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Invigorating Civil Society - Goverment Policy Dialogue on RIRA - Regional Investment Reform Agenda

Regional Investment Reform Agenda – creating regional partnerships, enhancing national development

Policy analysis of the Regional Investment Reform Agenda in the Western Balkans

Skopje, November 2018

Publication: **Regional Investment Reform Agenda – creating regional partnerships, enhancing national development**

Published by **the Center for Research and Policy Making**

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Skopje, November 2018

This publication has been prepared within the framework of the project Invigorating Civil Society – Government Policy Dialogue on the Regional Investment Reform Agenda, funded by the Regional Cooperation Council (RCC).

Funded by RegionalCooperationCouncil

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Executive summary

The 6 economies in the Western Balkans have launched an initiative to create a Regional Economic Area in order to speed up their economic development and reduce the disparities with the EU while working towards full EU integration. The regional economic integration includes, inter alia, the creation of a Regional Investment Reform Agenda (RIRA). RIRA consists of 3 broad action areas: investment entry and establishment, investment protection and retention and investment attraction and promotion. The aim of this analysis is to examine RIRA's policy design from the point of view of both form and substance in order to identify possible challenges and propose policy recommendations that will enhance the benefits that the overall WB region, as well as the individual economies, could anticipate from RIRA.

The analysis is based on information obtained through the international organizations databases, primary sources – policy documents and reports from the RIRA Open Days and TNA (Training Needs Assessment) conducted in the 6 capitals, as well as interviews and meetings with relevant stakeholders in the public administrations and chambers of commerce. The data was analysed using the method of Qualitative Content Analysis.

According to the findings, there is a general lack of awareness about RIRA among the business community and civil society. They perceive it as a political initiative of the national authorities and do not envision the benefits it could create for the domestic economies and societies. Therefore, it is necessary to establish a tripartite consultation mechanism (national authorities, business community and civil society) that will increase cooperation and reinforce mutual trust. This will also improve the overall quality of the policy cycle and lead to better targeted measures to achieve RIRA's objectives. In addition, the

chambers of commerce and other relevant business and civil society organizations need to join forces and engage in awareness raising and capacity building activities that will help them and their constituents to better understand and use the benefits that RIRA could yield for the national economies. In this context, cooperation between companies in different economies within the framework of European funds and joint projects should be supported and facilitated.

In addition, political instability and legal uncertainty in all the 6 economies may act as an impediment to RIRA's implementation. Thus, RIRA's results will depend on the overall set of national economic policies and reforms, along with their enforcement. Improving the transparency and inclusiveness of the legislative process, tackling the informal economy, reducing red-tape, hidden costs and corruption, as well as strengthening the implementation capacities of national authorities should rank among the priorities for the WB6 economies in order to establish solid foundations for RIRA.

Priority in RIRA should be given to the investment relations framework with the EU, since it is the biggest investor for all WB6 countries and its legislation represents the future outlook of WB6 investment policies. The unique WB investment space and its investment conditions and incentives should be tailored to meet the needs and expectations of both foreign and domestic investors. A level playing field needs to be established in order to continue to attract the former and increase the competitiveness of the latter.

Introduction

Research context

The policy analysis at hand is drafted 6 months after the official launch of the Regional Investment Reform Agenda (RIRA) for the Western Balkan 6 (WB6) at the SEEIC ministerial conference in Tivat, Montenegro in May, 2018. The agenda is a part of the broader regional plan within the Berlin Process to create a WB Regional Economic Area that will foster regional economic cooperation and integration, which was announced at the WB6 summit in Trieste, Italy in 2017. The Multi-Annual Action Plan designed to implement the Regional Economic Area (MAP-REA) was entrusted to the Regional Cooperation Council (RCC) as a regional initiative which has demonstrated capacity to unite the region despite the burden of its historic legacy and recurrent political tensions. It includes forging closer trade ties between the 6 economies, creating a harmonised regional investment space, promoting digitalization and strengthening the efforts to increase intra-regional mobility. The endgame will be a closer regional integration as a stepping stone to the fully fledged EU integration and enhanced economic development in order to reduce the economic disparities between the WB region and the EU.

At present, all WB6 economies are in different stages in their EU accession process. While Bosnia and Herzegovina and Kosovo[1] remain potential candidate countries, 2018 was a breakthrough year for Albania and the Former Yugoslav Republic of Macedonia which launched the pre-negotiation screening and hope to start the accession talks next year. Serbia and Montenegro are already deep into the accession negotiations. Namely, Serbia has opened 14 and

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

closed 2, out of 34 standard chapters, while Montenegro has opened 31 and provisionally closed 3 chapters. A date put forth by the European Commission as the earliest possible enlargement milestone is 2025. This was judged too optimistic by some analysts, given the current level of overall membership preparedness of the WB economies. On the other hand, given the normative power that the EU has in the region, the transformative influence of the accession negotiations and the possibility for some of the economies to go astray the EU reform path without a realistic timeframe, this date seems to be too remote seen from the perspective of the WB6.

According to IMF data, GDP growth rates for the Western Balkans in 2017 range between 1.4% for the Former Yugoslav Republic of Macedonia and 4.3% for Montenegro, with an average of 3.3%. With the exception of Montenegro and Former Yugoslav Republic of Macedonia, all the projections for GDP growth in 2018 have been revised upward to reach 4%, which is almost double the EU's average projected growth of 2.2%[2]. This implies that the region has untapped economic potential which, if used efficiently, it could be the driving force for overall socio-economic development and reduce the gap with EU's average economic parameters. In addition, net FDI inflows in the region in 2017, calculated as percentage of GDP, amount to an average of 6.2% (ranging between 2.6% for Bosnia and Herzegovina and 11.7% for Montenegro)[3]. Nevertheless, with the exception of Montenegro, the other economies are far from being able to achieve the targets set in the Strategy SEE 2020, with some of them doing even worse now than in 2010[4].

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[2] IMF DataMapper, Real GDP Growth, available at *https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/EEQ*, last accessed on 05.11.2018.

[3] The World Bank Data, FDI net inflows, available at *https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?name_desc=false,* last accessed on 05.11.2018.

[4] UNCTAD Investment Policy Review for SEE, 2017, p.3, available at *https://unctad.org/en/PublicationsLibrary/diaepcb2017d6_en.pdf,* last accessed on 13.11.2018

In addition, all the economies have been striving to implement domestic reforms aimed to improve the business climate and attract foreign investors. The implemented reforms, while being different in each economy, include, inter alia, fiscal policy reforms (introduction of low tax rates and simplified schemes, no tax on re-invested profit), creation of special zones for foreign investors with more favourable rules and regulations in comparison with investments outside the zones, (partial) exemption from certain public duties and charges, subsidies for construction of production plants and other production-related expenses, like machinery, creation of state or regional agencies tasked with attracting FDI and providing after-care support and services etc. Nevertheless, the success in the reform process is quite divergent, as measured by the World Bank Doing Business Report which ranks the Former Yugoslav Republic of Macedonia at the very high 10th position and Bosnia and Herzegovina on the 89th place, out of 190 countries.[5]

RIRA in short

The main rationale behind RIRA is the desire to attract more investments in the WB6 in order to foster growth and enhance development, while upholding fair competition and sustainability. In this context, RIRA aims to support the WB6 economies in their efforts to harmonize their investment conditions and incentives so as to avoid a race to the bottom in terms of social, fiscal and environmental standards; to improve their investment policies by aligning them with the EU acquis, standards and best practices; and to promote the overall region as an attractive investment destination. It consists of 3 broad areas of action[6]:

[5] The World Bank Doing Business Report 2018, available at *http://www.doingbusiness.org/en/reports/regional-reports*, last accessed on 06.11.2018

[6] Regional Cooperation Council, *Regional Investment Reform Agenda,* 11.05.2018, available at *https://www.rcc.int/docs/410/regional-investment-reform-agenda-for-the-western-balkans-six,* last accessed on 01.10.2018

- Investment entry and establishment – focusing on existing barriers to investment, business establishment policies and procedures;
- Investment protection and retention – focusing on re-examining and modernising International Investment Agreements (i.e. Bilateral Investment Treaties) and updating investor grievance mechanisms;
- Investment attraction and promotion – focusing on the joint promotion of the region as an attractive investment destination, streamlining governments' incentives and promoting their transparency and governance.

Methodological approach and limitations

The objective of this analysis is **to examine RIRA's policy design from the point of view of both form and substance in order to identify possible challenges and propose policy recommendations that will enhance the benefits that the WB region, as well as the individual economies, could anticipate from RIRA**. In that context, the analysis is divided into two parts: the first one deals with the formal aspects of the policy-making process, focusing specifically on the stakeholders, their interaction, concerns and added-value to RIRA; the second one examines the substance of the policies that are likely to have an effect on the implementation of RIRA. Based on the findings, the last part presents conclusions and policy recommendations to improve and overcome possible obstacles.

At present, RIRA is still in its initial stages of development and there is very little analysis in terms of policy design and predictive research on its impact. Given the scarcity of the available materials, the input for this policy analysis was gathered through the following channels:

- data bases of relevant international organizations such as the IMF, World Bank and OECD;

- primary documents, issued by the RCC and national authorities;
- meetings and in-depth interviews with representatives of the national authorities and the business community across the 6 economies (MAP REA coordinators, RIRA focal points, SEE 2020 coordinators, WB6 CIF representatives, representatives of business chambers);
- minutes and reports of the RIRA Open Days organized in the 6 capitals;
- TNA analysis of the participants in the RIRA Open Days.

The method used to analyse the collected data was QCA - qualitative content analysis. Given the different starting points and sets of reform measures to be implemented in each economy, comparison of the economies among themselves in terms of different parameters was not considered useful or possible. The analysis will rather focus on the commonalities and synergies that RIRA has the potential to create and the traps to be avoided.

Tripartite consultation process to foster policy excellence

There is a lack of awareness and lack of understanding about RIRA and its potential benefits among the expert and business community and civil society.

There is a very low level of awareness about RIRA, even in the expert and business community and especially among the civil society organizations across the region. RIRA is seen as a merely government-driven political activity and its potential benefits have still not been understood and acknowledged. The consultation process on

RIRA's establishment and design involved a limited number of companies through the WB6 CIF and its members in each economy. This created a certain amount of dissatisfaction among organizations and businesses which were not involved and did not find about RIRA until it was officially adopted. Before even entering into the substance of the initiative, they felt that it is another imposed decision by the national authorities which fails to take into account their concerns.

In order to make RIRA a successful story, cooperation between the three main stakeholders – public authorities, both national and local, business community and civil society – needs to be improved and made constant, not on ad hoc basis. There is strong willingness on the side of the private sector and civil society organizations to engage with the governments on issues that concern them, such as RIRA. Nevertheless, in order to establish functional and longstanding cooperation that will go beyond words and into deeds, mutual trust needs to be (re) established and the strengths and weaknesses of each stakeholder need to be recognized.

Chambers of commerce and other business and civil society organizations across the region do not have the information and capacity to thoroughly engage in RIRA.

Cooperation between the chambers of commerce and other business and civil society organizations in the context of RIRA should be encouraged and promoted in order to reach out to the broadest possible pool of companies and stakeholder groups. Information sessions with the latest updates on RIRA and capacity building activities need to be organized on regular basis so that they can support their members and constituents to better understand and benefit from RIRA. WB6 CIF should aim to become an inclusive chambers' forum where all the interested business stakeholders would be invited and welcome to voice their opinion. In turn, this will increase its credibility and weight as a relevant and representative organization when RIRA and other related regional topics are being discussed with the national authorities.

There is a lack of knowledge and capacity among the business community to use European funds and instruments that could help them to grow, innovate and "go regional"

Such a regional "umbrella" association could also undertake the role of main networking agent for companies from the region to find partners and apply jointly for European funds. Additionally, it should provide specific information, consultation and technical assistance for the companies to build their capacities in this area. Under the new EU multiannual financial framework 2021-2027 and the regional multi-country pre-accession funds for the WB, specific instruments should be designed and intended for WB companies to develop joint projects, innovate and create strategies for joint investments in different markets within the WB region and beyond. This will be a strong impetus for the companies to engage in a learning process in order to better tackle the challenges related to the accession process. It will also contribute to strengthen the regional cooperation and overcome the feeling that they can only be competitors, not partners. Cooperation of the private sector with the civil society, which has significant experience in the application for and implementation of EU projects, needs to be encouraged. Furthermore, more coordinated and targeted support by the donor community is needed to achieve sustainable results that will last beyond the lifecycle of the implemented projects.

National authorities do not make the best use of the expertise and experience within the business community and civil society

The business community should be consulted in order to overcome the asymmetry in information that governments traditionally face in terms of the market and its functioning. In addition, private companies which have invested across the region – or have attempted to, possess invaluable first-hand insights as to what the main obstacles are to business establishment and operation in some of the WB 6 economies. Business organisations and associations from the region could assist the efforts to establish RIRA by being an intermediary between their members and the authorities and by voicing private sector concerns regarding investments within the region. They could also compile a list of regional investment barriers to contribute to the mapping of technical reform issues which need to be addressed by policy-makers on the national and regional level. This exercise could be made periodical (i.e. annual) in order to be able to follow closely the impact of policy reforms and intervene if necessary.

Mixed structures for public-private dialogue, such as Foreign Investor Councils, National Economic Councils, dialogue fora with the civil society etc. should be based on the principles of parity and not subordinate to the national authorities. Decisions and recommendations to the governments need to be adopted using a transparent procedure which takes into due account the opinions of the private sector representatives.

Stronger national ownership is needed to make RIRA successful and sustainable

The implementation of RIRA needs to be conducted in close cooperation between all the three stakeholder groups. Not only because their respective expertise and added value to the policy cycle is different and complementary, but because it is the only way to ensure national ownership and sustainability of the process. The business community and civil society should be regularly consulted by the working groups in the stage of drafting individual reform action plans. In addition, each economy should clearly earmark resources to be used in the implementation process - financial, material and/or human. Action plans without clear organizational structure, resource allocation and monitoring framework will not serve the purpose.

RIRA needs to be constantly reviewed and improved

The policy measures and solutions to investment issues in the context of RIRA need to be considered as a part of an ongoing policy cycle, where they will be applied, tested and further improved if needed. A detailed monitoring and evaluation framework needs to be put in place to follow and measure progress. The framework needs to be publicly available so that the interested business community, civil society and more broadly, the citizens can follow the implementation process. Given the vast scope of policies that are related to RIRA, such a framework would be the most efficient tool in the hands of civil society organizations whose main role and extensive experience is being policy watchdogs in order to protect the interests of the citizens and different specific groups within the society. Therefore, CSOs need to be trained and enabled to engage in investment policy processes as constructive partners to the national authorities and the business community. They should conduct both process and performance assessment and suggest improvements in terms of results, quality, efficiency, costs and possible impact of RIRA on various societal groups.

Current challenges and future opportunities

The business community perceives RIRA rather as a political initiative instead of economic opportunity, which blurs the vision of its potential benefits for the domestic economies.

A strong point sent by the business community is the need to keep politics away from business as a precondition for smooth market operations and sustainable economy. RIRA is perceived rather as a political undertaking which limits the willingness of the private sector to engage and the possibilities to achieve rather quick and efficient results to the benefit of all the economies. Therefore, RIRA should be relieved of the historical legacy and political tensions within the region, as well as the desire to score domestic policy points and be presented and accepted as merely economic initiative instead. In this respect, enhanced cooperation between businesses and their representative organizations on different sides of the borders which will direct advocacy efforts to achieve RIRA's objectives has the potential to be RIRA's main driving force.

Political instability and legal uncertainty which affect all the economies undermine the prospects of attracting foreign investors and encouraging domestic companies to consider cross-border expansion.

Political, legal and institutional stability is the essential foundation to all reforms envisaged in RIRA. Political turmoil in various economies in the past years has been clearly reflected in the economic parameters. Policy changes need to be carefully thought through and substantiated with monitoring and evaluation feedback from previous policy cycles. The recurrent practice of swift adoption and amendment of laws through shortened procedures should be avoided at any cost. Legal certainty needs to be further ensured by eliminating ambiguous and contradictory legal provisions and by strengthening the grievance redress mechanisms, both administrative and judicial. Coherence between domestic legislation and international investment agreements needs to be strengthened, alongside the process of adoption of the EU acquis. Specific attention needs to be put on the consultation process for all legal and strategic documents in order to ensure that the views of all stakeholders are considered when choosing the best policy option. In addition, the procedure of Regulatory Impact Assessment should be streamlined and mandatory for all legal acts. Its implementation needs to be meticulous and based on substantial analysis, not mere box-ticking.

Even when a solid legal framework is in place, the implementation, or lack thereof, disrupts normal business operations and growth prospects.

The scope of the informal economy is considered as another obstacle for smooth operation of businesses in the region. It not only seriously disrupts the market and undermines fair competitiveness, but at the same time reduces the government income that could eventually be invested in the support and promotion of companies which operate with respect to all the legal norms and obligations. The average prevalence of the 6 types of hidden employment[7] in the WB6 ranges from 19% in Bosnia and Herzegovina, 21% in Former Yugoslav Republic of Macedonia, 23% in Montenegro, 25% in Serbia, 27% in Albania up to 29% in Kosovo[8] [9]. According to the business community, tackling informality should be one of the priorities of the national authorities in order to establish a level-playing field for all stakeholders on the market. In this context, the capacity and integrity of inspection services need to be strengthened in order to achieve efficient enforcement of the legislation. Moreover, given that companies oftentimes need support to follow and comply with all the new legislative measures that concern them, the focus should be put on the educational, and not only on the repressive component.

Red-tape, unforeseen costs and corruption are identified as additional obstacles for smooth business establishment and operations.

Fiscal and non-fiscal duties need to be reviewed in order to separate the necessary costs which contribute to economic development from

[7] No working contract; social security paid on minimum wage; social security paid on contract wage; no social security; no health insurance; remuneration higher than on contract.

[8] SELDI Hidden Economy Survey 2016, available at *http://seldi.net/fileadmin/public/PDF/Publications/Policy_Brief_6/BRIEF_06_SELDI_ENG_WEB.pdf,* last accessed on 08.11.2018

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

those that serve purely for a bureaucratic purpose and do not represent significant input to the budget. A unified Methodology should be adopted by the 6 economies in order to identify and eliminate the "hidden costs" which represent barriers to business. In addition, institutional inter-operability needs to be improved in order to facilitate and simplify procedures for business establishment and operation, such as licensing, exporting, taxation etc. Reducing red-tape and promoting digital communication and solutions need to be favoured in order to increase the efficiency of the public administrations, but also to avoid possible risks for corruption. Reforms need to be implemented to improve the services provided by public enterprises in order to transform them into business friendly administrations that will be supportive, rather than obstructive to companies. Furthermore, national authorities need to join forces and develop a plan for unification of the procedures and documents for exports (such as customs procedures and declarations, inspection certificates etc.) that would be accepted throughout the region.

Lack of prioritization and institutional capacity in the implementation of RIRA could lead to reduced focus and results by national authorities.

With the Lisbon Treaty, investments became an exclusive competence of the EU. At the moment the EU is amending the existing and adopting new legislation in the area of investments in order to unify the policies across its member states. In addition, it is also phasing out intra-EU Bilateral Investment Treaties and negotiating bilateral investment agreements with third countries that would replace the existing network of investment agreements that each member state had signed before the entry into force of the Lisbon Treaty. It goes without saying that the investment agreements need to be fully in line with the general investment legislation of the WB 6 which, at some point will be aligned with the EU acquis. Nevertheless, given the time frame needed to examine and renegotiate the investment agreements concluded so far by each WB economy, the limited capacity of the national authorities on the matter as well as the need to consider the second party in each agreement, a margin for each economy to prioritize according to its strategic considerations should be allowed.

The biggest investors in the WB 6 are EU companies and the majority of investment agreements concluded by the 6 economies (125 out of 227[10]) are with EU member states which no longer have the competence to negotiate investment agreements. Therefore, emphasis should be put on streamlining and modernizing investment relations and the framework of provisions regulating investment between WB 6 economies and the EU. In addition, with the prospects for most of these countries to become EU member states in the next decade and hand over the competences in terms of investment policy to the European Commission, priority should be given to the "learning process" so that the WB 6 economies can acquire more knowledge and skills about EU investment policy and learn how to navigate the system – attract FDI while respecting the EU rules and best practices.

Domestic companies fear that RIRA will benefit only foreign investors and fail to take into account their concerns.

The presentation of the region as a destination with strong investment potential needs to target not only foreign (outside WB6), but also domestic (WB6) investors. At the moment, the predominant interest of the latter is increasing exports, especially towards the EU and they are seldom considering the expansion within the region as an attractive business opportunity. The dichotomy foreign versus national or domestic is present throughout the public discourse on RIRA. On one hand, the governments see foreign direct investments as an important asset to boost growth and create jobs. On the other hand, they see increasing demands from the private sector for support towards the domestic production as principle growth engine for the national economies.

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[9] UNCTAD, op.cit.

In this context, it is indispensable for national authorities to find the right balance of support and incentives in order to stimulate domestic companies and increase their capacity to resist competitive pressure once the WB6 economies become part of the European single market. But such support should by no means fall into the trap of protectionist measures which will hurt not only foreign companies present on the market, but also domestic consumers by driving the prices up. Instead, they should find a way to engage domestic companies in RIRA and support and encourage their regional activities. They also need to establish and maintain level playing field between domestic and foreign investors in order not to deter the latter from entering the market. Fair cooperation and linkages between the two should be facilitated so that domestic companies can benefit from the transfer of know-how and technology from their foreign partners, but also become their priority suppliers and subcontractors and obtain easier access to the global value chains. In addition, further developing the capacities of domestic companies to innovate is a must for strengthening their competitiveness on the European market.

Government incentives are not always properly designed and targeted, which leads to a race to the bottom in terms of fiscal, social and environmental standards and perception of bias regarding the selection of companies that are supported.

The region has built an image of an investment destination with generous government subsidies teamed with cheap and high-skilled labour force. The economies base their competitiveness in attracting FDI on environmental, social and fiscal "dumping" which ultimately neither benefits the economies nor their companies and citizens, on the contrary. In addition, the composition of the 6 economies is not complementary. They all produce products of similar type and quality and act as competitors in terms of exports and attracting FDI. In order to be able to make use of the regional, European and global value chains, diversification of the resources and outputs (products and services) needs to be initiated. The ongoing process of developing Smart Specialization Strategies is a very good step in that direction. But this process should go hand in hand with an overall increase of domestic competitiveness and harmonization of standards. While, in the short term, subsidies to domestic companies can be an efficient measure, in the long term plans and programs for structural reforms need to be put in place in order to create an ever-more favourable environment for businesses to grow and create benefits for society.

Government incentives, such as subsidies, grants and other types of support need to be based on transparent and objective criteria, instead of personal links and political affiliations. Public registries and databases with information on all applications and applicants should be established as means to increase the transparency and accountability of state aid providers and ensure bias-free allocation of public funds. This will also increase the cost-effectiveness of support measures because the funds will be provided to companies with strong potential to be profitable beyond the duration of the support, while companies on constant "life-support" will be encouraged to reorganize and reinvent themselves in order to be able to apply.

RIRA and REA will be difficult to implement without a regional labour market

In all the WB economies, both domestic companies and foreign investors are facing challenges to recruit qualified workers, which leads to a high unemployment rate, especially among youth on one hand and deters investment and business expansion on the other. Supporting the creation of a regional labour market, by recognizing professional qualifications and simplifying procedures to issue residence and work permits would encourage the mobility of workers with different skills across the region and contribute to mitigate the mismatch between labour demand and supply.

Conclusions and recommendations

Although RIRA is in its initial development stage, there is interest and willingness among the business community and civil society to engage side by side with the national authorities in order to achieve better and more sustainable results. However, there is general lack of information, capacity and mistrust among the three stakeholder groups. Therefore, **establishing a permanent tripartite cooperation and consultation mechanism has the potential to be mutually beneficial**.

Chambers of commerce and other business organizations have the potential to provide the necessary first-hand information to governments regarding current challenges for investing and doing business across the region. Their **inclusive cooperation across borders within the framework of WB6 CIF as an umbrella organization is needed to mobilize the private sector as an important stakeholder for the implementation of RIRA and to improve its level of information and capacity**.

European funds and instruments could be used by the private sector for cross-border cooperation aimed to improve competitiveness, help companies to innovate and develop strategies for joint access to new markets. **WB6 CIF could be used as an intermediary to improve networking and to provide technical assistance to companies from different economies to develop joint project applications**.

Civil society organizations have so far been left out of all consultations regarding national investment policies and subsequently RIRA. **Their privileged link with citizens as well as the specific experience in policy monitoring and evaluation could be leveraged to ensure constant review and improvement of RIRA and raise broader public awareness and support**.

RIRA's success is conditioned by a broader set of policy reforms related to the overall political and economic developments in each economy. The informal economy, corruption, red-tape and hidden costs are seen as the biggest obstacles to doing business in the region. **A unified methodology should be adopted by the WB6 governments to analyse and streamline procedures and costs and to adopt unified model documents (for customs, inspections etc.) that will be accepted in all 6 economies. This should go in parallel with a process of digitization of all public services which will transform them into inter-operable, business-friendly and corruption-free administrations**.

All the WB6 economies are in different stages of the EU accession process, but maintain the perspective of full EU membership. Moreover, EU member states are the biggest investors in all the WB economies and the EU has exclusive competence in terms of investments. Therefore, **priority should be given to the alignment with the newly adopted EU acquis, building capacities to comply with the highest standards while maintaining the competitiveness of domestic economies and streamlining and modernizing investment relations with the EU**.

Government incentives need to be based on transparent and objective criteria which will take into account the potential of companies to survive and excel without constant public funding. They need to **establish level playing field and encourage cooperation between foreign investors and domestic companies, based on the strengths, weaknesses and needs of both**. Furthermore, **long-term structural changes are needed to create conditions for the economies to grow and compete with productivity, quality and innovation, instead of fiscal, social and environmental dumping**. This is the only way for them to transform into modern, competitive, sustainable and innovative future economies of the EU.

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