will require

significant involvement of the Ministries of Trade and other governmental stakeholders (customs authorities, veterinary and phyto-sanitary agencies, market surveillance, etc...) to be able to implement them smoothly; it will also require the involvement of the private sector to ensure the new agreements translate into concrete business opportunities.

Additionally, the SWG is playing an important role in rural local economic development and trade facilitation on agricultural products, as well as promoting cooperation between agricultural authorities. Policy facilitation on agricultural and rural development policies on a regional level is also an asset to the process.

- **Education, employment and social policies:** The beneficiaries need to develop their human capital, improve their education systems at all levels, reduce the size of the informal economy and increase the level of employment or self-employment in particular of women, and persons at risk of social exclusion. They should encourage the creation of a wider regional labour market and promote mobility of students and workers. Technical assistance and support is necessary to enable the governments to implement meaningful, comprehensive and sustainable policies for tackling the above challenges. The European Commission has established specific platforms for Employment and Education, which convenes the relevant ministers and senior decision makers in the region to help steer and support the national reforms in these areas, as well as agreeing on regional priorities and activities of mutual concern. These platforms and other initiatives to develop "networks of excellence" should be encouraged and supported.

## 2.2 Objectives, results, actions and indicators

The **overall objective** is to foster regional cooperation, networking and sharing of best practices to help the IPA II beneficiaries align their national legislation with the EU *acquis* and to adapt gradually to the EU standards and practices.

The main **expected results** are the following:

- Inclusive and effective Regional Cooperation in particular through the RCC, the ReSPA, the CEFTA, the Transport and Energy Communities, the follow-up to ECRAN (components on environment and climate change), the SWG, the Prosecutors Network, the law enforcement cooperation units and expert groups, and the Employment and Education Platforms;
- Better track record in fighting organised crime;
- Increased capacity-building in the area of cyber-security and fighting against cyber-crime;
- Effective operational cooperation of law enforcement and judicial bodies at European and international level to make the beneficiaries and the European Union safer places; extension of rule of law and judiciary advisory missions in the Western Balkans and increased support from Member States experts encouraged;
- Gradual application of relevant EU *acquis* and enhanced cooperation with agencies such as Europol and Eurojust, by building on the current arrangements on the ground and the existing channels of cooperation, with full respect to their regulations and without prejudice to Member States' positions on status;
- Contribution to sharing and adopting best practices in the field of fundamental rights, in particular for Roma.

Actions at regional level will concentrate on supporting the functioning of existing regional organisations, bodies and platforms through a contribution to their administrative and

operational costs and on supporting specialised networks through contribution agreements, grants and technical assistance. The setting up of additional, specialised organisations, bodies and platforms covering the needs of several beneficiaries will be supported as appropriate.

In addition to the indicators, results and targets included in the Indicative Strategy Papers, the following **indicators** will be used in relation to regional assistance:

- number of information requests addressed to another country linked to a criminal investigation (Source: International Law Enforcement Cooperation Units)
- volume of trade (export plus import) as a percentage of GDP (Source: Eurostat)

Particular emphasis will be put on the RCC to ensure an efficient implementation of the SEE 2020 Strategy with a view to strengthen the economic and job creation potential of the region.

In the sector **Democracy and governance**, priority will be given to ReSPA and its planned activities around three pillars: European Integration, Public Administration Reform and Governance for Growth. The activities are implemented through comparative studies (which identify best practices and proposals for how to address issues such as making asset declarations systems more effective and thus be able to fight corruption) and regional research, trainings, workshops, seminars, seasonal schools, mobility schemes and study visits, conferences, peer-to-peer learning and in-country expert support (short-term technical assistance) with the aim to facilitate regional cooperation. ReSPA is currently preparing a new Strategy 2019-2024. In the new Strategy, emphasis will be given to the increase support and alignment of ReSPA work at regional level with the implementation of national PAR and PFM strategies, as well as the involvement of ReSPA in the policy dialogue with the IPA II beneficiaries through the PAR Special Groups.

In the sector **Rule of Law and fundamental rights**, priority will be given to strengthening the fight against radicalisation including through Prosecutors' Network, witness protection programmes and cooperation of judicial and law enforcement bodies operating in the beneficiaries at regional and international level in the fight against all forms of organised crime, including criminal organisations involved in illegal migration, and money laundering. Support might also be provided to other relevant regional organisations either directly or via the RCC. Specific actions will be taken to promote Roma integration, in particular in relation to the priorities embedded in the national Roma integration strategies.

The beneficiaries will continue to be assisted in developing their strategic thinking and planning the transposition and implementation of the **environment and climate acquis**, including the implementation of the 2015 Paris Agreement on Climate Change, their investments needs and their prioritisation. As regards civil protection, support will be considered to implement the EU legislation and to integrate the IPA II beneficiaries into the Union Civil Protection Mechanism. Support for **transport** will eventually be provided to the secretariat of the Transport Community (once established) to help it implement the provisions of the new Treaty once signed. Until then, the co-operation in the transport sector builds on the work undertaken by SEETO which should be supported and, if possible, strengthened.

Support will continue for the **Energy** Community Secretariat assisting the beneficiaries in fulfilling their obligations in transposing and implementing the Energy Community *acquis*, as well as the agreed targets for energy efficiency and renewable energy. It will also focus on helping the Western Balkans create a regional electricity market based on EU rules.

**Competitiveness and innovation** will be promoted through support to the preparation of the ERPs and technical assistance provided by IFIs to ensure implementation of the programme and its institutional coordination, as well as by the policy guidance as outcome of the ERP assessments. Support for the continued implementation of the SEE 2020 strategy will also be provided. In addition, support will be provided through CEFTA and other trade-related organisations. The assistance will be geared to improving the current low levels of competitiveness, intra-regional trade and trade between the EU and the Western Balkans, (including through authorised economic operators), as well as integration in global markets and enhancing the capacities of market participants. Assistance may be provided to ensure convergence of export controls for dual-use goods. Assistance will continue to be provided to facilitate the promotion of Area Based Development (ABD) projects in a limited number of marginalised rural border regions. **Innovation** will be promoted through the Regional Platform for Research and Innovation under the auspices of the Regional Cooperation Council under the pillar "Smart specialisation" involving regional stakeholders leading to regional collaboration and networks. Participation in EU territorial cooperation programmes, including Cross-Border Cooperation programmes, as well as macro-regional strategies, together with TAIEX, facilitate the access to the Smart Specialisation platform and methodology. Smart specialisation aims at transformation of EU economies towards innovation driven growth. Beneficiaries need to be involved in the Smart Specialisation cycle, thus contributing to increase regional competitiveness through optimisation and diversification of the economic structure, ensuring efficient specialisation of regions with a priority of using their own resource potential.

**Education, employment and social policies** will be supported through the Employment and Education platforms managed by the European Commission. The latter comprises the Ministers of Education and their key staff, European Commission staff, EU experts and other regional players when appropriate. Support should be granted to joint and/or coordinated action to increase employability and the potential for self-employment.

### **2.3 Types of financing**

Indirect Management Delegation Agreements with regional and international organisations such as the RCC, ReSPA, CEFTA, the Transport Community and the Energy Community Secretariat, IOM, UNCHR, UNODC and the Council of Europe. Indirect management and grant contracts with EU Member States for instance to support actions requiring specific law enforcement expertise (international prosecutions and investigations, witness protection programmes etc.); Service contracts and/or grant agreements to support specific networks such as SEETO, SWG and the Platforms for Employment and Education and other networks deemed relevant.

### **2.4 Risks**

Regional networks and structures must be inclusive and effective. The main risk involves failure to translate general political agreements on inclusiveness into progress in specific networks. This can only be addressed through continued political dialogue with the parties concerned and monitoring of progress in specific networks. Another potential risk involves regional networks not being able to identify the key priorities and/or ensure a clear link between the discussions and lessons learned at regional level is translated into concrete actions nationally. This risk can be addressed by focusing on impact and results and

requesting all networks to report on concrete results of their work rather than merely looking at inputs such as meetings organised.

### **3. Regional investment support**

#### **3.1 Needs and capacities**

The connectivity agenda has helped identify the core transport and energy network priorities for the region. The overall investment needs cannot be covered by public funds alone and require therefore blending of government funding, IPA grants, loan financing and private capital. In addition to action undertaken at national level, regional level support is needed to enable and speed up investments in core projects which are relevant not only for the country where the investment takes place, but also contributes to greater interconnections within the region as well as between the region and the European Union.

The WBIF demonstrated its value as a unique instrument for donor coordination and blending grants and loans. It has proven to be a successful forum for cooperation among all the stakeholders and a platform where the Western Balkans alongside the EU, the International Financial Institution (IFIs) and bilateral donors can identify, prepare and implement priority socio-economic investments through the pooling of expertise and financial resources. These investment projects are deemed to be (i) important for national or regional strategies and the EU accession process and (ii) financially viable. The current pipeline of technical assistance and investment grants comprises more than 216 investment projects with an estimated investment value in excess of EUR 15 billion. The connectivity agenda has promoted the establishment of National Investment Committees with single project pipelines and the identification of projects with a stronger regional dimension, which has markedly improved the impact and efficiency of the WBIF.

Under IPA II both national and multi-country assistance will support the region in infrastructure development according to the following broad principles. National Investment Committees have been set up by each IPA II beneficiary. They are chaired by the national authorities with the participation of the EU Delegations, IFIs and other donors and regional organisations. Their main objective is to prioritise projects for both preparatory studies and mature investments. Preparatory projects (studies and technical assistance) with the involvement of an IFI are channelled through the WBIF and be implemented using multi-country funding. Multi-country funding will in principle be used only for regional investments projects, whereas national IPA funds would support mainly national/local investments.

The WBIF's structures and procedures have been updated to meet the challenges of its dynamic operating environment. Within the Western Balkans Strategy it is announced that the WBIF will be expanded to further attract and coordinate bilateral donors' and International Financing Institutions' investments.

To increase competitiveness, businesses need to keep up with the fast growing digital economy and to offer specialised, high quality and high value-added services and products. In this context, the conditions and capacities of small and medium-size enterprises (SMEs) need to be further improved. The governments need to facilitate their emergence and growth through improvements of the ICT business and investment environment. This includes

support for the ability of businesses to compete and innovate through ICT and broadband deployment, as well as through digital skills development.

Following the conflicts of the 90's, there is still a very high number of persons displaced within and beyond the borders of Bosnia and Herzegovina, Croatia, Montenegro and Serbia. These countries have agreed to work jointly to find sustainable solutions for the remaining refugees and displaced persons. The 74,000 most vulnerable refugees and displaced persons are targeted by the Regional Housing Programme (RHP) as an integral part of the Sarajevo process. At the Sarajevo conference of 2012, donors pledged EUR 265 million to the RHP, of out of which EUR 235 million were pledged by the EU. 1 000 housing units have been delivered at the end of 2016. By the end of 2017, almost 10 000 people had been provided with decent housing. A further 3300 housing solutions are expected to be in delivered in 2018, 2000 in 2019 and 1200 in 2020. Many potential beneficiaries are still waiting to receive support, and the EU original pledge remains fully relevant.

In view of the risks of flooding in the region, support will be considered for infrastructure reconstruction, as well as to build greater resilience against future natural disasters.

### **3.2 Objectives, results, actions and indicators**

The **overall objective** is to support the socio-economic development, including for vulnerable groups, of the Western Balkans, in particular through improving the investment climate in the region and as well as through preparing to implement major investments which are in line with the investment priorities identified. To that purpose, the European Commission will expand the use of innovative instruments blending grants and loans.

The main **expected results** are the following:

- Investments projects (under implementation or completed) amounting to 10 times the proposed IPA funding;
- Transport connections within the region and with the EU strengthened;
- Energy infrastructure investments realised to support the implementation of the Energy Community Treaty and to improve energy security;
- Key digital projects prepared;
- Key environment related infrastructure (water supply, wastewater treatment and water management) upgraded;
- Durable housing solutions provided for the most vulnerable groups of refugees and displaced persons (74,000 persons).
- Support to energy efficiency activities increased, helping beneficiaries to meet their COP-21 climate objectives;
- Support to businesses increased, in particular with view to innovation, growth and job creation.

Existing financial instruments for pooling grants, loans and expertise and joint preparation of technical viable and bankable priority projects will be developed further and new innovative financial instruments will be set up with a view to enhance donor coordination and to attract private capital to secure the financing of major investment projects having a regional dimension.

In addition to results, indicators and targets included in the Indicative Strategy Papers, the following **indicators** will be used in relation to the regional assistance:



- Value of investment projects made in the region (EU contribution in million EUR) (Source: WBIF, national budgets, IPA funds);
- Annual foreign direct investments (FDI) inflow per capita (EUR) (Source: Eurostat);
- Number of families being integrated and settling in houses (Source: CEB & European Commission).

The **Western Balkans Investment Framework** will remain the main instrument. Financial support to the WBIF should be considerably increased because the WBIF is a unique platform for donor coordination and the identification of key priorities for the region.

The combined EU funds provided in 2015, 2016 and 2017 (ca. EUR 500 million) has resulted in EUR 1.4 billion investment (EU grants, IFIs loans and national contributions) mobilised in the region, to build, amongst other, 450 km of electricity transmission lines (400 kV), as well as associated substations and control systems that go across the region and connect the region to the EU; 237 km of railway track as well as associated stations and signalling systems; and two modern and efficient cross border points into the EU as well as an intermodal terminal on the Danube.

The prioritisation of infrastructure development is planned using one single mechanism involving the relevant stakeholders. These include national administrations (with the Ministries of Finance playing an important role), the European Commission (both geographical and regional units), IFIs and bilateral donors. This results in a list of priority projects, i.e. a single project pipeline per sector.

Further development of financing mechanisms is needed (blending loans and grants, new financial instruments etc.) to ensure access to finance for large infrastructure projects linking the Western Balkans and Turkey to the EU. A Western Balkans guarantee instrument is foreseen for operations with an even stronger focus on mobilising private sector investments.

The development of these infrastructures should be backed by technical assistance in project preparation and implementation and calls for a coordinated and strategic approach in the region. As regards the strategy, the ERPs will play an important role to align infrastructure development and necessary structural reforms in order to leverage and sustain the one-off economic impact of the pure investment.

Investment support for the environment will focus on water supply, wastewater treatment and waste management. The initial focus will be on the largest agglomerations (densely populated and industrialised areas) and environmentally sensitive areas.

Assistance for transport will concentrate on facilitating the necessary investments on the extended Core Network Corridors in the Western Balkans as defined under the connectivity agenda and on the condition that the beneficiaries make sufficient progress on the agreed connectivity reform measures.

Assistance for energy will support the implementation of the Energy Community Treaty through the WBIF, as well as via the WBIF supported Regional Energy Efficiency Programme and the Green for Growth Fund, with a special focus on the implementation of the agreed regional market for electricity.

Assistance for all sectors should encourage improved design of infrastructure projects so that investments are made more resilient to current and future climate risks. The projects should also limit and preferably reduce greenhouse gas emissions.

In the context of WBIF, the **Enterprise Development and Innovation Facility (EDIF)** provides for a comprehensive set of complementary measures to improve access to finance for SMEs and to foster economic development in the region. It does this through creation of preconditions for establishment and growth of innovative and high-potential companies and stimulating the emergence of a venture capital system. The EDIF provides early-to-development stage equity financing, development and expansion capital to established SMEs, improves SMEs' access to bank lending and lowers the cost of borrowing. It also supports the governments in implementing priority reforms to create a favourable regulatory environment for innovative and high-potential SMEs.

The **Green for Growth Fund (GGF)** is promoting investment in energy efficiency and renewable energy by household and SME energy consumers and by small renewable energy producers. The structure of the Fund is a Luxembourg registered SICAV designed to accommodate both public and private investors with a layered risk/return structure. In addition, the Fund has a Technical Assistance Facility (TAF), supporting it in fulfilling its role as a market enabler and bridging the knowledge and skills gaps. The European Commission will continue to monitor its contribution allocated to the C shares, the work of the TAF, and the overall implementation of the GGF objectives.

The **Regional Energy Efficiency Programme (REEP)** is blending policy support to Western Balkans governments with technical assistance and funding for banks, together with loan incentives for end borrowers. Policy support activities aim at facilitating investment and focus on EU energy efficiency directives' implementation. Financing activities include a credit facility to local banks for on-lending to smaller energy efficiency and renewable energy projects in the public and private sectors, and a direct financing facility targeting larger projects. As of 2017, REEP will be expanding to target also the residential sector, under the continuation of the mechanism named REEP Plus.

The issue of refugees and internally displaced persons will continue to be addressed through the provision of further durable housing solutions through the **Regional Housing Programme (RHP)**, enabled by the further delivery of resources pledged by the EU in 2012.

### 3.3 Types of financing

Financial support (in the form of co-delegation agreements) will be channelled through the **Western Balkans Investment Framework (WBIF)**. Priority will be given to blending grants and loans and innovative financial instruments to attract private capital including the GGF; EDIF is implemented through Indirect Management Delegation Agreements with the European Investment Fund (EIF) and in close cooperation between the Western Balkan beneficiaries, the European Commission, IFIs (EIB/EIF and EBRD taking the lead) and others, including the World Bank, Kreditanstalt fuer Wiederaufbau and OECD. In addition, technical assistance in support of reforms or direct assistance to SMEs should be based on a limited number of Indirect Management Delegation Agreements/Contribution agreements with key partners, including OECD, EBRD, EIB/EIF and the World Bank. Grants to CEB will be made (as RHP fund manager) for the Sarajevo process to ensure the completion of the ongoing commitments; Investments in new financial instruments to be set up as appropriate.

### **3.4 Risks**

The main risks involve separate decision making mechanisms for different funding sources, lack of agreement on single sector pipelines and insufficient coordination related to the timing and priority setting for specific segments of the overall key national and regional priorities. This can be addressed through a rigorous application of the rules and procedures already established under the WBIF as well as by using a mechanism such as the 'Berlin process' to get the beneficiaries to reach political agreement on the timing and priority setting for each segment of the overall regional priorities established through notably SEETO and the Energy Community Secretariat and other relevant structures.

## **4. Territorial cooperation**

### **4.1 Needs and capacities**

There is a particular need to foster sustainable local development and increasing the prosperity of people and communities in remote and rural border areas which are often lagging behind economically. Over the years, border regions have turned into marginalised peripheries, where access to markets is limited, knowledge and technology transfer from the core difficult, and demographic indicators deteriorating. However, in many of those areas a considerable potential exists, which, if unleashed, would reverse the trend and lead to an increase in rural prosperity. Sustainable development of targeted border areas would foster employment and contribute to furthering regional cooperation and good neighbourly relations.

Participation in cross-border programmes with EU Member States and transnational cooperation programmes is a good way of preparing for the cooperative decision making in the Union and the management of Structural Funds.

In particular, cross-border cooperation is furthermore a key vehicle for fostering reconciliation and dealing with the legacy of the past in the Western Balkans.

Key lessons learned about cross-border cooperation at intra Western Balkan borders were identified in two interim evaluations in 2010 and 2011 on respectively the governance structures and performance of the assistance. The results of those evaluations have been taken on board in the design of IPA II and the preparation of the IPA II Cross-Border Cooperation programmes between IPA beneficiaries. The new elements include most notably a single contracting authority per CBC programme, a single financial envelope per programme, fewer thematic priorities and a reduced geographical scope to ensure greater focus.

Between 2016 and 2017 a final evaluation of IPA Cross-Border Cooperation Programmes 2007-2013 was carried out in order to assess the performance of CBC at intra-Western Balkans border under IPA I and also assessed the quality of design in the period 2014-2020. This evaluation pointed out that all CBC programmes have contributed to improve the mutual understanding across the borders and achieved results in enhancing socio-economic development, addressing environmental issues and reinforcing people-to-people exchanges. The evaluation stressed the important achievement of setting up and running complex joint management and control structures by the IPA beneficiaries and the high visibility of CBC in the programme areas. It also underlined the need for improvement in the performance framework of the programmes and calls for proposals and in the technical assistance component. An action plan with short and medium term actions addresses the recommendation.

The implementation of the ten IPA Cross-Border cooperation programmes with the Member States (with the budget of over EUR 450 million) enables the national, regional and local authorities, but also civil society organisations and SMEs in the IPA II beneficiaries to cooperate in partnership with the Member States' authorities. This fosters their administrative capacities as well as contributes to the development of the border regions and the reconciliation process.

The implementation of many of the CBC and transnational cooperation programmes will be an added value for the implementation of the EUSAIR and EUSDR macro regional strategies. The beneficiaries and the European Commission should further elaborate on the relationship between the abovementioned strategies and the respective IPA/Interreg Programmes.

Additionally, control and eradication of transboundary animal diseases at source using a regionally coordinated strategy benefits the EU by substantially eliminating these diseases as a threat to human health, food safety and livestock production and trade.

#### **4.2 Objectives, results, actions and indicators**

The **overall objective** is to foster good neighbourly relations and local development of border regions through cross-border programmes within the region and with EU Member States, as well as transnational cooperation programmes; to support initiatives aimed at fostering reconciliation and good neighbourly relations and overcoming the legacy of the past; as well as to enhance further the regional and cross-border cooperation in the Western Balkans as regards animal disease control.

The main **expected results** are the following: improved neighbourly relations and people to people co-operation (including cooperation in culture, youth and sport) in border regions; enhanced institutional capacity to improve the overall management of the Territorial Cooperation programmes; increased number of CBC programmes; improved regional cooperation between veterinary services in the Western Balkans in animal disease control.

The main **indicator** used will be the following:

- Number of CBC programmes between IPA II beneficiaries in the Western Balkans implemented according to a results based approach (Source: European Commission).

During the period 2014-2020 the **following CBC programmes** are being implemented:

(a) IPA CBC with Member States: Croatia-Bosnia and Herzegovina-Montenegro (trilateral); Italy-Albania-Montenegro (trilateral); Croatia-Serbia; Hungary-Serbia; Romania-Serbia; Bulgaria-Serbia; Bulgaria-the former Yugoslav Republic of Macedonia; Bulgaria- Turkey; Greece-the former Yugoslav Republic of Macedonia; Greece-Albania;

(b) IPA CBC with beneficiaries covered by the European Neighbourhood Instrument (ENI). The possibility of having IPA CBC programmes between Turkey and its neighbouring ENI beneficiaries is being considered;

(c) IPA CBC at intra-Western Balkan borders: Serbia – Bosnia and Herzegovina; Serbia - Montenegro; Bosnia and Herzegovina - Montenegro; Montenegro - Albania; the former Yugoslav Republic of Macedonia - Albania; Kosovo - the former Yugoslav Republic of Macedonia; Albania - Kosovo; Montenegro - Kosovo; Serbia - the former Yugoslav Republic

of Macedonia. In line with the objective of reconciliation and normalisation of relations between Belgrade and Pristina, and once the conditions are in place, IPA assistance will also be provided for the development of territorial cooperation between Serbia and Kosovo. Each of these IPA CBC programmes focuses on a maximum of 4 (of the following) thematic priorities as listed in Annex III to the IPA II Regulation: (1) promoting employment, labour mobility and social and cultural inclusion; (2) protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management; (3) promoting sustainable transport and improving public infrastructures; (4) encouraging tourism and cultural and natural heritage; (5) investing in youth, education and skills; (6) promoting local and regional governance, planning and administrative capacity building; (7) enhancing competitiveness, business and SME development, trade and investment; (8) strengthening research, technological development, innovation and ICT.

The selection of the thematic priorities is done jointly by the beneficiaries participating in the programme, following an analysis of the needs of the programme area and extensive consultation with local stakeholders. The specific objectives, expected results and indicators to be achieved within the thematic priorities selected in each territorial cooperation programme are laid down in the specific multi-annual programmes. The programmes also include indicative annual budget allocations until 2020, and indications on how the programmes are going to be implemented.

Projects prepared under the ABD approach to facilitate sustainable growth in defined geographical areas in cross-border regions in the Western Balkans, in particular rural areas characterized by specific complex development problems, will continue to be considered for funding under cross-border cooperation programmes.

IPA II will also continue to finance, as appropriate, the participation of eligible regions of IPA II beneficiaries in Interreg transnational cooperation programmes under the Structural Funds' European Territorial Cooperation objective as well as in cross-border cooperation programmes under the European Neighbourhood Instrument (ENI). These programmes are subject to specific priority areas as defined in the corresponding Regulations and programmes.

As regards to **Interreg transnational cooperation programmes**, IPA II beneficiaries are eligible to participate in four programmes: the "Danube" programme (Bosnia and Herzegovina, Montenegro and Serbia), the "Adriatic-Ionian" programme (Albania, Bosnia and Herzegovina, Montenegro and Serbia), the "Mediterranean" programme (Albania, Bosnia and Herzegovina and Montenegro) and the "Balkans – Mediterranean " programme (Albania, the former Yugoslav Republic of Macedonia).

The geographical scope of the "Danube" and the "Adriatic-Ionian" transnational programmes matches that of the corresponding macro-regional strategies.

Turkey is the only IPA beneficiary which is eligible to the ENI sea basins programmes, namely the Black Sea Basin programme and the Mediterranean Sea Basin programme. IPA II will continue to support the participation of Turkey in the Black Sea Basin aiming to achieve a stronger and sustainable socio-economic development of the Black Sea Basin region.

In addition horizontal support will be provided for capacity building for cross-border cooperation in particular to strengthen local authorities.

### **4.3 Types of financing**

Support will be provided primary through grants. Investments can also be financed if within the objectives of the programmes. Technical assistance is provided in order to improve the capacities of the institutions involved in the implementation of territorial cooperation programmes and other type of support.

### **4.4 Risks**

The main risks involve lack of capacity in the beneficiary institutions to manage the complex CBC programming and implementation procedures. The targeted technical assistance foreseen under each programme and the regional technical assistance (Cross-Border Institution Building - CBIB+) will help to address this risk.

IPA CBC programmes with the Member States benefit from guidance and capacity building measures provided by the INTERACT interregional programme under Interreg. IPA CBC at intra-Western Balkan borders may also benefit from the knowledge base of this programme, including the KEEP database of Interreg projects which is publicly available.

Any deterioration of good neighbourly relations can be countered through addressing this at high political level. Insufficient commitment and limited capacities for managing programmes at institutional level can be mitigated through emphasising, in political dialogue, the importance of such programmes. Insufficient capacities of potential beneficiaries to apply and implement projects can be mitigated through information sessions, seminars and other educational and technical assistance-related activities.

## ANNEX 1: INDICATIVE ALLOCATIONS (million EUR) \*

	2014	2015	2016	2017	2018	2019	2020	Total 2018-2020	Total 2014-2020
<b>A. Horizontal support</b>	<b>145.7</b>	<b>123.9</b>	<b>102.3</b>	<b>136.2</b>	<b>129.8</b>	<b>154.7</b>	<b>171.5</b>	<b>456.0</b>	<b>964.1</b>
TAIEX and Statistics	20.2	29.0	12.0	27.0	7.0	26.0	12.0	45.0	133.2
Advisory functions of international organisations	46.1	33.7	7.4	25.5	55.0	14.0	44.0	113.0	225.7
Civil Society and Media <sup>11</sup>	25.0	5.3	23.5	21	6.2	21.5	18.0	45.7	120.5
Erasmus+ including the youth dimension	33.3	35	35	36.9	34	69	69	172.0	312.2
Horizontal measures	21.1	20.9	24.4	25.8	27.6	24.2	28.5	80.3	172.5
<b>B. Regional structures and networks</b>	<b>8.7</b>	<b>23.3</b>	<b>21.2</b>	<b>43.9</b>	<b>22.2</b>	<b>51.0</b>	<b>16.0</b>	<b>89.2</b>	<b>186.3</b>
<b>C. Regional investment support</b>	<b>74.5</b>	<b>166.0</b>	<b>268.5</b>	<b>143.7</b>	<b>162.6</b>	<b>299.0</b>	<b>323.9</b>	<b>785.5</b>	<b>1438.2</b>
WBIF, EDIF, GGF and other blending instruments	64.5	166.0	268.5	128.7	162.6	299.0	323.9	785.5	1413.2
RHP <sup>12</sup>	10.0	0.0	0.0	15.0	0.0	0.0	0.0	0.0	25.0
<b>D. Territorial co-operation</b>	<b>13.4</b>	<b>33.5</b>	<b>43.3</b>	<b>79.6</b>	<b>75.0</b>	<b>73.8</b>	<b>73.0</b>	<b>221.8</b>	<b>391.6</b>
<b>TOTAL</b>	<b>242.3</b>	<b>346.7</b>	<b>435.3</b>	<b>403.4</b>	<b>389.6</b>	<b>578.5</b>	<b>584.4</b>	<b>1552.5</b>	<b>2980.2</b>

\* (\*) Revised indicative allocations for the years 2018-2020 takes into account the transfer of EUR 314.8 mln to Bosnia and Herzegovina for the years 2018-2020. The allocation also includes the indicative amount to support the implementation of the Western Balkans Strategy.

<sup>11</sup> Additional national funds for the national components under the Civil Society Facility not included.

<sup>12</sup> Additional national funds earmarked for Bosnia and Herzegovina, Montenegro and Serbia not included.

## ANNEX 2: INDICATORS AND TARGETS

### Context indicators

Indicators	Baseline (2010)	Last value (year)
GDP per capita (current prices-PPS) as % of EU level (Eurostat) <sup>13</sup>	34.15	43.9 (2016)
Annual FDI inflow per capita (EUR) (Eurostat)	192.98	265.19 (2015)

### Outcome and impact indicators

Multi-Country	Indicator	Source	Baseline (2010)	Last value (year)	Milestone (2017)	Target (2020)
Horizontal support to sector policies and reform	Government effectiveness (percentage rank)	World Bank	44.02	49.60 (2016)	50.62	52.82
	Number of students and staff from the region completing relevant mobility programmes	European Commission				
	Composite indicator on Rule of Law	European Commission <sup>14</sup>	51.54	49.77 (2016)	>52	>55

<sup>13</sup> This indicator covers the Western Balkans, except Kosovo, and for 2016, also Bosnia and Herzegovina.

<sup>14</sup> Weighted score based on 8 external sources taken in three groups, each weighted one third after normalisation: 1. [Corruption Index (Transparency International) and Control of Corruption (World Bank); 2. Press Freedom (Reporters without Borders) and Freedom of Press (Freedom House); 3. Government Effectiveness (World Bank), Rule of Law (World Bank), Regulatory Quality (World Bank) and Voice and Accountability (World Bank)].



	Composite indicator on PAR	European Commission <sup>15</sup>	50.58	53.31 (2016)	55.58 <sup>16</sup>	58.17 <sup>17</sup>
	Distance to frontier	World Bank	59.28	68.48 (2015)	70	72
Regional structures and networks	Number of information requests addressed to another country linked to a criminal investigation	Law Enforcement Cooperation Units				
	Volume of trade (Exports and imports) as percentage of GDP	Eurostat	44.8	52.77 (2015)	52	55
Regional investment support	Value of investment projects made in the region (EU contribution in million EUR)	WBIF, national budgets, IPA funds	0	656 (2017)	409.6	1000
	Number of families being integrated and having houses	CEB & European Commission	0	2700 (2017)	5000	7000
Territorial cooperation	Number of CBC programmes between IPA II beneficiaries in the Western Balkans implemented according to a results based approach	European Commission	8	8	9	10

<sup>15</sup> Average score based on Government effectiveness (WB), Burden of Government Regulation (WEF) and Regulatory Quality (WB).

<sup>16</sup> Based on individual IPA II beneficiaries' targets.

<sup>17</sup> As above, not including Bosnia and Herzegovina.