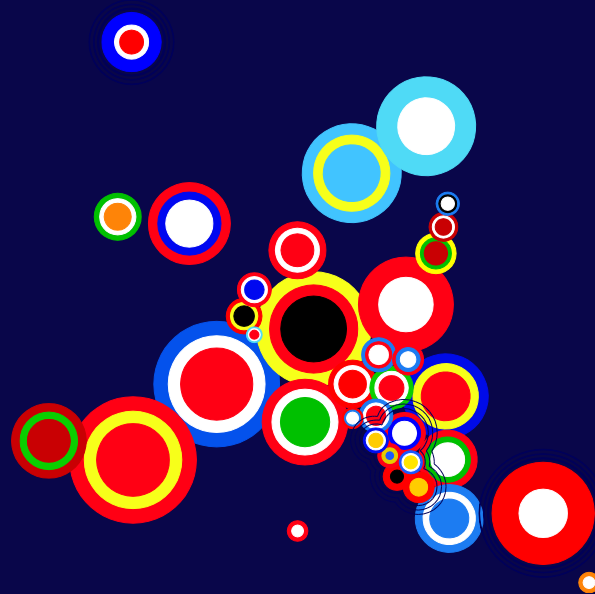




INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

MULTI-COUNTRY

Improving economic
governance and
competitiveness



Action Summary

In the context of the EU enhanced approach to economic governance, the Action contributes to stimulate innovation and competitiveness of the private sector through assisting the beneficiaries in designing, implementing and monitoring structural reforms, thus supporting transition into functioning market economies. The Action will also contribute to facilitate legitimate regional trade among the CEFTA (Central European Free Trade Agreement) Parties through removal of the most distortive non-tariff measures to trade (NTMs) for a number of selected products, and through simplification of trade related clearance procedures.

To complement structural reforms and ensure macro-economic stability, the Action supports the Beneficiaries to improve their public financial management systems and to strengthen fiscal sustainability, efficient management and effective control of public resources, thus contributing to enhance sustainability of economic growth.

Action Identification	
Action Programme Title	IPA II Annual Multi-country Action Programme 2015
Action Title	Improving economic governance and competitiveness
Action ID	IPA 2015/031-609.02/MC/economic governance
Sector Information	
IPA II Sector(s)	9. Regional and territorial cooperation
DAC Sector	15110
Budget	
Total cost	EUR 16.84 million
EU contribution	EUR 16.7 million
Management and Implementation	
Method of implementation	Direct management
<i>Direct management:</i> NEAR unit in charge	NEAR/A.3 Thematic Support, Monitoring and Evaluation
Implementation responsibilities	NEAR/A.3 Thematic Support, Monitoring and Evaluation Head of Unit: Bernard Brunet
Location	
Zone benefiting from the action	Albania, Bosnia and Herzegovina, Kosovo*, the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey
Specific implementation area(s)	
Timeline	
Contracting deadline	31/12/2016
End of operational implementation period	31/12/2019

* This designation is without prejudice to positions on status, and is in line with UNSC 1244/1999 and the ICJ Opinion on the Kosovo Declaration of Independence

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

In the Enlargement Strategy 2014-15, the European Commission outlines the three pillars of its enlargement policy: rule of law, economic governance and public administration reform. The economic governance pillar addresses the concerns of citizens in a persistently difficult economic environment, with high unemployment and low investment. Economic governance is particularly important in relation to the Western Balkans since none of them is yet considered to be a functioning market economy able to withstand the competitive pressure of the EU single market.

The new economic governance approach provides a more coherent framework for economic policy-making for the Western Balkans, inspired by the European Semester process. The objective of the approach is to support them to meet the Copenhagen economic criteria and help them to better respond to numerous economic challenges they are facing.

This action will support the EU policy on economic governance and competitiveness. It will be implemented through three components covering economic competitiveness, facilitation of trade and public financial management:

Component 1. Support to economic competitiveness

This component builds upon the experience of the OECD in supporting the development of South East Europe (SEE) 2020 national action plans in selected South East European economies under the Next Generation Competitiveness Initiative (NGCI).

For the past 15 years, the OECD Investment Compact for SEE has been supporting governments of South East Europe to enhance economic governance, competitiveness and foster private sector development. A significant part of that work has been financed through IPA multi-country funds, especially since 2010. The Investment Compact works with policy makers and key stakeholders to build political support for economic reforms, to share good practice, to monitor and assess policy reforms based on the OECD Policy Framework for Investment using tools such as the Investment Reform Index, the SME Policy Index and the Service Trade Restrictiveness Index (STRI), to facilitate reform prioritisation and to support the implementation of reforms.

In the framework of the Investment Compact, the OECD will support enhanced economic governance in the Western Balkans through three main strands: monitoring and policy assessment, support to policy prioritisation and formulation of reforms (Economic Reform Programmes) and support to implementation, especially via the Western Balkans Enterprise Development and Innovation Facility (EDIF), as well as technical assistance for competitiveness (in selected sectors), industrial policy and innovation.

Monitoring and policy assessment is carried on the basis of two-yearly publication of the OECD:

- i. The SEE Competitiveness Outlook, which monitors the implementation of the SEE2020 Strategy
- ii. The SME Policy Index - Progress in the Implementation of the Small Business Act (SBA) is the key reference for the compliance of the Western Balkan and Turkey economies to the SBA for Europe. The findings of the SBA Assessment will be used for peer learning in the area of access to financing for SMEs, among other areas covered by the Small Business Act.

In case the ongoing negotiations on liberalization of trade in services will be finalised, the publication of Services in Trade Restrictiveness Index (STRI) shall help identify which policy measures restrict international trade in services, thus providing policy makers and negotiators with information and measurement tools to open up international trade in services and negotiate international trade agreements. It can also help governments identify best practice and then focus their domestic reform efforts on priority sectors and measures.

The European Commission will be provided with annual multi-dimensional assessments. The monitoring tools contain several hundred quantitative and qualitative policy indicators elaborated by the OECD (in cooperation with the Commission and other partners), which will capture most aspects of economic governance in the Western Balkans.

The OECD will also provide assistance for preparation of the Economic Reform Programmes (ERPs), which are at the core of the EU's new approach on economic governance. This support will include among others advice for the reform priorities on the basis of findings of the SEE Competitiveness Outlook and through SME Policy Index, and following on the recommendations from the Council, the Commission's annual enlargement reports, International Financial Institutions and other relevant stakeholders.

Services in Trade Restrictiveness Assessment applied to specific economic sectors such as e.g. transport and distribution will be considered to support negotiations on liberalization of trade in services in the framework of CEFTA.

The OECD can also facilitate roundtables where national stakeholders can discuss and prioritise policy options addressing structural challenges. Finally, OECD will also provide specific assistance in implementation of the selected reforms.

Component 2. Support to facilitation of trade

Since trade in goods among the parties of the Central European Free Trade Agreement (CEFTA) is almost fully liberalised, major issues on the agenda of CEFTA include trade facilitation and reduction and eventual removal of Non-Tariff Measures (NTMs)¹ distorting access to markets. According to different studies, trading with Western Balkans requires a higher number of documents, samples and physical controls in all clearance stages than trading with EU Member States, also for traders which have always been fully compliant with existing rules and procedures. This makes trade in the region more time-consuming and expensive.

Since this state of play might either be the result of the limited capacity of the public authorities to improve the situation or as a deliberate political decision to protect vested interests, transparency of all kinds of trade related measures (legislation, norms, standards and administrative procedures) that hinder market access is vital for decision making not only in a national context but also within the CEFTA structures. A clear baseline assessment should be the basis for further actions on the matter.

This component proposes a product-oriented approach (focusing on a number of most traded products or with high export potential) and addresses the three main dimensions that affect free trade of goods in the CEFTA region: a) Non-Tariff Measures stemming from non-harmonized legislation and practices, b) Redundant and overlapping document and data submission requirements (and reduction of related fees and charges), and c) Excessive and redundant physical inspections. In addressing those dimensions, measures in all clearance stages (before the border, at the border and behind the border) are to be systematically detected and tackled.

Regarding the first two dimensions, it is envisaged to analyse trade related legislation and practices and documents and data submission requirements in all clearance stages in accordance to the EU *acquis* and international rules –including the WTO Trade Facilitation Agreement, and prepare a set of country-specific recommendations, road-maps and assistance for the elimination of contradictory measures which are most trade distortive and for streamlining and reducing document and data submission requirements. The results of these analyses will be fully available in the CEFTA transparency tools.

Regarding the third dimension, the goal is to assist the CEFTA Parties to implement the CEFTA Authorised Economic Operator (AEO) Programme, which is to be established on the basis of national

¹ Non-tariff measures (NTMs) are a wider concept than non-tariff barriers (NTBs). NTMs include all policy measures other than tariffs that can potentially have an effect on international trade. By addressing NTMs, it will not be assumed a priori whether a given measure constitutes a barrier to trade and has a protectionist intent for the sake of ensuring a maximum level of transparency while elimination of the NTMs in contradiction with the EU *acquis* and international rules are to be recommended

AEO programmes and which represents the main backbone of this simplification and reinforcement of regional cooperation. In this framework, Beneficiaries' risk management systems will be strengthened and the scope of information exchange among Customs Authorities and between Customs and Other Governmental Organizations (OGAs) through using the existing IT tools will be strengthened.

Considering that the problems cannot be addressed only technically, the Commission will engage with the CEFTA Parties to use the results of this component. The main stakeholders involved in this component are the Ministries of Economy and Trade and of Agriculture, Customs Authorities, Agencies for food, veterinary and phyto-sanitary inspections as well as the private sector. The Trade facilitation concept has been presented at the 8th CEFTA Week and endorsed by the CEFTA Parties during the Joint Committee meeting (Skopje, 21 November 2014) where they confirmed their commitment to guarantee maximum transparency and to undertake necessary actions to remove the main measures distorting access to market.

Component 3. Support to public financial management (PFM)

Fiscal stability and sound management of public finances are considered preconditions for sustainable socio-economic growth. In line with the new enlargement policy, the focus is also on public administration reform, including improving management of public finances, which will positively contribute to improved economic governance. The Commission is therefore reinforcing policy dialogue, surveillance and support to more comprehensive PFM reforms. The beneficiaries are invited to prepare and implement PFM reform programmes, which will provide an overall multi-annual framework for addressing countries' PFM reform needs, thus ensuring appropriate sequencing and budgeting of reform actions. A credible and relevant PFM reform programme is also one of the four pre-conditions for using IPA II funds in the form of sector budget support.

All beneficiaries have engaged in reforms in different parts of their PFM systems – revenue administration and collection, budget preparation, budget execution with cash management, public procurement systems, debt management, public internal financial control and budget inspection, and external audit. However, only few have either prepared or started to prepare comprehensive PFM reform programmes, thereby recognising that PFM subsystems are strongly inter-linked and require either parallel or well-sequenced reforms in the different parts to ensure sustainability of reforms.

Since 2010 the Strengthening Accountability and Fiduciary Environment (SAFE) Trust Fund, administered by the World Bank, has supported diagnostic assessment of public financial performance using the internationally recognised public expenditure and financial accountability (PEFA) framework in Albania, Bosnia-Herzegovina, Montenegro and Serbia. It has also financed other broader range of activities including support for implementation of IPSAS (International Public Sector Accounting Standards), implementation and capacity building for upgraded public sector auditing, development of an action plan for medium term budgeting, development of capital investment management guidance and a programme for knowledge sharing on how the fiscal impact of structural adjustment reform is managed across Western Balkans.

In this component, the Commission intends to continue this support with a specific focus on:

- assessment of PFM performance at national and sub-national levels using internationally recognised diagnostic tools – PEFA and Sectoral Public Expenditure Reviews (PERs) - to provide a baseline for reform action and implementation plans;
- support for design and implementation of specific PFM reform measures, including targeted training in relevant complex and sophisticated financial management methodologies such as EPSAS (European Public Sector Accounting Standards); and
- building capacities in the target administrations to implement, monitor and evaluate reform progress through strengthening competences, establishing analytical tools and expanding knowledge on relevant international practices and applying lessons learned from in-country and international experience.

RELEVANCE WITH THE IPA II MULTI-COUNTRY STRATEGY PAPER AND OTHER KEY REFERENCES

The planned assistance directly contributes to achievement of the key enlargement policy priorities on economic governance and public financial management, as highlighted in the Enlargement Strategy 2014-15 and the December 2014 General Affairs Council Conclusions.

The planned assistance contributes to the achievement of objectives outlined in the IPA II Multi-Country Indicative Strategy Paper 2014-2020 (hereinafter referred to as Strategy paper) by aiming at creating favourable conditions for the IPA II beneficiaries to tackle the fundamental reforms in economic governance and public administration reform early in the accession process and meet the economic membership criteria. It will support reforms and investments in complementarity with assistance planned under the Country Strategy Papers.

The Strategy Paper stresses that the new approach to economic governance will allow enhanced strategic and targeted support for national reform priorities. In this context, the relevance of the first component of this action consists in supporting the preparation and implementation of the ERPs and the prioritisation of the reforms.

The Strategy Paper recognises that a major step for the liberalisation of trade flows took place in 2006 through the signature and ratification of CEFTA. Now the major issues on the agenda of CEFTA include the further reduction and eventual removal of non-tariff measures to trade, improvement of trade logistics and harmonisation of norms and standards.

The Strategy Paper also notes that support for public financial management contributes to country-specific reform agendas, enhancing countries' revenue administration and collection, budget preparation, budget execution, cash management, public procurement, accounting and fiscal reporting, public debt management structures, public internal financial control and external audit.

The Strategy Paper states that the beneficiaries require state-of-the-art knowhow and relevant experience with related reforms, which is mainly available in international organisations such as the OECD, World Bank, the IMF and the European Central Bank. Since the challenges are broadly similar, the support should therefore be organised at the regional level, but tuned to the specific situation in each beneficiary, so that it addresses specific national needs and problems.

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

Component 1. Support to economic competitiveness

Monitoring and Policy Assessment

Implementation of the SEE Competitiveness Outlook 2015 showed that some regional expert organisations require more support in collecting the required data from the governments and conveying the methodology and process to them. In the SEE Competitiveness Outlook 2017, this issue will partly be mitigated by the fact that these regional expert organisations will already have undergone a full Competitiveness Outlook process and will therefore have built capacity in co-ordinating the data-collection. After the completion of the first Competitiveness Outlook a revision of indicators or the methodological approach might be considered for the following assessment round. Additionally, the OECD will be more engaged in the key regional events of these organisations to explain the methodology and data collection requirements.

There is an enhanced focus on SMEs' access to finance, being one of the major obstacles for business growth. For the fourth assessment, the OECD measuring methodology was significantly modified, shifting the focus from an analysis of institution-building and policy design to policy implementation and monitoring. A stocktaking exercise will be completed by 2016 and adjusted for the fifth round. Furthermore, the assessment has developed into an inherent part of the government reporting. Although a number of ministries and government agencies have been involved in the assessment process, there is a need to institutionalise the role of the national SBA coordinators and alongside raise the visibility of the SBA process at political levels.

Prioritisation and formulation of reforms

The OECD carried out a process of prioritising policy reforms with the objective of improving the business environment for innovative and high-potential SMEs. This initiative was conducted in preparation of the Technical Assistance pillar of EDIF.

Many beneficiary countries where the implementation was adopted were often hampered by lacking financial resources. A stronger link between reforms and IPA assistance should help ensure a more successful realisation of reforms. With regard to OECD support to countries in preparing the Economic Reform Programmes, OECD supported countries preparation of the first 2015 ERPs and organised seminars with all relevant stakeholders in WB countries. The lessons learnt from this exercise will be used for the next rounds of preparation of ERPs. Therefore, the OECD is unique in having the specialized technical capacity and knowledge to further support the preparing of the Economic Reform Programmes in 2016 and subsequent years.

Support to implementation

The planned technical assistance projects in Bosnia and Herzegovina, former Yugoslav Republic of Macedonia, Montenegro and Serbia draws on the experience of triple helix projects implemented by the OECD under the scope of EDIF TA beginning in 2014 and on the work of the OECD team in the region under the Regional Competitiveness Initiative and concluded in 2012. This experience shows that ownership of the project by local stakeholders is extremely relevant to the success of the project. This is why, project teams composed of all relevant government institution representatives, academia and the private sector are established in each country to tailor the project on each economy needs.

The sector work needs to ensure continuously active involvement of policy makers and of the private sector to drive the work, guide the effort and make sure that policy recommendations can be applied in the specific context of each economy. Accordingly, the project identifies the relevant policy decision makers and private sector representatives and ensures their active involvement in the project work. Second, high impact project results can best be obtained by complementing long-term policy recommendations and action plans by short-term pilot projects translating early-on into tangible results and, thereby, ensuring buy-in by all project stakeholders. Actionable and relevant pilot projects need to be designed.

The OECD, together with the Commission, has completed an initial cycle of work related to industrial policy: conducting a country specific snapshot of the state of industrial policy in each SEE economy and writing up an Industrial Policy toolkit. Upon the initial analytical work, it is clear that most economies have industrial policy at the nascent stages. The necessary institutional capacity in the SEE region must be developed in order for policymakers to make well-informed and pragmatic decisions on how to develop industrial policy.

Component 2. Support to facilitation of trade

This component takes the main findings and lessons learned from the IPA – interim evaluation and meta-evaluation of IPA assistance 2013 into consideration. Trade facilitation is a long-term process that requires high political will and technical competences by all involved Parties. Stand-alone initiatives not duly placed in a broader strategic context have often led to limited results. The trade component of this Action builds on priorities identified by CEFTA Parties and in the SEE 2020 Pillar 1 and proposes a more comprehensive approach based on a deeper problem analysis. It will propose solutions that can be implemented through interventions both at regional and national level. Moreover, in order to ensure sustainable political commitment, it is envisaged under this component that a high level Steering Committee which will include the Deputy Ministers for Trade of the CEFTA Parties, the CEFTA Structures and the relevant European Commission services will be established. The results of the work under this component shall feed the political dialogue in the relevant SAA Sub-Committees.

Market access barriers can originate not only from legislation but also from the way it is implemented. Even legislation which is consistent with EU *acquis* or international standards can result in barriers to trade if not duly implemented. In order to bring out and make these situations explicit, input and feedback from the private sector is fundamental. At the same time, a strong demand for better quality services coming from the private sector is an essential element to put pressure on public administration

to undertake necessary reforms. This is why it is envisaged to strengthen the consultation with the private sector.

When addressing harmonisation with the EU *acquis*, the EU Member States are the only ones who are in the position to oppose against illegitimate trade barriers and to advise how the beneficiaries should design and implement trade related measures in line with the EU *acquis* and other international standards, including the WTO Trade Facilitation Agreement. At the same time, International Organisations can provide valuable technical contributions to the smooth implementation of such a highly technical project, especially when it involves many beneficiaries.

Beneficiaries need assistance to articulate their national positions before finalising regional negotiations to eliminate NTMs. To this aim, this component will provide concrete recommendations and substantial technical assistance to eliminate identified NTMs.

Enhancement of transparency is of vital importance to improve effectiveness of CEFTA dispute settlement mechanism.

Component 3. Support to public financial management (PFM)

The SAFE programme has been implemented successfully over four years, with 19 projects targeted at a range of PFM activities. It has been subject to two ROM reviews and has been rated successful, although possible refinements were proposed in terms of tightening the focus on programme objectives at the individual project level and increasing emphasis on ways to ensure sustainability of project outcomes. Linking projects to the country strategies will provide a mechanism to improve achievement in both areas identified in the ROM reviews.

In-depth diagnostics of the various PFM sub-systems should be the basis for preparing a reform programme. Such diagnostics should be based on standardised assessment tools and complemented by other available assessments such as from OECD/SIGMA, ongoing IPA funded technical assistance and twinning, etc. Many beneficiaries already have the basic diagnostics work done and some have started to already prepare their PFM programmes. The EU has cooperated closely with the World Bank and the Swiss Cooperation in this area by funding through the common SAFE Trust Fund, PEFA assessments for Albania, Bosnia-Herzegovina, Montenegro and Serbia.

Although challenges are broadly similar and support should be organised at regional level, assistance has to be delivered at country level thus addressing specific national needs. The programme will provide quality assurance procedures and in-country professional staff. Ongoing project supervision must ensure that projects are delivering the results intended and can address any difficulties that may arise in implementation. Each project will have a specifically assigned task leader from the World Bank's PFM professional staff who will support beneficiary governments.

2. INTERVENTION LOGIC

LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	
Within the context of economic governance, contribute to enhancing the competitiveness of the Western Balkan economies through the provision of monitoring tools and assessments, support to prioritisation of reforms and to reform implementation.	GDP per person employed Net enterprise creation Increase of trade in goods and services	European Commission Progress Reports National Statistics Institutes National Central Banks SEE 2020 implementation reports Government budget reports Public Finance statistics Eurostat	
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
<p>1. Support to economic competitiveness Provide evidence for the governments' decision-making and the Commission assessments in relation to the Economic Reform Programmes (ERPs), support the beneficiary governments in the prioritisation and drafting of the ERPs and enhance competitiveness of the beneficiary economies by supporting implementation of reforms.</p> <p>2. Support to facilitation of trade Reduction and eventual removal of the most distortive non-tariff measures to trade for a number of selected products.</p> <p>3. Support to PFM To support improved management of public finances, strengthened accountability and transparency</p>	<p>Qualitative assessment of the economic programmes Country specific economic measures Qualitative/qualitative assessment of SME sectors in the countries</p> <p>Reduction of clearance time (in days) required for selected supply chains by the end of the Action compared with 2010 baseline</p> <p>Reduced N. of documents/information required for selected supply chains by the end of the Action compared with 2010 baseline (and corresponding fees and charges will be eliminated)</p> <p>% reduction of frequency in physical controls for selected supply chains by the end of the Action compared with 2010 baseline</p> <p>PFM reform programmes under implementation Improvement of PEFA assessment results</p>	<p>Competitiveness Outlook 2017 European Commission and European Union Council assessment of the ERPs Eurostat National Statistics Institutes European Commission-OECD Industrial Policy Toolkit European Commission Progress Reports SEE2020 implementation reports Sector Expert Group and SEE Investment Committee reports EDIF Reports World Bank Doing Business Reports World Bank Logistics Performance Index SEED Databases CEFTA Market Access Barriers Database National PFM Reform Programmes National PFM Strategies and action plans PEFA assessment reports</p>	<p>Political commitment from beneficiaries Sufficient administrative capacity in the beneficiaries Local ownership of programme outputs Interest of the Business Community Coordination with related activities Successful implementation of the SEE2020 strategy – Pillar 1 Continued government commitment towards EU integration process The European Commission ensures political follow-up in the relevant Stabilization and Association Sub-Committees</p>
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
<p>1. Support to economic competitiveness</p> <p>Result 1: i. SEE Competitiveness Outlook: Strengthened capacity of beneficiary governments to monitor, prioritise, and implement competitiveness-enhancing reforms which meet the commitments contained in SEE 2020 Strategy and define the ERPs ii. SME Policy Index- Progress in the Implementation of the SBA: Increased capacity of policy makers to undertake SME competitiveness reforms through a better understanding of relevant policy instruments for SME policy making and implementation, as reflected in ERPs iii. Main policy measures restricting trade in services identified</p> <p>Result 2: National Economic Reform Programmes: Beneficiaries submit evidence-based, well structured, coherent and comprehensive ERPs</p> <p>Result 3 i. Sector competitiveness: Development of policy recommendations and action plans to foster competitiveness in a high-potential sector and drive regional trade integration; launch of pilot projects to</p>	<p>i. ERPs based on relevant evidence as endorsed by the Commission ii. SBA Assessment 2018 and sector-specific policy-measures and pilot projects iii. The Services in Trade Restrictiveness Index (STRI) Assessment</p> <p>Number of ERPs delivery by all Beneficiaries</p> <p>Publication of EC-OECD Industrial Policy Toolkit (including clear recommendations and action plans to foster competitiveness in a high-potential sector and drive</p>	<p>European Commission Progress Reports SEE2020 implementation reports SEE Competitiveness Outlook 2017 SME Policy Index 2018 - Progress in the Implementation of the SBA</p> <p>Council Conclusions on ERPs European Commission Progress Reports</p> <p>Reports of Sector Working Group and SEE Investment Committee SEE2020 implementation reports</p>	<p>Political commitment from beneficiaries Interest of the Business Community Governments' resolve to step-up the pace of reforms as per ERPs and guidance of the Commission and the Council, Efficient cooperation of the public administrations of the beneficiaries Sufficient administrative capacity in the beneficiaries Local ownership of programme outputs CEFTA Parties' political commitment to undertake recommended reforms. CEFTA Parties' absorption capacities Availability of private sector to provide</p>

<p>foster competitiveness.</p> <p>ii. Innovation policy: Improvement of innovation policies in beneficiaries with a specific focus on policies to support private sector innovation</p> <p>iii. Industrial Policy: The SEE economies equipped with country level analysis of the state of industrial policy. The regional observatory on the state of industrial policy in the region operational.</p>	<p>regional trade integration; pilot projects launched to foster competitiveness);</p> <p>Analysis of existing policies conducted, best practices transferred to beneficiaries and comprehensive policy frameworks developed.</p> <p>EC-OECD Industrial policy toolkit.</p>	<p>EDIF project reporting and monitoring</p> <p>SEE 2020 Competitiveness Outlook</p> <p>SME Policy Index- Progress in the Implementation of the SBA</p> <p>EC-OECD Industrial Policy Toolkit</p>	<p>advice regarding trade barriers they meet</p>
<p>2. Support to facilitation of trade</p>			
<p>Result 1:</p> <p>Most trade distortive non-tariff measures identified and addressed;</p>	<p>N. of detected non-tariff measures uploaded and available in the CEFTA transparency tools by the end of the Action;</p>	<p>CEFTA Joint Committee conclusions and Ministerial decisions</p> <p>CEFTA Market Access Barriers Database</p>	
<p>Result 2:</p> <p>Documentary requirements reduced and simplified</p>	<p>% between non-tariff measures identified by the Action and the ones eliminated accordingly with provided recommendations and technical assistance by the end of the Action;</p>	<p>CEFTA Structures Reports</p> <p>EU Progress Reports</p>	
<p>Result 3:</p> <p>Increased use of risk profiles and joint cross-border risk profiles and enhanced inter-agency cooperation</p>	<p>1 Regional "white List" of legitimate documentary requirement in the CEFTA area by the end of the Action;</p> <p>N. of CEFTA Parties which have piloted a national AEO Programme</p>	<p>World Bank Doing Business Reports</p> <p>World Bank Logistics Performance Index</p> <p>SEED Databases</p> <p>National Statistics Institutes</p>	
<p>3. Support to PFM</p>			
<p>Result 1:</p> <p>Public financial management performance assessed for reform action and implementation plans</p>	<p>PEFA assessments published</p>	<p>European Commission Progress Reports</p> <p>National PFM Reform Programmes</p> <p>PEFA Secretariat</p>	
<p>Result 2:</p> <p>Improved reform strategy and policy formulation in relation with Public Finance Management</p>	<p>PFM reform programmes and action plans approved</p> <p>Good progress in PFM reform programmes indicators</p>	<p>European Commission Progress Reports</p> <p>National PFM Reform Programmes</p> <p>National PFM Strategies and action plans</p>	
<p>Result 3:</p> <p>Strengthen capacity to effectively formulate strategic decisions and manage public finances</p>	<p>Improved public financial management capacities</p>	<p>Capacity development needs diagnosis</p> <p>European Commission Progress Reports</p> <p>PEFA assessment reports</p> <p>National PFM Strategies and action plans</p>	
<p>ACTIVITIES</p>	<p>MEANS</p>	<p>OVERALL COST</p>	<p>ASSUMPTIONS</p>
<p>Activities to achieve Result:</p> <p>Component 1:</p> <ul style="list-style-type: none"> Monitoring and Policy Assessment Prioritisation and formulation of reforms Support to implementation <p>Component 2:</p> <ul style="list-style-type: none"> Harmonisation of norms and practices Streamlining of document and data submission requirements Simplification of clearance procedures <p>Component 3:</p> <ul style="list-style-type: none"> Assessment of PFM performance at national and sub-national levels Design and implementation of specific PFM reform measures Capacity building 	<p>Component 1: 1 grant with OECD</p> <p>Component 2: 1 grant – Call for proposal</p> <p>Component 3: 1 grant with the World Bank</p>	<p>TOTAL: EUR 13.84million (EU contribution 13.70 million €)</p> <p>Component 1: EUR 10.84 million</p> <p>Component 2: EUR 3 million</p> <p>Component 3: EUR 3 million</p>	

ADDITIONAL DESCRIPTION

1. Support to economic competitiveness

This component will have three strands: a) monitoring and policy assessment, b) prioritisation and formulation of reforms, and c) support to implementation of reforms.

Under the third strand, the OECD Investment Compact for South East Europe will provide support to implementation of policy reform through (i) the development of comprehensive *policy frameworks in support of private sector innovation*; (ii) *fostering competitiveness in a key economic sector*, and (iii) supporting the design and implementation of *industrial policy*.

- i. The support to innovation policy would occur under the technical assistance (TA) pillar of the Western Balkans Enterprise Development and Innovation Facility (EDIF). Supporting innovative SMEs was identified as one of the top priorities within the EDIF TA pillar. Albania, Croatia and Kosovo have already benefitted from projects related to innovation policy, while Bosnia-Herzegovina, the former Yugoslav Republic of Macedonia, Montenegro and Serbia should also benefit from such support in the period 2016-2018.
- ii. A targeted sector competitiveness approach should help achieve tangible results in driving the economic development in the SEE region in short to mid-time horizon. Initial support was provided to the tourism and food and beverages processing sectors. The sector competitiveness work will build on the methodology developed within the scope of this previous effort; but it will allow for more detailed analysis and for a broader set of recommendations to foster competitiveness in an additional high-potential sector in the SEE region. Accordingly, the work will analyse supply chain relationships through economic analysis to arrive at a complete and detailed mapping of priority supply chains (including priority sub-supply chains) and analyse export and regional trade performance for the supply chain steps. Subsequently, supply-chain steps with low export performance will be analysed for value-added potential and key success factors. Policy recommendations will be developed to strengthen export performance in prioritised supply chain steps by addressing key barriers. Additionally, regional trade performance between supply chain steps will be analysed and recommendations will be tailored to allow for intensified trade links in areas with high potential. To foster sector competitiveness and regional trade links, a working group is formed with representatives of the private sector and relevant governmental bodies. The working group aims to identify and address key barriers to the development in-value supply chain segments while driving regional trade integration across the sector's supply chains. The analysis and policy recommendation phases will both be supported by extensive desk research, fact finding missions, business surveys and expert consultations. Good practice knowledge sharing and capacity building efforts with experts from the OECD, from OECD countries and from sectors in the SEE region which were the focus of the NGCI (2013-2015) will allow for high-impact implementation. Sector best policy exchange platforms involving experts from EU member countries can also be envisioned to assist Western Balkan governments in sector policy implementation.
- iii. Finally, industrial policy in the SEE region will be supported through capacity building, analytical research, policy dialogue, and assistance in development of regional and economy-specific action plans. The next phase of the industrial policy work will build and expand upon the past project's work, which included analysing the current state of industrial policy in each of the SEE economies and developing an industrial policy toolkit that provides policymakers with a concrete set of key questions, criteria and analytical tools to be used in different stages of industrial policy design (analysis, vision setting, framework design, implementation, and monitoring and evaluation). In this component, the OECD will aim to: i) support capacity building at both regional and economy level through the organisation of technical workshops; ii) bolster policy dialogue through supporting the establishment and work of the permanent working group on industrial policy; iii) foster relevant data collection and analytical research on industrial policy by helping establish the Regional Observatory and by commissioning a number of its studies; iv) assist the SEE economies in developing country and regional action plans for the implementation of industrial policy; v) support harmonisation with the EU industrial policy framework.

2. Support to facilitation of trade

The approach to trade facilitation under this component requires an in-depth dialogue between the public and the private sectors in the region in order to systematically identify and address barriers to trade stemming both from non-harmonized legislation and from the way it is implemented.

Under this component, an expert team will be established in each country, including experts in international trade and trade facilitation, experts with specific experience about selected products/supply chains and experts with experience in working with the private sector. They will provide both the private and public sector with orientation trainings regarding the methodologies and classifications used in addressing and eliminating non-tariff measures. Following that, they will assist the CEFTA Parties in the identification of a number of private sector representatives (business and sector associations and, where needed, lead economic operators) in the selected supply chains in each country and will organise a number of national and regional consultation meetings to collect their inputs. In conducting these consultations the Action will take utmost attention to involve representatives of all competing interests of the selected supply chains (exporters, importers, manufacturers and distributors). Where needed, these meetings will involve EU Private Sector Associations, who are able to provide product specific consultancy to the private sector representatives. Confidentiality of the information to be collected from the representatives of private sector will duly be protected.

Dimension 1- Harmonisation of norms and practices

The private sector representatives duly supported by the Expert Teams will disclose the market access barriers they have been encountering in doing trade with each CEFTA Party. The Expert Teams will compile private sector inputs according to each clearance stage and will work with the relevant public authorities to cross-check identified market access barriers with the existing legislation and implementing regulations. Therefore, they will elaborate proposals to eliminate identified market access barriers (regional and country-specific recommendations and road maps). Afterwards, the Expert Teams will be ready to provide the CEFTA parties with the necessary support to implement proposed recommendations and amend trade distortive legislation and administrative procedures.

In spite of the fact that majority of the issues are expected to be undertaken at national level, the CEFTA Structures will still be available for any action justifiable at the regional level to address and eliminate non-tariff measures. All this information will be available in the CEFTA transparency tools. At the mid-term of the implementation period, the Commission will assess the CEFTA Parties' commitment to move on in eliminating NTMs and concretely undertake required reforms.

Dimension 2 – Streamlining of document and data submission requirements

The Expert Teams shall elaborate exhaustive country-specific maps of all documentary and data submission requirements in all clearance stages based on a common methodology. Since this information might not be fully available within the existing legislation, contribution by the private sector according to their business practices is to be ensured. Thereafter such information is to be complemented by the public authorities according to the existing legislation and administrative procedures. For each CEFTA Party, documentary requirements (and connected fees and charges) are to be analysed and confirmed against the EU *acquis*, the CEFTA Agreement and other international agreements and practices. Such maps will display redundant and overlapping documentary requirements as well as requirements that are in contradiction with the EU *acquis* and international agreements and practices in each CEFTA Party. A list of non-compliant fees and charges and, if regional intervention is justifiable, a "white list of data requirements" that can be applicable in the regional trade is to be prepared for each selected supply chains. All this information will be available in the CEFTA transparency tools and will be discussed in the CEFTA Structures.

Under this component, it is envisaged to provide the CEFTA Parties with advisory assistance in order to support them in streamlining document/data submission requirements. The implementation of this work package is subject to mid-term verification of CEFTA Parties' commitment to move forward in reducing and simplifying document and data submission requirements. The CEFTA Parties will be encouraged to prepare similar maps for other products according to the established methodology.

Dimension 3- Simplification of clearance procedures

In 2015 the CEFTA Parties have started negotiations for the signature of a Framework Administrative Cooperation Agreement to establish a mutually recognised CEFTA Authorised Economic Operators Programme – AEO. In order to get the CEFTA Parties prepared for its implementation, it is planned under this component to assist the CEFTA Parties to identify and run national pilots of AEOs which are to be recognised by other CEFTA Parties for a temporary period.

Other actions under this component include providing technical assistance to the CEFTA Parties in updating their risk profiles, in creating new ones where necessary and in establishing regional risk profiles. Furthermore, technical assistance will be provided to determine the scope of information which needs to be exchanged in connection to those risk profiles between Customs Authorities, and the tools required for such information exchange. The System for Electronic Exchange of Data is the main IT tool to be employed for extending electronic exchange of data among the CEFTA Parties.

In parallel, OGAs (mainly Sanitary and Phyto-Sanitary Authorities) involved in clearance procedures are to be invited in the discussion related to mutual recognition of AEOs, joint risk profiles, and customs related controls and inspections. A correlation table is to be prepared to display relations between certificates and product-specific international standards which the OGAs recognise in their inspections, as well as AEO procedures and inspections which the Customs should undertake. Therefore, it is envisaged to create a common list of controls/certifications which can be recognised by both Customs and OGAs, in particular for AEOs, and then to propose legal arrangements on how OGAs may simplify their inspections for AEOs.

The Beneficiaries are fully aware of all the implications of the actions envisaged under this component, including the need to engage in a number of reforms at national level. However, a lack of political commitment to undertake recommended reforms could hinder the achievement of expected results. Therefore, political dialogue at national and regional levels, notably in the context of the structures of the SAAs, is of utmost importance to mitigate such risk.

Finally, the CEFTA Parties' absorption capacities shall be duly considered when drafting roadmaps for the elimination of NTMs. To this aim, CEFTA Structures will play a key role in ensuring coordination with ongoing and upcoming initiatives.

3. Support to public financial management (PFM)

Under this component, comprehensive diagnostics of PFM systems will be conducted by applying PEFA methodology both at national and sub-national level. Assessments will address all PFM sub-systems, including revenue administration, budget preparation, budget execution with cash management, debt management, public procurement, accounting and reporting, public internal financial control (including internal audit), and external audit. PEFA assessments will contribute to tracking progress on PFM reforms, consistent monitoring and evaluation of implementation. This will further support the Commission's enhanced policy dialogue on PFM.

Areas of critical weakness in the PFM system will be identified and analysed in detail, resulting in actionable recommendations for further reform. PEFA assessments' results will be used to address the weakness points identified with follow-up technical assistance tailored to the needs of each beneficiary.

In addition, Sectoral Public Expenditure Reviews (PERs) on specific policy sectors, especially with potential for sector budget support, will be performed. Overall, the PER methodology will focus on the efficiency and efficacy of resource allocation. Sectoral PERs will allow beneficiaries to better understand their development problems and potential solutions. In this way, actions under this component will help the beneficiaries establish effective and transparent mechanisms to allocate and use available public resources in a manner that promotes economic growth.

On the basis of PFM assessment results, the beneficiaries will be supported in prioritising and sequencing PFM reforms to address the weakness points identified during the assessment phase and in drafting credible and relevant government-led programmes to improve the quality of Public Finance policies and management, with reference to the Government's overall priorities. Availability of a single and comprehensive national PFM reform programme is one of the four eligibility criteria for sector budget support under IPA II. Special attention shall be given to government efforts to mobilise domestic revenues, including both tax and non-tax revenues, which represent the centre-piece for

sustainable financing of development. The national PFM reform programme should include a results framework based on PEFA (sub) indicators. The PFM reform programme will provide a firm basis for the European Commission and other donors to channel their future support for PFM reforms in a coordinated and effective manner that responds to the country's priorities and needs.

Capacity development is a key part of all reforms on PFM areas, as it supports effective and efficient organisations, enhances governments' capacity to design and implement, monitor and evaluate policies and deliver services to final beneficiaries. Under this component, it is envisaged to engage with the Governments to assess capacity assets and needs, to formulate and implement targeted capacity development responses and to assess developments. The capacity development process shall include both human resources (experience, knowledge, technical skills) and institutional capacity (organisation, procedures, enabling environment) development.

In addition, assistance might be provided to support the beneficiaries in the implementation of specific aspects of agreed PFM reform areas, in close coordination with other donors and IPA projects to ensure complementarity of assistance. These projects shall focus on priority PFM functions (as identified in the PFM reform programmes) and will aim at ensuring that agreed targets are met and intended reform objectives are achieved.

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

1. Support to economic competitiveness

Monitoring and Policy Assessment

i. SEE Competitiveness Outlook

The OECD acts as the overall project manager and leads the implementation of the SEE Competitiveness Outlook. The final output of the SEE Competitiveness Outlook will be an official OECD flagship publication. The OECD elaborates the project methodology, planning, assessment framework and indicators, and sets the objectives and timelines going forward, in consultation with the RCC.

In view of EU accession and its link to SEE2020, the European Commission provides strategic input regarding planning and content of the SEE Competitiveness Outlook and is informed and involved in key deliverables and meetings.

The Regional Cooperation Council (RCC) and other regional partners will provide OECD with relevant data. In particular, RCC focuses on promotion and enhancement of regional cooperation in SEE and supports European and Euro-Atlantic integration of the countries aspiring to join the European Union. In fact, RCC is the co-ordinator of SEE2020 and manages its content, objectives and implementation and is involved in all strategy and content-related decisions. The RCC will also be heavily involved in the collection of this data in 2017, which will feed into the final SEE Competitiveness Outlook publication. Furthermore, several of the SEE2020 Dimensions are co-ordinated by RCC staff, as no appropriate expert organisations exist for certain dimensions (e.g. R&D and Innovation).

Additional regional expert organisations will act as dimension co-ordinators within the Competitiveness Outlook. Their role is to facilitate the co-ordination and data-collection related to the assessments of specific SEE2020 dimensions. The regional expert organisations are the link between the OECD as the overall project manager and the beneficiaries, who are members of the regional expert organisations. They also regularly provide substantive inputs and expertise and will play an important part in deciding on the final indicator scores per country.

The seven beneficiary economies and their governments adopted SEE2020 in November 2013 and implement its targets. Within the Competitiveness Outlook, the role of these economies is to deliver the data and information for the assessment, predominantly by providing these to the relevant expert organisation. Each economy has appointed a SEE2020 Co-ordinator, who oversees activities related to

SEE2020 in their economy. At the SEE2020 dimension-level, the economies are represented through their membership in within the regional expert organisations. The SEE Competitiveness Outlook is a participatory donor-project, which aims at involving the beneficiary economies at all stages of the process.

ii. SBA Assessment

While the OECD is taking the leading role in the regional assessment process, the European Commission, the EBRD, the European Training Foundation and the South East Europe Centre for Entrepreneurial Learning (SEECCEL) are the key partner institutions in this exercise. These partner organisations contribute to the project milestones and are in charge of selected thematic areas. The OECD is responsible for data collection and analysis of predetermined policy areas, up to further agreement with partner organisations.

The OECD is the main contact point for the appointed SBA Coordinators who are responsible for coordinating the data collection across the relevant ministries and government agencies and organises bilateral stakeholder roundtables as well as regional SBA coordination meetings throughout the assessment process.

For the regional peer review on access to finance of SMEs public-private working groups at country levels will be created that contribute to the formulation of concrete policy reform guidelines. They will be supported by members of the Western Balkan EDIF Platform Advisory Group (from the relevant International Financial Institutions, bilateral donors and Governments of the Western Balkans states). Furthermore, lead reviewers and international peers from EU member countries will comment on existing financial frameworks and conditions and provide concrete policy advice to the beneficiary countries.

Prioritisation of reforms and support to formulation of reforms

The OECD will primarily work with the prime minister offices, ministries of economy and equivalent in developing the Economic Reform Programmes. In each beneficiary an official contact points shall be appointed to coordinate the activity. The draft programmes will be publically consulted with national stakeholders (e.g. chamber of commerce), regional expert agencies (e.g. RCI, SEECCEL) and international financial institutions (e.g. World Bank, EBRD).

Support to implementation

i. Sector Competitiveness

The OECD acts as the overall project manager, plans the project and its methodology, drives relevant analysis, reports on the project progress, develops policy recommendations and action plans and prepares the implementation. Within the OECD team, a project manager is supported by a team of analysts with the required expertise.

The Regional Cooperation Council (RCC) focuses on promotion and enhancement of regional co-operation in SEE and supports European and Euro-Atlantic integration of the aspiring countries. The RCC ensures effective communication with the regional ministries as well as their active involvement in the project.

The six beneficiary economies are represented by delegates from the relevant ministries and private sector representatives who are members of the Sector Working Group. This 30-member Working Group is the forum to discuss the results of the analysis, take key decisions and provide overall direction.

This work will be coordinated under the umbrella of SEE 2020.

ii. Innovation policy

The planned Technical Assistance projects in Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Montenegro and Serbia will be implemented by the OECD as project manager. The OECD will develop the project methodology and drive the work of the project.

The European Commission is the main donor and provides overall project guidance.

Each beneficiary will form project teams, chaired by the local project manager (representing the beneficiary in the EDIF PAG) and composed of all relevant government institution representatives, academia and the private sector.

This work will be coordinated under the umbrella of the EDIF Support Services Pillar.

iii. Industrial Policy

The country level assessment of industrial policy will be carried out by the OECD as the project manager. The European Commission will follow up this project launched in 2012 to assist beneficiaries' governments in implementing their own industrial policies by being informed and involved of key deliverables and meetings. This process will feed into the European Commission Progress Reports on Industrial policy (Chapter 20).

Additionally, the OECD will work on organising the bi-annual permanent working group meetings. Particular attention will be devoted on the convergence of the policies developed by the SEE countries with that of the European Union. This work will be coordinated under the umbrella of SEE 2020.

2. Support to facilitation of trade

Following a call for proposal, this component will be implemented through a grant with an EU Member State Body. Other organisations (other Member States bodies and international Organisations) can be coapplicants.

The involvement of EU Member States is fundamental in steering and monitoring the implementation of this component, especially when dealing with harmonisation of norms. EU Member States have in fact necessary knowledge in depth and hands-on experience in implementation on the EU *acquis* to contribute in decision making to amend the CEFTA Parties' legal frameworks and practices. The private sector will play a key role in selecting target products on which this component will focus on, and in the identification of norms and practices which mostly hinder trade and market access. In addition, EU private sector associations shall bring their experience regarding barriers encountered in CEFTA. Involvement of International Organisations with proven experience in addressing and classifying NTMs, in developing dialogue with private sector in trade related matters and in trade facilitation, would significantly contribute to documentary mapping, analysis of information against the EU *acquis* and international standards and elaboration of proposals of a set of countermeasures to be adopted at regional and national level to eliminate those barriers.

The active role of the European Commission in monitoring progress and assessing the actual enforcement of reforms is vital to ensure the Beneficiaries' overall commitment. To this aim, the key findings shall feed political discussion in the framework of the CEFTA structures and in the Stabilisation and Association Sub-Committees. Finally, the CEFTA Secretariat will play a role a) in monitoring the implementation of the component and in providing technical advice to the implementing bodies, b) in ensuring its coordination with other trade related initiatives in the area and its consistency with the implementation of the SEE2020 strategy and c) in promoting the use of the component inputs for regional discussion within the CEFTA structures.

A project Steering Committee shall involve the Ministries of Economy (which are in the lead of implementation of the CEFTA and the SEE 2020 Strategy), the European Commission, the CEFTA Secretariat and the Chairs of CEFTA Subcommittees. In addition it shall involve other regional and international organisations and other relevant line Ministries whenever necessary. The Steering Committee will meet twice a year in Brussels.

3. Support to public financial management (PFM)

PEFA Assessments and Technical assistance shall be formally requested by the beneficiary Governments. The assistance will be demand-driven and will take into account country-specific needs and will ensure complementarity with ongoing and planned assistance financed by IPA and other donors. Each capacity building project will set out the results to be achieved and the resources available to achievement them within a specified timeframe.

The World Bank will provide professional expertise and project management for project selection and implementation. A Steering Committee (European Commission, World Bank, SECO) will filter and select projects that meet government and programme priorities. Each project will have explicit performance and results objectives which will be monitored at the project level by the World Bank and at the programme level through a mid-term independent evaluation. For each selected project, the World Bank will make a project team leader available and will apply the quality assurance procedures used for all similar projects in the World Bank. Self-assessments by the beneficiaries will be encouraged to contribute to strengthening monitoring and evaluation capacities in the target administrations.

The World Bank will discuss the PEFA Assessment reports with the beneficiary administrations and then, in the absence of formal refusal by them, it will publish the Reports, making them available in the PEFA Secretariat and the World Bank websites. The Steering Committee will ensure maximum coordination with other assessments delivered by other international organizations (i.e. OECD/SIGMA, IMF) and with IPA assistance.

The World Bank will support the beneficiaries in drafting PFM Reform Programmes through peer review, advice and recommendations. Since country PFM Reform Strategies depend on a complex network of interrelated systems and sub-systems, including i.e. legal framework and corruption, coordination with other EU funded initiatives, relevant line DGs and International Organisations is fundamental. The preparation of PFM Reform Programme will be monitored by the European Commission, which will lead the political dialogue with the Beneficiaries.

The World Bank will provide interim and final reports for each project and for the programme as a whole. The programme Steering Committee will also monitor progress with support from the World Bank SAFE Secretariat, project managers and country-level World Bank office support.

The programme will also provide for sharing of knowledge and lessons learned for each beneficiary government and for peers across the enlargement community.

IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

The Action will be implemented in direct management according to the following implementation methods:

1. Support to economic competitiveness

This component will be implemented on a direct management basis through a grant with OECD to be signed in Q3 2015. The direct award is based on Article 190 (1)(f) of the Rules of Application, since a particular type of body on account of its technical competence and its high degree of specialisation is required.

SEE Competitiveness Outlook is an OECD flagship publication. In addition, the OECD is unique in having the specialized technical capacity and knowledge to further support the preparing of the Economic Reform Programmes in 2016 and subsequent years.

The agreement with the OECD will be administered in accordance with provisions of the Framework Administrative Agreement between the European Union and the OECD signed in June 2015. In order to ensure the optimal continuation of the OECD's assistance on Economic Governance, derogation from the decision allows the OECD to exceed the annual percentage of per person charge back cost, with the conditionality to gradually decrease the percentage to the agreed ceiling of 6% by the end of the implementation of the action.

2. Support to facilitation of trade

This component will be implemented on a direct management basis (Grant – Call for proposal) in accordance with the Financial Regulation and the corresponding provisions of the Commission Implementing Regulation. The Commission (DG NEAR) will launch a call for proposal. Applicants are national public sector bodies or legal entities governed by private law with a public service mission

and have their registered offices in one of the European Union Member States. Co-applicants can also be International Organisations.

3. Support to PFM

This component will be implemented in direct management. In Q3 2015, an amendment to the existing Administration Agreement with the World Bank for the European Union's contributions to the SAFE Trust Funds for the PFM component will be signed. The contract will cover 3 years of implementation. The Trust Fund is expected to be extended and replenished until 2020, as appropriate, in view of the policy context and progress achieved. The SAFE TF has proven to be a useful, flexible device to address small gaps in the wider PFM long term journey. Therefore, also according to the ROM 2013, there is good reason to consider a continuation of this kind of collaboration. The World Bank hosts the PEFA Secretariat, responsible of one of the main results of the component, and it has an acknowledged in-house expertise on PFM issues. In addition, the involvement of other donors in the TF supports the interest and relevance of this initiative managed by the World Bank.

The agreement with the World Bank will be administered in accordance with provisions of the Framework Agreement between the World Bank and the European Commission and following the World Bank Trust Fund procedures. The direct award is based on Article 190 (1)(f) of the Rules of Application, since a particular type of body on account of its technical competence and its high degree of specialisation is required.

4. PERFORMANCE MEASUREMENT

METHODOLOGY FOR MONITORING (AND EVALUATION)

Implementation is to be monitored through the existing governance arrangements as applicable:

1. Support to economic competitiveness

Monitoring and policy assessment

i. SEE Competitiveness Outlook

It will also be part of the overall governance structure ensuring implementation of the SEE2020 Strategy with annual reports on implementation delivered to the SEE2020 Governing Board every June. RCC acts as the overall SEE2020 Coordinator facilitating the channelling of the background data and cooperation with the Regional Policy Coordinators and National Coordinators.

ii. SBA Assessment

The work on SBA assessment is coordinated and monitored through a network of Country SBA Coordinators who meet regularly. The work of this group is followed by DG GROW and DG NEAR. Reports from the meetings assist the oversight of progress.

Support to prioritisation of reforms

The work of OECD under this component will have to feed in into the official ERPs cycle. The performance of prioritisation exercise will in addition be monitored through the Prioritisation Roundtable reports.

Support to implementation

i. Sector Competitiveness

A dedicated Working Group under the South-East Europe Investment Committee has already been established to ensure regular oversight. The work of this group will be followed by the Commission. It will also be part of the overall governance structure ensuring implementation of the SEE2020 Strategy with annual reports on implementation delivered to the SEE2020 Governing Board every June.

ii. Innovation policy

The planned Technical Assistance projects in Bosnia and Herzegovina, Macedonia, Montenegro and Serbia will be implemented by the OECD as project manager under the bigger umbrella of the Enterprise Development and Innovation Facility, Support Services Pillar, managed by the EIB. EDIF existing governance arrangements: the Platform Advisory Group (PAG) semi-annual meetings and reports, the meetings of the EDIF Support Services Working Party will ensure regular oversight.

Each project team is to be chaired by the local project manager who is a representative of the institution representing the country in the EDIF Platform Advisory Group (PAG) unless other arrangements are made.

iii. Industrial Policy

A dedicated Working Group under the South-East Europe Investment Committee has already been established to ensure regular oversight. The work of this group will be followed by the Commission. It will also be part of the overall governance structure ensuring implementation of the SEE2020 Strategy with annual reports on implementation delivered to the SEE2020 Governing Board every June.

2. Support to facilitation of trade

The Lead Partner (selected applicant EU Member State's Body) with the contribution of the other partners will perform effective and regular result-oriented monitoring of the component in order to assess interim progress at programme level, identify areas of failure and their reasons, and any immediate action to be taken to improve programme performance further. The Lead Partner will ensure that the European Commission is kept informed of all developments. Together with the CEFTA Secretariat (which is a key stakeholder), the Lead Partner will also ensure that all activities will be duly integrated with the CEFTA and the SEE 2020 Integrated Growth agenda. To this aim, the Lead Partner shall also report to the CEFTA structures and engage in a close dialogue with the CEFTA Secretariat. The Lead Partner will provide bi-annual substantive reports of the component on progress achieved, based on results envisaged in the action plans, covering project outputs and outcomes. The key findings would be used for political dialogue in the framework of Stabilisation and Association Process. The European Commission will evaluate progress in the achievement of expected results on the basis of indicators outlined in the Action Document and specified in the Annex I to the Agreement and/or in the annual action plans.

3. Support to public financial management (PFM)

The programme Secretariat will provide 6 monthly financial and narrative progress reports as well as consolidated project level progress information. Progress in the implementation of projects financed will be discussed in the Steering Committee, which will meet twice a year. The programme shall work in close cooperation with the European Commission, notably those services involved in preparation of Sector Budget Support.

In addition, the Commission may carry out a mid-term and final evaluation for this action via independent consultants and through a joint mission. In case a mid-term or final evaluation is not foreseen, the Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations. In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing agreement.

INDICATOR MEASUREMENT

Indicator	Baseline (2010) (2)	Milestone 2017(4)	Target 2020 (5)	Final Target 2020 (5)	Source of information
MCSP - Value of investment projects made in the region					
MCSP indicator - Volume of trade (Exports and imports) as percentage of GDP					
MCSP indicator - Government effectiveness (Rank)					
Impact indicator 1 - GDP per person employed. GDP per person employed (EUR at PPS)	27,485	n/a	36,300	36,300	SEE 2020 Strategy monitoring, EU Progress Reports, Eurostat, National Statistics Institutes
Impact indicator 2 - Net enterprise creation. Net enterprise creation (new businesses per year)	30,107	n/a	33,760	33,760	SEE 2020 Strategy monitoring, EU Progress Reports, Eurostat, National Statistics Institutes
Impact indicator 3 – Increase of trade in goods and services (EUR million). This indicator measures the increase in the value of trade in goods (regional average)	59	80	125	125	Eurostat, National Statistics Institutes, Central European Free Trade Area (CEFTA) Statistics, World Bank Doing Business Report
Output indicator 1.1 – The number ERPs delivery by all Beneficiaries. ERPs delivery by all Beneficiaries	0	6	6	6	European Commission and European Union Council assessment of the ERPs
Output indicator 1.2 indicator –Publication of the Competitiveness Outlook 2017. Monitoring of	0	Y ²	n/a ³	n/a ⁴	European Commission Progress

² Y- yes

³ The publication is envisaged every two years

⁴ The publication is envisaged every two years

SEE Strategy 2020					Reports SEE2020 implementation reports
Outcome indicator 1.3 indicator- Country specific innovation measures. Country specific innovation measures	n/a	n/a	n/a	n/a	EDIF Report
Outcome indicator 1.4 indicator- Publication of EC-OECD Industrial Policy Toolkit. EC-OECD Industrial Policy Toolkit published	0	Y	n/a	n/a	European Commission Reports
Outcome indicator 2.1 – Reduction of clearance time required for selected supply chains (days) ⁵ . This indicator measures the reduction in the number of days necessary to obtain all clearances needed in all clearance stages for the selected supply chains (regional average)	14.9 days	11 days (EU average in 2012)	10.6 (EU average in 2014)	10.6 (EU average in 2014)	World Bank Doing Business Reports World Bank Logistics Performance Index SEED Databases Ad-hoc monitoring data to be collected from CEFTA Parties National Statistics Institutes CEFTA Market Access Barriers Database
Outcome indicator 2.2 – Reduction of N. of documents/information required for selected supply chains. This indicator measures the reduction in the N. of documents/data required in all clearance stages for the selected supply chains (regional average)	7.3	5 (EU average in 2012)	4 (high income OECD countries average in 2014)	4 (high income OECD countries average in 2014)	
Outcome indicator 2.3 – Reduction (%) of frequency in physical controls for selected supply chains ⁶ . This indicator measures the reduction in the frequency of physical controls for the selected supply chains (regional average)	20%	11%	5%	5%	
Outcome indicator 3.1 - PFM reform programmes. No. of PFM reform programmes under implementation: Action plans approved with activities and budget clearly defined and implementation reports produced	0	3	6	6	National PFM Reform Programmes National PFM Strategies and action plans PEFA assessment reports

⁵ According to WB Doing Business reports – time to import (days)

⁶ According to WB Logistics Performance Index and CEFTA data

Outcome indicator 3.2 - Improvement of PEFA assessment results. Improvement of PEFA assessment results: % of PEFA indicators obtaining the same or better scores in relation to previous PEFA assessments (average of 6 countries)	n/a	70%	90%	90%	PEFA assessment reports
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5. CROSS-CUTTING ISSUES

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

The Action will not have any negative environmental impact.

The development of policy responses and implementation of projects will take into account the main pillars of the SEE 2020. SEE 2020 specifically calls for actions to be greener and encourage more energy-efficient development.

ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)

The development of this Action has included detailed consultations with various stakeholders including government officials, as well as representatives of the business and academic communities in the Western Balkans. All activities described above rely on the active participation and contributions of stakeholders outside of government. The implementation teams will continue the practice of encouraging the participation of relevant stakeholders in the implementation of this Action.

With specific reference to component 2, dialogue between public and private sector is an essential aspect of the implementation. The private sector will be involved in consultations to identify norms and practices that hinder market access and doing trade. Moreover, the private sector will contribute to create sufficient level of demand in the private sector for better quality public services and higher level of public commitment to remove market access barriers.

EQUAL OPPORTUNITIES AND GENDER MAINSTREAMING

The Action will require professional qualifications and competences and will ensure equal opportunities for women and men to participate in its implementation and in the selection of experts. The implementation teams will emphasize at the outset that the composition of any of the project structures - such as the operational contact points, sector specific Expert Groups, and pilot project implementation teams - should reflect a gender balance. Likewise, workshops, trainings and working groups will be equally available to men and women.

MINORITIES AND VULNERABLE GROUPS

The development of policy responses and implementation of pilot projects will take into account the main pillars of the SEE 2020 Vision (see annex 3). Specifically, paragraph I (iv) of the SEE 2020 Vision calls for policy reforms and actions to encourage greater participation of, including vulnerable groups and minorities. Therefore, participation of the implementation of the Action will be guaranteed on the basis of equal access regardless racial issues or ethnic origin, religion and beliefs, age or sexual orientations. The same considerations regarding equal opportunities apply.

6. SUSTAINABILITY

Key elements and conditions which will ensure the sustainability of the Action's results:

- Use of existing sustainable regional structures like the SEEIC or RCC working groups oversight bodies;
- A mix of public and private sector participation in the Working Groups;
- Consultation with the business community and independent experts in the Western Balkans as a means of verifying information;
- Involvement of European Commission experts during the life of the project to ensure that the policy actions recommended are fully compatible with EU and other international commitments.

A key focus is the creation of streamlined, inter-related and sustainable regional structures that can continue to act as engines for the development and implementation of competitiveness enhancing policies.

The efforts made under the Action to ensure appropriate public and private sector participation in these structures, the evolution of the leadership role of the beneficiaries and the availability of adequately tailored analytical and management tools will contribute to their capacity to function following the completion of the project.

The actions recommended under the projects should result in improved policies in key sectors of the economies. The involvement of international experts including those from the European Commission during the life of the projects will ensure that the policy actions recommended are fully compatible with the EU and other international commitments of the beneficiaries. Hence they should not have to make any radical changes to these policies as they progress on their path to EU accession.

With specific reference to component 2, sustainability of the achievements comes from the integration with the CEFTA work plan. The component reflects the objectives of the CEFTA Committee on Trade Facilitation, of the Sub-Committee on Customs and Rule of Origin, of the Working Group on Risk Management and of the Working Group on Electronic Exchange of Data. Results and outputs will flow into the CEFTA Joint Committee and relevant Sub-Committees. This will allow a clear articulation of national positions which then will be object of negotiations at national, bi-lateral and multilateral level. This is the best guarantee that the agreed regional goals be translated into national actions. Moreover, all data collected during the implementation of the Action will feed the CEFTA transparency tools.

Regarding the support to PFM, the component will support a long-term view on improving the overall public financial management system. It will support the beneficiaries in drafting Multi-annual PFM Reform programmes. The adoption of these strategies will provide an overall multi-annual framework for addressing countries' PFM reform needs, thus ensuring appropriate sequencing and budgeting of reform actions. The assistance will be demand-driven and will take into account country-specific needs. PEFA Assessments shall be formally requested by the beneficiary Governments. Assessment reports will be discussed with the beneficiary administrations and, in the absence of formal refusal by the Beneficiaries, they will be published.

Finally, the European Commission (DG NEAR and relevant line DGs) will ensure strong commitment to use the results of the Action for political dialogue in the relevant SAA Sub-Committees.

7. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the Action and all stakeholders will commit to raise awareness of efforts made by the European Union and on all occasions to give maximum visibility to the initiative. All necessary measures will be taken to make public the fact that the Action has received funding from the EU, in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the European Commission (DG NEAR) will have to be followed. The logo of European Union will appear on the cover of each publication (as a minimum requirement; detailed prescriptions will be found in the Visibility Manual).

The implementation of the communication activities shall be the responsibility of the contractors, and shall be funded from the amounts allocated to the Action.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be undertaken to strengthen general public awareness and promote transparency and accountability on the use of funds.

The European Commission shall be fully informed of the planning and implementation of the specific visibility and communication activities.