Instrument for Pre-Accession Assistance

(IPA) II

Multi-country Strategy Paper
(MCSP)

2014-2020
Part I: Introduction

1. Purpose

The Instrument for Pre-Accession Assistance (IPA) II\(^1\) will continue to support beneficiaries (Albania, Bosnia and Herzegovina, Iceland, Kosovo\(^*\), the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey) on their path towards accession.

IPA II consists of five policy areas: (a) the transition process towards Union membership and capacity building, (b) regional development, (c) employment, social policies and human resources development, (d) agriculture and rural development, (e) regional and territorial cooperation.

The Accession and European Partnerships, the Enlargement Strategy, as well as the Annual Progress Reports as the main policy documents set the scene for defining priorities for IPA assistance. The IPA Regulation, its Rules of Application, and the Programming Framework provide further guidance and their planning and programming mechanisms will allow flexibility in order to respond to possible new priorities identified in Annual Progress Reports and Communications of the Commission.

The purpose of the Multi-country Strategy Paper (MCSP) is to set out the priorities for IPA II assistance for the coming seven years, the expected results (targets) and how these will contribute to achieving the specific objectives of pre-accession assistance as outlined in the IPA II Regulation and the financial resources allocated for that.

Multi-country programme assistance will be provided through all policy areas except agriculture and rural development.

The priorities for IPA II assistance set out in this MCSP will serve as a basis for the (multi-) annual programming of IPA II funds in 2014 to 2020.

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\(^1\) Council Regulation (EC) No /establishing an Instrument for Pre-Accession Assistance (IPA), OJ L.

\(^*\) This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.
The IPA II budget for the period 2014-2020 is EUR... The bulk of this IPA II support to the Beneficiaries will be delivered through the National Programmes. However, around 10% of available funds will be allocated through the Multi-country programmes to support beneficiaries in their efforts towards EU accession. In the period 2014-2020, this will total EUR... for policy areas (a), (b) and (c) as well as (e).

This Multi-country Strategy Paper is designed to complement and be consistent with the Country Strategy Papers. Areas of intervention will only be addressed through the MCSP where there is a clear need for regional cooperation or horizontal action, for instance through tackling cross-border problems or in obtaining efficiencies through establishing harmonised approaches, leveraging established instruments or facilitating networks of experts.

2. Consultation on this Strategy Paper

Regarding the programming process IPA beneficiaries have emphasised the importance of regular and timely communications to facilitate their involvement and improve ownership of the IPA programmes. Consequently, detailed programme plans, including timelines and draft documents for comment, have been distributed to IPA beneficiaries. Multi-beneficiary coordination meetings take place regularly throughout the year either in Brussels or in the beneficiary region and allow for discussion on the status of current and future programming as well as project implementation. Close cooperation is sought with the Regional Cooperation Council, also with a view to enhance ownership of the programmes. To this end, the EU will provide short-term technical assistance and expertise to build capacity of the RCC.

Both the European Commission services and stakeholders have emphasised the need to concentrate human and budgetary resources on a limited but key number of priority sector areas. Accordingly, the selection of priorities for EU assistance outlined in the MCSP has been made on the basis of EU strategic documents, the lessons learned from the programming and implementation of previous EU assistance and the findings from internal and external consultations. In order to use resources more effectively and efficiently, it is intended to address a limited number of sectors on a (multi-) annual basis through the regional and horizontal programmes.
Part II: Analysis of the needs and capacities

1. Overall situation in the region

Further progress has been achieved in respect to regional cooperation and good neighbourly relations in the Western Balkans in 2012. Bilateral and multilateral contacts between leaders and politicians of the region have continued, also in sensitive areas such as war crimes, borders, refugees return, organised crime and police cooperation, and within regional fora such as the Energy Community, the European Common Aviation Area, the Central European Free trade area (CEFTA) and the Regional School of Public Administration (ReSPA).

New results were reached in the Belgrade-Pristina dialogue with agreements in the areas of regional cooperation and representation of Kosovo as well as integrated management of the border/boundary.

Following the successful transfer of the SEE Investment Committee secretariat to the RCC, Ministers of Economy have committed to cooperate under the SEE 2020 towards achieving agreed targets in the area of integrated, smart, sustainable and inclusive growth, embedded in a solid governance framework, which will require moving forward with reforms and investments.

The Civil Society Facility provides strong support to the development of civil society in the beneficiary countries and to the networks within the region and with the organisations of the European Union.

Since its launch in December 2009, the Western Balkans Investment Framework offers a solid basis to enhance harmonisation and cooperation in priority investments for socio-economic development in the region with the support of the EU, bilateral donors and International Financial Institutions (IFIs).

2. Context for the planning of assistance

2.1 EU Enlargement Strategy

The Enlargement Strategy 2012-2013\(^2\) highlighted three main challenges for the region.

1. The rule of law at the centre of enlargement policy

Tackling certain aspects of the rule of law at regional level is particularly valuable in those areas, where it is important to foster the co-operation between the countries of the region to achieve improvements. In the fight against organised crime, for example, the cross border nature of many criminal activities require strong co-operation between law enforcement and judicial bodies in the region, with EU Member States and internationally. In the area of public administration reform as an essential part of democratic governance and the rule of law, regional programmes offer the opportunity to the beneficiaries to achieve improvements in transparency, accountability and effectiveness of their administrations by learning from each other and peer review. Finally, the strengthening of the implementation of fundamental rights remains an important objective in most countries as well as freedom of expression. Enhanced co-operation and partnerships between organisations from various countries in the region within the framework of regional or horizontal programmes can support that process effectively.

2. Regional co-operation and reconciliation in the Western Balkans

Regional cooperation and good neighbourly relations continue to be an essential element of the Stabilisation and Association Process. Apart from the re-enforcement of bilateral and multi-lateral contacts between leaders and politicians of the region in many areas, the Commission will continue to support regional initiatives and fora, such as CEFTA and RESPA.

Reconciliation is the key challenge for stability in the Western Balkans and it needs to be addressed urgently including the question of refugees. The Regional Housing Programme agreed at the international Donors Conference in April 2012, will be the means of the Commission, to financially support the return of the most vulnerable refugees to their places of origin or local integration into the place of refuge.

3. Strengthening economic recovery and growth in the enlargement zone

The impact of the economic crisis being felt throughout the region, the Western Balkans fell back into recession in conditions of low levels of competitiveness, income, investment and of rising unemployment. The improvement of the region's transport/energy network and its participation in international agreements such as the Transport Treaty is an important means to foster the competitiveness of the region as a whole for the future. Human resource development and support to private sector development, including SMEs with high growth and innovation potential remain the focus of regional assistance too. The Commission intends to support the economic recovery at regional level mainly via the Western Balkans Investment Framework in close co-operation with IFIs to channel favourable loans towards the above priority areas.
2.2 Relevant regional strategies and initiatives

The Europe 2020 Strategy of the European Commission has proposed five measurable EU headline targets for 2020 backed by seven flagship initiatives. These targets focus on employment, innovation, climate and energy management, education, and poverty reduction. IPA assistance to will strive to support the enlargement countries to join the common European effort to reach these targets, while at the same time supporting them in their progressive alignment with the standards and policies of the European Union, including where appropriate the Union acquis, with a view to membership.

On 9th November 2012, on the occasion of the Ministerial Conference of the SEE Investment Committee, Ministers of the Western Balkans economies adopted a statement on the 'South East Europe 2020 – Towards Convergence and Growth' (hereafter referred to as SEE 2020), together with headline targets for integrated, smart, inclusive and sustainable growth within a good governance framework, as a regional strategy for economic development in the region.

This regional response to Europe 2020 is being put forward by the countries to help anchor their reform efforts, support the EU accession process and focus joint action on increasing competitiveness and creating jobs. The SEE 2020 strategy places regional cooperation in a clear and coherent framework, linking national priorities with regional platforms and identifying the most important gaps to be addressed over the long term. The quantitative strategic targets adopted by the region’s economies in the areas of economic growth, trade, investment, education, employment and governance are being translated into policy objectives, with plans for action at both national and regional level being developed. Furthermore, SEE 2020 strategy is putting forward a system of governance for reform, whereby clear mechanisms are being put in place to ensure de-centralised implementation and enable regular monitoring of progress.

2.3 Conditions for managing pre-accession assistance

Direct and indirect management; shared management (CBC)

2.4 Donor coordination and complementarity with other EU assistance

To increase the effectiveness and the efficiency of the delivery of assistance through multiple donors, the European Commission and the Member States are to ensure better coordination of their respective assistance programmes. This also extends to non EU–donors and to the International Financial Institutions (IFIs). A consultation mechanism during the different phases of the assistance cycle was established under IPA I. It provides for early consultation on the draft MCSP and programming documents with Member States, non–EU donors and IFIs.

Coordination meetings between the European Commission, non-EU donors and the IFIs take place regularly. They focus primarily on the strategic direction and the regional dimension of IPA planning and programming. Civil Society Organisations have also been invited to Coordination meetings and for comments on strategic documents such as the MCSP and (multi-) annual programmes.

2.5 Consistency with EU policies

Economic governance, EU procurement rules, environmental policy, EU directives

Part III: The overall design of pre-accession assistance to the enlargement region

1. Policy areas and sectors of assistance for 2014-2020

The following policy areas will be addressed:
- the transition process towards Union membership and capacity building,
- regional development,
- employment, social policies and human resources development, as well as
- regional and territorial cooperation.

In accordance with the principle of targeting assistance as highlighted in the Regulation establishing a strategic IPA Programming Framework, assistance shall be tailored to address the different needs in particular with regards to:

- the political criteria such as stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;

- economic criteria such as existence of a functioning market economy and the capacity to cope with competitive pressure and market forces upon accession; as well as

- acceptance of the Union acquis, i.e. ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

Further to the thematic priorities identified in the IPA Programming Framework the following sectors for IPA assistance over the period 2014-2020 have been selected:
- Rule of Law
- Public administration reform
- Civil society
- Reconciliation
- Human rights, minorities
- Economic governance
- Investments, infrastructure (transport, energy, energy efficiency, environment/climate change)
- Competitiveness/trade
- Higher education
- Cross border cooperation

In addition, IPA assistance may finance other interventions that fall outside the scope of these sectors such as, but not limited to: i) project/sector programme identification and preparation; ii) *acquis* related actions that need to be adopted/implemented according to an established timetable (e.g. negotiating framework or NPAA), through the TAIEX instrument; iii) preparatory measures in view of participation in EU Programmes and Agencies to which the Beneficiaries become eligible unless they are included in one of the sectors chosen above; iv) support measures for the implementation, monitoring, audit and evaluation of IPA programmes, as well as for information and communication activities; v) support to the operational budget of the RCC and other technical assistance and capacity building support to its strategic coordination role as well as vi) support by way of technical assistance to strengthen capacity for programming and implementing cross border cooperation at intra Western Balkan borders.

2. Indicative allocation per policy area and sector

The financial allocations per sector are indicative only, final amounts will be decided upon in the (multi-) annual programmes and dependant on the available budget.
Part IV: EU assistance during the period 2014-2020

Policy area: Transition process towards Union membership and capacity building

Specific Objectives of IPA II: Support for political reforms

1. Sector: Rule of Law

1.1 Description of the needs and capacities in the sector

Regional cooperation in the Western Balkans and Turkey in the area of Justice, Freedom and Security is instrumental to address security-related threats for the enlargement countries as well as the EU Member States, such as serious international and organised crime, as well as terrorism. Criminals easily operate across borders, thus evading national law enforcement bodies and jurisdiction, which creates a need for consistent and well-coordinated horizontal action.

In the years to come, the enlargement countries will need to increase their efforts to fight organised crime, cybercrime, curb corruption, fraud and money laundering, combat trafficking and smuggling of drugs, arms and human beings, including children.

More and more the countries of the Western Balkans and Turkey are also considered as an entry point for irregular migrants. Therefore effective mechanisms for border management and coordination of asylum/migration policies in full compliance with international standards become increasingly important.

The Communication 'The EU Internal Security Strategy in Action: Five steps towards a more secure Europe', adopted in November 2010, sets out the challenges, principles and guidelines for dealing with security threats relating to organised crime and terrorism, in order to make the EU more secure. This communication, together with the EU 'Serious and Organised Crime Threat Assessment' (SOCTA), designed by Europol to assist strategic decision-makers in the prioritisation of organised crime threats, and the EU policy cycle on serious and organised crime – Western Balkans priority, represent the reference framework for judicial and police cooperation in the Western Balkans and Turkey.

1.2 Planned type of actions and indicators to measure progress

Modern organised crime requires a multi-disciplinary approach to effectively prevent and counter it, based on various tools, ranging from gathering of intelligence to funding of specialist networks.

Effectively deployed, this approach will enhance cooperation and coordination between law enforcement and judicial bodies at European and international level, facilitate exchange of information and data on secure communication channels, and provide effective legal and investigative tools,
including joint investigation teams. Operational cooperation with Europol is instrumental to ensure coherence and complementarity between the internal and external aspects of EU security policies.

The EU's Global Approach to Migration provides a strategic framework for assisting governments in the Western Balkans and Turkey in tackling irregular migration.

Target: effective operational cooperation in a wide range of justice and home affairs to prevent and counter organised crime, dismantle internationally operating criminal organisations, confiscate and recover proceeds of crime, prosecute perpetrators, curb corruption, along with integrated border and migration management to make the Western Balkans, Turkey and the European Union a safer place.

1.3 Types of financing

Continuous cooperation with EU Member States and international organisations (direct and indirect management, grants and procurement).

1.4 Risks

(overall risk assessment of the sector intervention which may affect the implementation of EU support or achievement of expected results/targets and specify possible mitigating measures)

2. Sector: Public Administration Reform

2.1 Description of the needs and capacities in the sector

Efficient and effective public administrations are crucial to fulfil the Copenhagen membership criteria and play a key role in improving governance through more stable institutions and in implementing policy reforms and anti-corruption agenda. However, most if not all enlargement countries are plagued by inefficient public services, weak institutions and widespread corruption. This in turn results in delays or standstill in implementing reform agendas and enforcement of laws and regulations. There is a need to further professionalise the public service, improve public financial management, budget planning and execution, including tax collection and thus enhance overall transparency and accountability of public administration.

In this context, there is also a continuous need to further develop the statistical capacities of the administrations and to harmonise their statistical methods and standards with European Union norms in order to provide impartial, reliable and comparable statistical data for the EU and national decision makers, other stakeholders and international organisations to monitor the EU accession process and socio-economic development.

2.2 Planned type of actions and indicators to measure progress

Support public administration reform and good governance through SIGMA and ReSPA, setting up of adequate administrative procedures, including with respect to human resource and public financial management, as well as tax collection, and reliable and independent statistical systems.
Target: → progress in public administration reform as a result of exchanges, training, seminars and workshops; strengthened capacities of administrative institutions at national, regional and local level; enhanced public finance management to anchor reforms; increase government effectiveness by 20% by 2020 (SEE2020 target); capacity of statistical institutes raised to provide reliable data for EU integration.

2.3 Types of financing

Continuous cooperation with SIGMA and ReSPA; implementation of statistics programmes sub-delegated to Eurostat – grants to National Statistical Institutes, procurement of technical assistance.

2.4 Risks

(overall risk assessment of the sector intervention which may affect the implementation of EU support or achievement of expected results/targets and specify possible mitigating measures)

3. Support to Civil Society

3.1 Description of the needs and capacities in the sector

An empowered civil society is a crucial component of a participatory democracy. Although IPA beneficiaries are gradually adopting legislation and strategies more favourable to civil society development, engagement with civil society remains weak. It is necessary to promote an enabling legal and financial environment while also ensuring that the necessary structures and mechanisms are in place for civil society to cooperate effectively with public authorities. At the same time, to fulfil their role and become credible actors, 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.

It is essential that the enlargement countries guarantee open and pluralistic media landscapes which allow for a culture of critical and independent journalism. Media politicisation and media clientelism remain the most serious problems affecting the quality of media in the region. Public Service Media in the region is, at various stages, in transition from serving the state towards serving society and democracy in accordance with the Public Service remit.

3.2 Planned type of actions and indicators to measure progress

Support to civil society is focused on 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.
The specific objectives are to promote a conducive legal and financial environment for CSOs, encourage the development of structures and mechanisms for civil society cooperation with public authorities, and strengthen the capacity of civil society to participate actively and effectively in the political process.

With regards to media freedom and freedom of expression, Support will contribute to improved conditions for an independent and accountable media, in a situation where a regional approach would add value and improve the effectiveness of a local/national initiative. Special attention would be given to capacity development in areas where appropriate benchmarks and standards can be used both to allow comparison and provide incentives for regional cooperation to improve performance in relation to the indicative targets.

Targets: → an enabling legal and policy environment for the exercise of the rights of freedom of expression, assembly and association; an enabling financial environment which supports CSOs to achieve sustainability; public institutions engage CSOs as partners of expertise in policy and decision making; representative, transparent accountable CSOs; effective CSOs, sustainable CSOs.

Indicators: for example, percentage of new legislation and political reforms effectively consulted with civil society; (ii) number of CSOs publishing their activities and financial assets.

Target: → appropriate ethical and professional standards in journalism and increased use of voluntary self-regulation; improved conditions for independent investigative journalism.

Indicators: development of the independence of the media through established indicators, e.g. the Press Freedom Index (Reporters without Borders) and the annual index published by the Freedom House.

3.3 Types of financing

Support to civil society will primarily be provided through the Civil Society Facility (CSF). It is a single facility for the Western Balkans and Turkey which comprises of both multi-country and national initiatives that are programmed in a coordinated manner. The CSF will build on the revised approach to civil society support introduced in 2011:

- Framework Partnership Arrangements - to develop longer term strategic partnerships
- Re-granting – to reach out to small, community based and grass root organisations more effectively
- Technical Assistance - to support capacity development of CSOs and efforts to promote an enabling environment (the present set up of technical assistance will be modified and reduced with special consideration about sustainability)
- People-2-People – to help beneficiary CSOs to familiarise themselves with EU institutions, policies and decision-making processes and offer CSOs the opportunity to network with their national, regional and European-level counterparts in a wide range of thematic issues.
For media freedom and freedom of expression:

- Long term framework partnerships with media organisation regional networks.
- Cooperation with regional and international organisations, e.g. UNESCO, OSCE, RCC, EBU, CoE, where deemed important to achieve efficiency and effectiveness.

3.4 Risks

- Insufficient political will on the part of public administrations to improve the enabling environment for civil society.
- Inadequate commitment from CSO beneficiaries to build their own capacity, become better rooted in their societies, cooperate and share knowledge.
- Lack of country ownership in regional efforts.
- Insufficient will on the part of media actors on joint action to address common problems through improved rules of the game.
- Government media laws and strategies are misguided and used to control media rather than creating an enabling environment for a free media.

4. Reconciliation, bilateral issues

4.1 Description of the needs and capacities in the sector

Regional cooperation and reconciliation in the Western Balkans are key elements of the Stabilisation and Association Process. In line with the Enlargement Strategy, the EU will continue to support local ownership of initiatives in regional cooperation.

The **Regional Cooperation Council** (RCC) is the operational arm of the South East European Cooperation Process, and it provides a good mix of technical, regional and political expertise. Initially the focus will be on the implementation of the RCC Strategy and Work Programme for 2014-2016 which has the SEE 2020 Strategy as its most significant element.

4.2 Planned type of actions and indicators to measure progress

The EU will support a substantial part of the operational budget of the RCC needed for the implementation of its Strategy and Work Programme(s). Support will also be provided to other important regional initiatives or organisations with a mission to enhance regional cooperation. Resolve issues of refugees and internally displaced persons and provide durable housing solutions through the Regional Housing Programme.
Target: →Effectively working regional initiatives; Headline targets of the SEE 2020 Strategy met by the countries.

→Sarajevo process: local integration and housing provided to 70,000 people.

4.3 Types of financing
Framework partnership agreements, grants, indirect management.

4.4 Risks

5. Human Rights, minorities

5.1 Description of the needs and capacities in the sector
Respect for human rights, including the rights of persons belonging to minorities are core European values enshrined in the Lisbon Treaty, further detailed in the respective provisions of its legally binding Charter of Fundamental Rights. In an enlargement perspective protecting minorities and vulnerable groups effectively means complying with the Copenhagen political criteria that features prominently in strategic EU documents, such as the Accession and European Partnerships or the Annual Progress Reports.

In addition, IPA beneficiaries are required to comply with the EU legislative acquis in the field of anti-discrimination and equal opportunities. Furthermore, the EU has identified policy areas and priorities relevant to the field of social inclusion in its enlargement strategy.

Protecting minorities is of particular importance due to the demographic complexity of the region and its recent turbulent history of ethnic relations. The enlargement countries have all signed up to most of the relevant international treaties and frameworks and adopted relevant national legislations. However, implementation of legislation often lags behind. The main challenges today remain an insufficient public understanding of how diversity enriches society and inadequate policy commitments. Regional cooperation could add value in cross-fertilising existing initiatives with the ultimate aim of sharing best practice among beneficiaries.
5.2 Planned type of actions and indicators to measure progress

The ultimate goal of support in the area of human rights, minorities and other vulnerable groups is to contribute to ensuring compliance with the Copenhagen political criteria. In particular the Roma communities as the most marginalized group require further support in the areas of education, employment, health, housing and civil registration. Promoting tolerance, reconciliation and interethnic dialogue could effectively contribute to responding to the common challenge of reducing ethnic and social distance in these societies, to making them more inclusive by promoting the viable existence of minority communities and their non-discriminatory participation.

Further building on current programmes such as 'Best practice in Roma integration', 'Promoting human rights and minority protection in South East Europe' or 'Regional Support to Inclusive education', support to networking, mutual learning, identification and dissemination of good practices and innovative approaches as regards the design and implementation of policies and good practices could be envisaged. Regional cooperation could be instrumental in raising awareness regarding attitudes, stereotypes and prejudices that hamper the dialogue between communities with the goal of developing a vibrant, tolerant society which embraces diversity.

Further cooperation with international organisations and civil society organisations by using their core competences for capacity building, policy formulation and implementation, represents an effective means to make progress in this respect.

5.3 Types of financing

Framework agreements with international organisations; grants through Civil Society Facility

5.4 Risks
Policy area: Regional development

Specific Objectives of IPA II: Support for economic, social and territorial development, with a view to a smart, sustainable and inclusive growth

6. Sector: Economic governance

6.1 Description of the needs and capacities in the sector

The level of economic development and governance varies among the enlargement countries. Most of them have maintained overall macro-economic stability but fiscal risks have increased significantly and revenue collection, budget planning and execution remain weak. The impact of the global economic downturn experienced by the region in the last years can be alleviated and recovery sustained if more investments are mobilized for new infrastructure, research and innovation, private sector development, trade as well as human resource development. Governments throughout the region have taken measures to adapt their socio-economic policies to address these challenges; however, there is still room for improvement of the overall policy coherence.

In light of the difficult economic situation and the on-going financial crisis, sustainable economic recovery and aligning reforms with the Union's enhanced economic governance will be crucial for most enlargement countries. They will have to put increased emphasis on the sustainability of their external position and on the main structural obstacles to growth, in line with the Europe 2020 strategy. Medium-term expenditure frameworks need to be established, external positions strengthened and structural obstacles to growth need to be addressed, coupled with sound policies for public financial management.

6.2 Planned type of actions and indicators to measure progress

Analytical support can be provided via WBIF, OECD and SIGMA together with relevant expertise. Policy dialogue will be enhanced, including aspects of fiscal surveillance.

Target: → increase regional GDP PPP per capita from 38% to 46% of the EU-27 average; grow the region’s total value of trade in goods and services by more than 130%; reduce the region’s trade deficit from 14.1 to 11.6 per cent of regional GDP (SEE2020 targets).

6.3 Types of financing

Indirect management – international organisations; procurement

6.4 Risks
7. Sector Infrastructure

7.1 Description of the needs and capacities in the sector

**Investments** in infrastructure hold the key to future economic development in the enlargement countries. Especially in the **transport** and **energy** sector, water and waste management, **environment** and **climate change adaptation**, investments are needed not only to address deficiencies in service quality but also to comply with EU standards, in particular environmental standards in view of the eventual EU-accession. The development of this kind of infrastructure needs to be backed by technical assistance in project preparation and implementation and calls for a coordinated and strategic approach in the region.

As infrastructure matters to growth in many ways, the impact of the global economic downturn experienced by the region in the last two years can be alleviated and recovery sustained if more investments are mobilized for new infrastructure, as well as maintenance and upgrading of existing infrastructure in the region. Infrastructure is defined here as all the facilities used to deliver energy, water and sanitation, transport and social services.

A number of regional initiatives have emerged in the area of infrastructure in the recent past. Most of the IPA Beneficiaries are party to the Energy Community Treaty. In addition, all the IPA Beneficiaries are included in the Memorandum on the establishment of the Core Regional Transport Network. They are part of the negotiations of the Transport Community Treaty as well as the European Common Aviation Area Agreement (ECAA). They are also included in the Regional Environmental Network for Accession (RENA) as well as its successor ECRAN.

The **Western Balkans Investment Framework** was set up in December 2009 in order to pool grants, loans and expertise together to prepare financing of priority projects and at the same time strengthen coherence and synergies in donors' support. The WBIF comprises two instruments: a Joint Lending Facility (JLF) and a Joint Grant Facility (JGF).

The JGF pools grant funds from 1) the EU (IPA budget), 2) the participating partner IFIs (CEB, EIB, EBRD), and 3) the European Western Balkan Joint Fund, to which contributions from Member States and potential other donors may be made.

Significant efforts were also made since 2009 to continue the implementation of the other strands of cooperation with IFIs: private sector (SME) development through the establishment of EDIF as well as in the area of energy efficiency.

7.2 Planned type of actions and indicators to measure progress
Further development of financing mechanisms is needed (blending loans and grants, new financial instruments, etc.) and coordination through WBIF to provide access to finance, realise large infrastructure projects linking the Western Balkans and Turkey to the EU, boost development and address key challenges in transport, energy, energy efficiency and environment/climate change.

Target: → increase regional GDP PPP per capita from 38% to 46% of the EU-27 average; increase overall FDI inflows to the region by at least 120%; increase GDP per person employed by 33%; increase the rate of enterprise creation by 20%; increase exports of goods and services per capita from the region by 130% (SEE2020 targets).

Enhanced energy security, inter-connectivity, promotion of energy efficiency and the use of renewables; strengthened transport connections within the region and with the EU; convergence with EU environment legislation, climate change adaptation policies developed.

Ensure coordination with regional initiatives such as the Transport Community Treaty, the ECAA, the Energy Community Treaty/energy market integration, the Adriatic and Danube Strategy.

7.3 Types of financing
Grants and loans, new financial instruments

7.4 Risks

8. Support to private sector development, competitiveness and trade

8.1 Description of the needs and capacities in the sector

The economic and financial crisis hit the economies of the Western Balkans rather strongly and foreign direct investments have dried up. In order to back sound recovery and generate future growth for the region the main challenges besides access to financing, are to develop efficient mechanisms to boost competitiveness, including competence of human capital, improving the business environment to attract FDI and trade facilitation, including better marketing and access to markets. To increase competitiveness, businesses need to move further up the value chain and to offer specialised, high quality and high value-add services and products. The development of a regional investment strategy could offer foreign investors the opportunity to gain wider access to the region. Investments in research and innovation also contribute to generate growth and employment.

The private sector and small and medium-size enterprises (SMEs) are the backbone of the economy. However, although a number of financing facilities are in place, awareness is
limited and SMEs need both, capital and appropriately trained human resources to expand their full potential for socio-economic development.

A major step for the liberalisation of trade flows took place through the signature and ratification of Central European Free Trade Agreement (CEFTA) 2006. 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 of non-tariff barriers to trade, improvement of trade logistics, harmonisation of norms and standards, as well as the protection of intellectual property rights and patents.

8.2 Planned type of actions and indicators to measure progress

To boost low levels of competitiveness, intraregional trade and trade integration in global markets, provide improved access to advisory services and investment financing to SMEs as well as for innovation to support economic growth and job creation using WBIF and EDIF.

Further support to CEFTA is instrumental for trade enhancement through enforcing the role of the CEFTA secretariat in tackling obstacles to trade and movement of goods and services in the region.

Target: → increase intra-regional trade in goods by more than 230%; increase the rate of enterprise creation by 20%; grow the region’s total value of trade in goods and services by more than 130% (SEE2020 targets).

8.3 Types of financing

Grants and loans, new financial instruments

8.4 Risks
Policy area: Employment, social policies and human resources development

Specific Objectives of IPA II: Fostering employment and developing human capital

9. Sector: Education

9.1 Description of the needs and capacities in the sector

In the latest strategic documents the European Commission has committed to further support higher education in particular by providing scholarships to students from the Western Balkans. IPA assistance will therefore continue to be provided under the 'Erasmus for All' programme that groups previous programmes such as Erasmus Mundus, Youth in Action as well as Tempus.

9.2 Planned type of actions and indicators to measure progress

To support further quality improvements in the development of the higher education systems in the enlargement countries through cooperation between local higher education institutions and those of the EU Member States and enable highly qualified graduates from the Western Balkans to engage in postgraduate study at European universities using Erasmus for All.

Projects in the education sector should result in further alignment of higher education institutions with EU standards; improved university administration; greater regional cooperation between universities; increased mobility of students and academic staff and enhanced intercultural understanding.

Ensure micro-finance via EFSE.

Target: → add 300,000 highly educated people to the region’s workforce (SEE2020 target)

9.3 Types of financing

The Erasmus for All programme will be managed by the Education, Audiovisual and Culture Executive Agency (EACEA): Grants, scholarships.
9.4 Risks

Policy area: Regional and territorial cooperation

10. Sector: Cross-border cooperation

10.1 Description of the needs and capacities in the sector

By fostering good neighbourly relations and prosperity through improved links between border regions, Cross-Border Cooperation plays an essential role in the particular context of the Western Balkans. There is a need to continue provision of technical assistance with a view to strengthening capacity in relation to programming and implementing cross-border cooperation at intra-Western Balkan borders. The key objective will be to enhance regional coordination and harmonisation of approaches and mechanisms, in line with EU frameworks and guidelines in the area of territorial cooperation.

10.2 Planned type of actions and indicators to measure progress

Horizontal capacity building for cross-border cooperation for improved neighbourly relations, tourism development, socio-economic development and protection of the environment.

Target: — institutional capacity enhanced to improve the overall management of the CBC programme, allowing multiple cross-border contacts and exchanges.

10.3 Types of financing

Grants

10.4 Risks