**EN**

**This action is funded by the European Union**

Multi-country

ACTION FICHE 08: Support to the implementation of the Common Regional Market (CRM) and Pillars 1 and 2 of the Growth Plan

# SYNOPSIS

# Action Summary Table

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Title of the action** | Support to the implementation of the Common Regional Market (CRM) and Pillars 1 and 2 of the Growth Plan | | | | |
| **Beneficiar(y)/(ies) of the action** | Western Balkans (Albania, Bosnia and Herzegovina, Kosovo\*, Montenegro, North Macedonia, and Serbia) and Moldova[[1]](#footnote-2) | | | | |
| **Proposed year of financing** | 2025 and 2026 | | | | |
| **OPSYS** | OPSYS Action: ACT-XXXXX  Commitment level 1 number:  XXXXXX (allocation 2025)  XXXXXX (allocation 2026) | | | | |
| **Basic Act** | Financed under the Instrument for Pre-accession Assistance (IPA III) | | | | |
| **Economic and Investment Plan (EIP)**  **EIP Flagship** | Yes  Economic development (incl. private sector, trade and macroeconomic support); human development (incl. human capital and youth); energy; environment and climate resilience  20% share of the budget towards flagship 8 – digital future  10% share of the budget towards flagship 9 – investing in the competitiveness of the private sector | | | | |
|  |  | | | | |
| **Team Europe** | No | | | | |
| **Programming document** | IPA III Programming Framework | | | | |
| **PRIORITY AREAS AND SECTOR INFORMATION** | | | | | |
| **Window and thematic priority** | Window 4 Competitiveness and inclusive growth  Thematic Priority 1: Education, employment, social protection and inclusion policies, and health (approximate share 20%)  Thematic Priority 2: Private sector development, trade, research and innovation (approximate share 70%)  Thematic Priority 3: Agriculture and rural development (approximate share 10%) | | | | |
| **Sustainable Development Goals (SDGs)** | Main SDG (1 only): Partnership for the Goals  Other significant SDGs (up to 9) and, where appropriate, targets:  SDG 8 ‘decent work and economic growth’  SDG 12 ‘responsible consumption and production’  SDG 15 ‘life on land’  SDG 17 ‘partnerships to achieve the goal’ | | | | |
| **DAC code(s)** | 33130 – regional trade agreements (50%)  25030 – business development services (10%)  43010 - Multisector aid (40%) | | | | |
| **Main Delivery Channel** | Other multilateral institution – 47000 | | | | |
| **Targets** | Climate  Gender  Biodiversity | | | | |
| **Markers**  **(from DAC form)** | **General policy objective** | **Not targeted** | **Significant objective** | | **Principal objective** |
| Participation development/good governance |  |  | |  |
| Aid to environment |  |  | |  |
| Gender equality and women’s and girl’s empowerment |  |  | |  |
| Reproductive, maternal, new-born and child health |  |  | |  |
| Disaster Risk Reduction |  |  | |  |
| |  | | --- | | Inclusion of persons with  Disabilities | |  |  | |  |
| Nutrition |  |  | |  |
| **RIO Convention markers** | **Not targeted** | **Significant objective** | | **Principal objective** |
| Biological diversity |  |  | |  |
| Combat desertification |  |  | |  |
| Climate change mitigation |  |  | |  |
| Climate change adaptation |  |  | |  |
| **Internal markers and Tags** | **Policy objectives** | **Not targeted** | **Significant objective** | | **Principal objective** |
| EIP |  |  | |  |
| EIP Flagship | NO  ☐ | | YES  ☐ | |
| Tags: | NO | | YES | |
| Transport |  | |  | |
| Energy |  | |  | |
| Environment and climate resilience |  | |  | |
| Digital |  | |  | |
| Economic development (incl. private sector, trade and macroeconomic support) |  | |  | |
| Human Development (incl. human capital and youth) |  | |  | |
| Health resilience |  | |  | |
| Migration and mobility |  | |  | |
| Agriculture, food security and rural development |  | |  | |
| Rule of law, governance and Public Administration reform |  | |  | |
| Other |  | |  | |
| Digitalisation |  |  | |  |
| Tags  digital connectivity  digital governance  digital entrepreneurship  digital skills/literacy  digital services | NO | | YES | |
| Connectivity |  |  | |  |
| Tags  digital connectivity  energy  transport  health  education and research | NO | | YES | |
| Migration |  |  | |  |
| Reduction of Inequalities |  |  | |  |
| COVID-19 |  |  | |  |
| **BUDGET INFORMATION** | | | | | |
| **Amounts concerned** | Budget line: 15 02 02 01  Total estimated cost: EUR 44 500 000  Total amount of EU budget contribution **EUR 44 500 000** of which EUR 28 000 000 in direct management.  The contribution is for an amount of **EUR 28 500 000** from the general budget of the European Union for the financial **year 2025** andfor an amount of **EUR 16 000 000** from the general budget of the European Union for the financial **year 2026**, subject to the availability of appropriations for the respective financial years following the adoption of the relevant annual budget, or as provided for in the system of provisional twelfths. | | | | |
| **MANAGEMENT AND IMPLEMENTATION** | | | | | |
| **Implementation modalities (management mode and delivery methods)** | **Direct management** through grants.  **Indirect management** in accordance with the criteria set out in section 4.3.2 | | | | |
| **Final date for concluding contribution / delegation agreements, procurement and grant contracts** | Allocation 2025 - At the latest by 31 December 2026  Allocation 2026 - At the latest by 31 December 2027 | | | | |
| **Indicative operational implementation period** | Allocation 2025: 72 months following the adoption of the Financing Decision  Allocation 2026: 84 months following the adoption of the Financing Decision | | | | |

# Summary of the Action

The action aims to support the implementation of the **Common Regional Market (CRM) Action Plan 2** and support the creation of a Common Regional Market, as per pillar 2 of the Growth Plan for the Western Balkans and in preparation to join the EU single market as per pillar 1. This action aims to (i) increase socioeconomic growth in the region thanks to increased trade and investment; (ii) foster the implementation of the EU *acquis* pertaining to the EU Single Market in order to give access to certain areas of the Single Market ahead of accession and, in parallel, to accelerate accession to the EU; and (iii) enhance good neighbourly relations (iv) enhance digital and green transition (v) increasing support services for private sector development – with a focus on SMEs / MSMEs – and facilitate deeper cross-border business cooperation while promoting the benefits and opportunities of establishing a common regional market.

The CRM is structured around the four freedoms (free movement of goods, services, capital and people), with the idea to create a (i) regional trade area, (ii) regional investment area, (iii) regional digital area, and (iv) regional industrial and innovation area, while also covering aspects of digital transformation and connectivity, investment, human capital development, competitiveness, business environment, in order to address the economic fragmentation in the Western Balkans, with a view to accelerating economic convergence with the EU and align with the EU *acquis*. The action will also include support to a subset of regional aspects under the Green Agenda for the Western Balkans (GAWB).

The action will build on the work done and lessons learned firstly through the Multi-annual Action Plan for a Regional Economic Area (MAP REA) and subsequently through the CRM Action Plan 2021-2024. More specifically, the action will focus on the six building blocks of the new CRM Action Plan 2:

1. Free movement of goods
2. Free movement of services
3. Horizontal trade measures
4. Human capital development
5. Business Enabling Environment and Competitiveness
6. Digital transformation

The CRM Action Plan 2 is a stepping stone to the EU single market. The action will also be implemented in this regard.

## Beneficiar(y)/(ies) of the Action

The action shall be carried out in Western Balkans (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia).

The action is of a regional, cross-border nature, fostering regional cooperation.Due to the action’s nature and the importance to ensure complete regional coverage, the eligibility of the action extends exceptionally to Moldova given that it is party to CEFTA agreement, a central framework to promote trade and competitveness in the region.The inclusion of Moldova as beneficiary constitutes an important element to ensure the coherence and effectiveness of Union financing and to foster regional cooperation.

# RATIONALE

# Context

Despite a post COVID-19 economic rebound, the Western Balkans region faced economic headwinds towards the end of 2022[[2]](#footnote-3) as pandemic-related support measures decreased and also as a result of market disruption derived from Russia’s war of aggression against Ukraine. The convergence process of the Western Balkans with the European Union (EU) still requires further efforts in terms of structural reforms and competitiveness[[3]](#footnote-4). Through the attraction of Foreign Direct Investments, enhanced trade policy measures, work to set up a Common Region Market, as well as the Growth Plan for the Western Balkans,[[4]](#footnote-5) the Western Balkans have the opportunity to stimulate economic growth, innovation and address sustainable development challenges.

The Growth Plan aims to bring the Western Balkan partners closer to the EU by offering some of the benefits of EU membership in advance of accession, boosting economic growth and accelerating socio-economic convergence. Launched in November 2023, the Growth Plan has the potential to double the size of the Western Balkan economies within the next 10 years. The action aims to support the Growth Plan’s first two pillars: i) Enhancing integration in the EU Single Market and ii) Boosting economic integration within the Western Balkans through the Common Regional Market.

DG NEAR has been working continuously to support the Western Balkan’s economic integration, first from 2017, by supporting a Regional Economic Area and then - building on its success – by supporting the establishment of a Common Regional Market. Established in 2020, at the Berlin Process Summit - held on 10 November 2020 in Sofia - the first Common Regional Market Action Plan covered the period 2021-2024. The current action will support the second action plan: 2025-2028.

The action perfectly fits the overall Commission’s priority: ‘A stronger Europe in the world’, as reinforcing the Western Balkan’s economies is a geostrategic investment in a stable, strong and united Europe.

Window 4 of the Instrument for Pre-Accession Assistance (IPA) III programming framework addresses competitiveness and inclusive growth matters and its thematic priority 2 on Trade and trade facilitation (Common Regional Market / Support to Pillars 1 and 2 of the Growth Plan) support and reinforce all five priority areas of the Economic and Investment Plan for the Western Balkans[[5]](#footnote-6): sustainable transport, clean energy, environment and climate, digital future, human capital and private sector.

Business activities link directly to EIP flagship 9 **'**investing in the competitiveness of the private sector, which seeks the development of a robust, innovative and competitive private sector. This requires, in particular, increased investments in SMEs and MSMEs - including the promotion of green financing and innovative energy efficiency - and their capacity to innovate, scale-up and grow. These activities are also in line with measures of the European Innovation Council (under the EU Horizon Europe programme) and with European Enterprise Network nodes in the region.

The action will also contribute to the Green Agenda for the Western Balkans[[6]](#footnote-7) in particular through green and circular economy value chains.

It will also contribute to the Digital Agenda in Western Balkans by bringing the region closer to the EU Digital Single Market in the areas of digital connectivity, digital economy and cybersecurity as well as through the electronic exchange of data for trade in goods and services. Both the digital and greens agendas are also of high importance to the business community in the region.

The key regional bodies supporting implementation of the Common Regional Market are the Regional Cooperation Council (RCC), the Central European Free Trade Agreement (CEFTA) and the Western   
Balkans 6 Chamber Investment Forum (WB6 CIF). In addition, sectoral partnerships are established with other regional organisations such as the Transport Community, the Energy Community and the Regional School of Public Administration (ReSPA).

# Problem Analysis

Economic fragmentation in the Western Balkans restricts the convergence of the region with the EU. The Western Balkans are facing continued challenges from weak competitiveness, a scarce level of foreign direct investments, low market integration, high unemployment and significant brain drain. The following paragraphs analyse the specific problems addressed by the action as well as a description of stakeholders affected by the issues.

1. Free movement of goods

Short problem analysis

Trade relations in Western Balkan region are governed by the CEFTA agreement 2006 and its additional protocols. However, in recent years CEFTA parties experienced political challenges, essentially as a result of political disputes between Serbia and Kosovo. A direct consequence is that several CEFTA draft decisions are finalised at technical level but not approved by CEFTA Joint Committee, CEFTA highest and more political structure. These decisions relate to key enablers to competitiveness and economic growth in the region (i.e. trade facilitation for authorised economic operators, promotion of e-commerce, mutual recognition programmes).

In parallel to the regional trade agenda, each CEFTA party also engages with the EU as part of their EU accession process, which leads to unsynchronised reforms of trade procedures and legislation. This can generate new trade barriers and can negatively impact the region’s competitiveness. A lack of regional coordination is also detrimental to the work of regulatory bodies and authorities in charge of controls and inspections when it comes to exchanging trade-related data (i.e. sanitary and phytosanitary matters, veterinary and medicines, data on authorised economic operators, etc.). As CEFTA market is not yet fully integrated, consumers are also affected through more expensive products, more limited options and less awareness in terms of standards.

Enhancing the effectiveness of paperless customs and inspections operations, particularly in the area of controls is another important requirement to improve trade flows in the Western Balkans. Currently, the digital transmission of information is not systematic, some government agencies still require paper documents and requirements are not always clear for business operators. The cooperation between government agencies is also limited. This can lead to additional delays during customs clearance. Further improving digital data exchange could contribute decisively to improve trade within CEFTA while generating environmental benefits (i.e. less trucks in queues at the borders). Change of practices within government agencies involved in customs clearance, together with reskilling programmes, could promote gender-balance within several institutions. Digitalisation can also reduce the risk of fraud and corruption at border posts and promote peace in the region through more integrated and inter-related economies and societies.

The lack of mutual recognition programmes also generates additional costs to businesses in the region. For instance, while several countries have finalised Authorised Economic Operators (AEOs) programmes for trusted operators, benefits remain limited until full recognition of individual programmes within CEFTA. The same goes for the recognition of conformity assessment results, where companies can face higher costs and delays for seeking recognised testing results before placing their products on the market.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action

The main stakeholders concerned for the resolution of this problem are CEFTA Secretariat and representatives of CEFTA parties in the following areas: Ministries of Trade and Economy, customs administrations, veterinary authorities, sanitary and phytosanitary authorities, public health administrations, quality infrastructure institutions. The final beneficiaries of this action are citizens and businesses in CEFTA region.

1. Free movement of services

Short problem analysis

CEFTA Additional Protocol 6 has brought significant liberalization in the region but market access commitments are often suboptimal. This is the case for financial services and insurance. To date there is also little liberalization of mode 1 (e.g. cross-border) in the area of transport. Commitments in professional services such as legal and accounting and auditing vary significantly. CEFTA parties have also excluded audio-visual services from regional negotiations.

The notification mechanism for legal changes affecting trade in services is currently insufficient in the region. CEFTA parties are expected to share information more proactively through the Services Regulatory Database hosted by CEFTA Secretariat. The monitoring of trade in services restrictiveness is also limited in the trade area and relies on external support (i.e. lack of ownership). Last but not least, coordinated legal reforms are also necessary in order to align with relevant parts of the EU *acquis*.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action

The main stakeholders concerned for the resolution of this problem are CEFTA Secretariat and representatives of CEFTA parties in the following areas: Ministries in charge of services sectors, regulatory agencies. The final beneficiaries of this action are citizens and businesses in CEFTA region.

1. Horizontal trade measures

Short problem analysis

Enhancing the effectiveness of paperless customs and inspections operations, particularly in the area of controls is another important requirement to improve trade flows in Western Balkans. Currently, the digital transmission of information is not systematic, some government agencies still require paper documents and requirements are not always clear for business operators. The cooperation between government agencies is also limited. This can lead to additional delays during customs clearance. Further improving digital data exchange could contribute decisively to improve trade within CEFTA while generating environmental benefits (i.e. less trucks in queues at the borders). Change of practices within government agencies involved in customs clearance, together with reskilling programmes, could promote gender-balance within several institutions. Digitalisation can also reduce the risk of fraud and corruption at border posts and promote peace in the region through more integrated and inter-related economies and societies.

While key measures derived from CEFTA trade agreements are in place to facilitate the movement of goods and services, various trade related aspects require attention to improve performance. In September 2024, the average waiting time for the clearance of goods at border crossing points was about 90 minutes (i.e. from completion of exit procedure to acceptance of customs declaration at the entry point). This performance has been fluctuating recently and has not sufficiently decreased given that current level of liberalisation in CEFTA. This calls for specific trade related measures to be addressed, such as digitalisation and cooperation between customs and other governmental agencies involved in the clearance of goods, harmonisation of practices, alignment of legal and policy frameworks in relation to intellectual property rights and setting up an efficient dispute settlement mechanism.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action

The main stakeholders concerned for the resolution of this problem are CEFTA Secretariat and representatives of CEFTA parties in the following areas: customs administrations, transport authorities, police forces, veterinary authorities, sanitary and phytosanitary authorities, public health administrations. The final beneficiaries of this action are citizens and businesses in CEFTA region.

1. Human capital development

Short problem analysis

In the past decade, the Western Balkans have experienced an accelerating rate of emigration, with about 20% of the population now living abroad (OECD, 2022), leading to a high rate of brain drain and significantly reducing the available labour force - especially of highly educated young people and skilled workers - which translates into a need to both retain and attract talent.

These demographic shifts have profoundly affected the WB6 businesses. According to Balkan Barometer 2024, 70% of businesses advocate for government policies to retain the workforce, while 25% are looking to recruit from other WB6 economies.

The region's performance in skills development lags behind, with most indicators at half the EU and OECD averages. 80% of citizens view improving digital skills as essential for meeting workforce demands. Investment in research and development (R&D) is also critically low; in five out of six Western Balkan partners, R&D spending as a percentage of GDP is less than 20% of the EU average, hampering innovation and the development of skilled researchers in the region.

Activities in this field aim to enhance job opportunities and combat brain drain by aligning more closely with the EU and accelerating the Western Balkans six' economic integration into the EU single market.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action

The main stakeholders who will discuss solutions to fight brain drain, attract talent and provide relevant labour market skills will be representatives of the ministries of education and research and innovation, universities and academia representatives, business representatives, including SMEs and start-ups.

The final beneficiaries of this action are citizens, more specifically workers and more vulnerable categories, as well as businesses in the Western Balkan region.

1. Business enabling environment and competitiveness

Short problem analysis:

Better cooperation among the Western Balkans’ economies through the financial sector and investment policy reforms and investment promotion, can fuel the convergence of the Western Balkans Six (WB6) to the EU. Progress across all WB6 economies is varied in terms of the pace and breath of the adoption and implementation of regulation that is consistent with the EU legislative standards for payment systems modernisation. There continues to be a considerable gap in availability, usage, and cost of modern and innovative payment services and new generation retail payment systems, such as Instant Payment Systems (IPS).

The lack of efficient and interoperable payments infrastructures to process cross-border payments within WB6, as well as with the EU, hinders deeper economic integration and underlines the importance of reforms regarding payment systems modernization. One of the key objectives is to reduce the costs of regional payments through linked payment infrastructures of the WB6 economies, get the whole region to join the geographical scope of the Single Euro Payment Area (SEPA) and subsequently have the various financial organisations join the relevant SEPA schemes.

Foreign Direct Investment flows to the Western Balkans have been increasing at a compound annual growth rate of approximately 6.7% in recent years, although they remain rather modest, more work is needed in terms of developing a joint regional approach to policy reforms (including sustainable development, sustainable investments and greening of industries).

Financial markets in the WB6 are still developing, with credit extended to corporations representing approximately 23% of GDP, compared to 40% in the EU. A recent EIB study[[7]](#footnote-8) estimated the region’s financing gap at around USD 2.8 billion, equivalent to about 2.5% of nominal GDP. More financing needs to be mobilised for the green transition.

Supporting Western Balkan industries to embrace the green transition is instrumental to improving business sector competitiveness. According to the World Bank Group’s Western Balkans Climate Report, the region would require an estimated $90 billion in investments to achieve net-zero objectives by 2050 - equivalent to an annual investment of 1.9% of GDP until 2050. There can be no net-zero without SMEs and inclusivity. Hence, the focus of this strand of work will be supporting SMEs to be better positioned to adopt sustainable practices which are critical for driving green industrial transformation, as well as a gender-inclusive approach aiming women economic empowerment. Gender equality carries significant economic value as narrowing the gender gap in labour markets could increase GDP in emerging markets and developing economies by up to 8% (IMF, 2024).

Overall, the WB private sector needs to develop quite significantly to enhance competitiveness and respond to market needs and requirements. The establishment of a common regional market, as a stepping stone to the EU single market, must continue to be actively fostered.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action

The main stakeholders will be ministries of economy and finance from the WB6, WB6 central banks and investment promotion agencies, WB6 Chambers of Commerce, WB6 Chamber Investment Forum, business representatives etc.

The final beneficiaries of this action are citizens and businesses in the Western Balkan region.

1. Digital transformation

Short problem analysis

The Western Balkan digital market is fragmented, with underdeveloped digital infrastructure, uneven levels of harmonisation with the EU acquis and of enforcement capacities. Digital literacy is below optimal level and there is a significant need to increase digital skills and competences at a large scale. Development and usage of e-services in the region lags significantly behind the EU Member States level, slowing down the possibility of citizens and authorities to reap the benefits of e-Government, e-Procurement and e-Health technologies and services.

Digital transformation remains a key priority for the Western Balkan Six. The access to fast broadband speeds in the region is progressing. However, although Very High Capacity Networks (VHCN) coverage in WB6 increased from 29% in 2020 to 48% in 2021, it was still much lower than in the EU, i.e. around 70% in 2021. The region is actively supporting the deployment of fixed broadband infrastructure networks, with a strong emphasis on expanding coverage in rural areas, while WB6 is still lagging behind the EU in 5G developments.

Work aims to drive the digital transition of the Western Balkan region and will be especially target the fields of connectivity, both from the policy and the infrastructural point of view; Digital Economy, including increasing the digitalisation of the public and private sector and the put in place of regional interoperability; Cybersecurity.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action.

The main stakeholders will be Western Balkan digital and infrastructure ministries, telecom operators and business representatives.

The final beneficiaries of this action are citizens and the public and private sector in the Western Balkan region.

# Lessons Learned

The EU has been supporting the creation of a Regional Economic Area (REA) in the Western Balkans since 2020, which then was transformed into support to the creation of a Common Regional Market, since the indorsement of its Action Plan in Sofia in November 2020.

Despite the various difficult political blockages encountered, the EU funded programme managed by the Regional Cooperation Council (RCC) managed to achieve important results through their coordination role.

RCC set up several working groups in the areas covered by the CRM and facilitated discussions among representatives of the Western Balkan 6 economies. In addition, RCC organised several high-level conferences such as the Digital Summit or the Jumbo Security Conference.

RCC managed to achieve the signature of four mobility agreements: two agreements on the recognition of professional qualifications for seven professions; and agreement on recognition of higher education qualification and the agreement on freedom of movement with identity cards.

RCC also brought significant results in the digital transformation sphere by facilitating the agreement which brought Roam like at Home regime in the Western Balkan region and lowering of data roaming tariffs between the EU and WB through a joint declaration.

RCC’s role was also instrumental in developing human capital in the region in various fields such as: research and innovation, women economic empowerment, employment, youth and Roma integration, by organising several events, recognition awards etc.

Despite the persistence of political blockages within CEFTA, progress was maintained at technical level in relation to trade related aspects of the CRM. The EU-funded programme to CEFTA Secretariat facilitated the organisation of regional meetings, supported the monitoring of progress and allowed the provision of technical assistance to guide the work of CEFTA structures (i.e. <https://cefta.int/about/cefta-structure-organigram/>). This contributed to advance EU *acquis* alignment in the region in different areas of trade in goods and services. Thanks to this support, trade stakeholders in CEFTA will be in a position to implement key reforms the moment CEFTA decisions are agreed at political level.

Since its first implementation phase in 2010, the EU-funded Systematic Exchange of Electronic Data (SEED) has enhanced border management in the Western Balkans, fostering cooperation and sharing of pre-arrival information between customs administrations to facilitate customs clearance. The EU-funded SEED programme contributed to the reduction of waiting times (i.e. <https://greencorridors.cefta.int/greencorridorsanon/dashboard>) in the region and reduced security risks of trade flows. SEED+ also evolved to supporting additional agencies involved in the clearance of goods, in particular through the TRACES NT module for fruits and vegetables, the database on AEOs, exchange of information on unsafe products, and statistics module. Lately SEED+ was extended to all border crossing points within CEFTA including rail and to three EU Member States facilitating CEFTA export (i.e. Green Lanes roadmap, related to the Growth Plan).

Since 2020 the EU has been funding trade regional programmes implemented by GIZ: “Support to Regional Economic Integration” programme in support to trade reforms relating to CEFTA AP5 and AP6 and GIZ “EU4Business: fostering the Common Regional Market through quality infrastructure and e-commerce”. Both programmes had a very positive impact on account of the level of expertise mobilised and the independence of GIZ from political issues in the region. The programmes significantly supported the work agendas put forward by CEFTA Secretariat (i.e. validation of AEO programmes, pilot programmes on common risk profiles, trade surveillance tools in the area of fruits and vegetables, trade in services agenda and advancement of CEFTA e-commerce package) and facilitated concrete proposals as part of the Growth Plan (i.e. Single Market Academy for quality infrastructure stakeholders).

Collectively, support trade-related programmes provided a solid base of support to promote CEFTA agenda. However, it was noted that the multitude of contractors involved in delivering support was causing extra time and efforts to the beneficiaries. It is therefore suggested to rationalize further trade-related programmes during the 2025-2026 programming phase in order to reduce the number of interventions.

Since its first EU-funded project (end 2019), the WB6 Chamber Investment Forum, in cooperation with the six WB chambers of commerce, has strived to promote the establishment of a CRM, as well as promote the services and products of WB companies - both on the regional and international stage – to expand the links between companies and suppliers There is a clear demonstration that project activities have enhanced inter-chamber cooperation – including between the Serbia and Kosovo chambers (a specific project activity) - and a sense of joint responsibility to achieve project goals. Awareness of WB6 CIF services has increased (being recognised as the ‘joint voice’ of business in the region) and presenting WB companies jointly at a WB6 CIF stand at trade fairs etc helps boost the region as a whole. Winning over increased interest from EU and international companies, however, remains a challenge. Also, while commitment to the goal of supporting the CRM activities remains solid overall, issues of limited human resource/financial capacities (e.g. Albania chambers) can sometimes be an issue when it comes to physical participation at meetings or achieving maximum local business participation at certain business events.

# DESCRIPTION OF THE ACTION

# Intervention Logic

The Overall Objective/(Impact) of this action is to prepare Western Balkans region for EU accession in relation to economics and trade matters, through the creation of a Common Regional Market.

The Specific Objective(s) (Outcomes) of this action are to:

* 1. Promote the free movement of goods;
  2. Promote the free movement of services;
  3. Strengthen horizontal trade measures;
  4. Enhance human capital development;
  5. Strengthen the business enabling environment and competitiveness;
  6. Promote the digital transformation;

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

Contributing to Outcome 1 (or Specific Objective 1)

* 1. Facilitate trade of agri-food products;
  2. Facilitate trade of industrial goods;
  3. Strengthen customs and tax cooperation;
  4. Support trade facilitation measures;

Contributing to Outcome 2 (or Specific Objective 2)

2.1 Increase market openness trade in services;

2.2 Recognition of professional qualifications;

2.3 Promote financial and payment services;

2.4 Improve e-commerce in the region;

Contributing to Outcome 3 (or Specific Objective 3)

3.1 Promote regional Green Lanes and their extension to neighbouring EU Member States;

3.2 Support digitalisation and paperless trade;

3.3 Improve intellectual property rights in the region;

3.4 Improve customer protection in the region;

3.5 Strengthen trade statistics;

3.6 Support trade-related environment issues;

3.7 Improve trade dispute settlement in the region;

3.8 Export promotion activities;

Contributing to Outcome 4 (or Specific Objective 4)

4.1 Develop standards in education and quality assurance;

4.2 Support closing the skills gap;

4.3 Facilitate labour market reforms for economic opportunities;

4.4 Boost Regional Innovation

Contributing to Outcome 5 (or Specific Objective 5)

5.1 Develop sustainable and digital finance

5.2 Develop consumer finance

5.3 Support investment

5.4 Develop regional intelligence on industrial cooperation

5.5 Support green industry

5.6 Support SME access to finance

5.7 Support business sector competitiveness

5.8 Support regional tourism policies and competitiveness

5.9 Support women economic empowerment

5.10 Support the regional supplier development programme

Contributing to Outcome 6 (or Specific Objective 6)

6.1 Support connectivity

6.2 Support the transition to a digital economy

6.3 Reinforce cybersecurity

The underlying intervention logic for this action is to promote a suitable policy framework and to provide technical assistance to operationalise a common regional market aligned with EU policies, in particular regarding the green and digital transition. Not only will this offer a joint perspective to Western Balkans in achieving synchronised trade and socio-economic reforms - that could otherwise generate divergence as a result of bilateral engagement for EU accession negotiations - but it will also provide a platform for improving growth and investment in the region, a necessity to improve living standards and for generating socio-economic benefits for the population. In order to achieve this goal, the adoption of legal reforms - in line with the EU *acquis -* and their thorough implementation, should be strongly supported by the Western Balkans authorities.

The action therefore aims at supporting key stakeholders in the region in various, namely trade in goods and services, horizontal trade issues, human capital development, business environment reforms and digitalisation. A holistic approach targeting public and private structures is envisaged to create the right balance of incentives and to generate concrete results on the ground.

# Indicative Activities

Activities related to Output 1.1

* Technical assistance to facilitate trade of plants and animals through simplified procedures, contingency and survey plans, harmonization and acceptance of documents, pilot missions, and harmonization of certificates in selected sectors;
* Support to regional stakeholders for the mutual recognition and acceptance of official controls at crossing points for fruit and vegetables as well as in the area of food safety;
* Technical support to recognize compliant economic operators, laboratories and establishments trading products for human consumption;
* Technical assistance to promote trade of organic products;

Activities related to Output 1.2

* Technical assistance to strengthen capacities of quality infrastructure stakeholders (i.e. national designating authorities, accreditation bodies, standardisation bodies, metrology institutes, conformity assessment bodies, and market surveillance authorities) to effectively assess and certify products against EU standards and regulatory requirements;
* Support to institutional cooperation at regional level to recognize conformity assessment results, starting with priority sectors (i.e. electrical products, machinery, construction products);
* Facilitate regional cooperation between relevant agencies involved in the clearance of goods, i.e. customs and market surveillance agencies;

Activities related to Output 1.3

* Support to implement rules of origin in CEFTA and with trading partners as per the revised Convention on pan-Euro-Mediterranean common provisions;
* Technical assistance to authorised economic operators (AEOs) schemes in CEFTA, i.e. validation of national programmes, mutual recognitions of AEO programmes, support to the regional AEO association, joint missions to promote the benefits of the AEO status;
* Institutional and technical assistance to strengthen regional cooperation on cross-border e-commerce in line with the EU acquis (i.e. legal framework, tax harmonization, customs clearance, parcel delivery operators, reduce barriers to online sales, prevention of fraud);

Activities related to Output 1.4

* Institutional and technical assistance to harmonize working hours for agencies involved in customs clearance;
* Support to improve transparency, harmonize and reduce trade-related fees and charges;
* Regular monitoring of non-tariff measures and support to their resolution;

Activities related to Output 2.1:

* Technical assistance to remove obstacles to the free delivery of services within CEFTA in all modes, modelled on the EU services directive;
* Support to enable the freedom of establishment of service suppliers including the recognition of authorization requirements;
* Technical assistance to enhance transparency to access information on regulatory requirements and procedures, as well as to facilitate access to regulatory procedures by digital means;

Activities related to Output 2.2

* Support the extension of the regional system of recognition of professional qualifications to new sectors;
* Technical assistance to enable recognition of professional qualifications based on the experience, setting up of a database of regulated professions, introduction of professional cards;

Activities related to Output 2.3

* Facilitating discussions in the framework of free movement of capital
* Technical assistance to achieve harmonization of licensing for non-bank payment service providers in the WB6
* Technical assistance to enable cross-border fast payments interoperability for WB6 e.g. qr codes.

Activities related to Output 2.4

* Technical assistance to expand digital services, fairness and transparency of online platforms, online content portability, regulatory dialogue and improvement of parcel delivery services;
* Support to the regional recognition of electronic signatures and other trust services;
* Support to regional cooperation on cross-border e-commerce in line with the EU acquis, in particular in relation to customs and postal services (i.e. electronic advance data sharing);
* Facilitation of the public-private dialogue on e-commerce and the access to European business networks for both e-commerce associations and businesses;

Activities related to Output 3.1

* Support to reduce waiting times and to improve customs controls and cooperation among all agencies involved in the clearance of goods;
* Technical assistance to extend the benefits of risk management throughout the entire clearance procedure, starting with joint pilot actions;

Activities related to Output 3.2

* Support to the electronic exchange of trade-related data and documents among all agencies involved in clearance of goods, including the roll-out of e-certificates and transition to paperless trade;
* Technical assistance to enable pre-arrival checks enabled by electronic exchange of all relevant documents within CEFTA as well as with neighbouring EU Member States (i.e. pilot activities with trading partner’s custom systems);
* Support to the CEFTA System for Electronic Exchange of Data (SEED) for its functioning and compatibility with the EU Internal Market Information Systems, and development of new functionalities, i.e. databases AEOs, transparency pack and statistical portal, unsafe products, notification systems, etc.

Activities related to Output 3.3

* Contribute to improving the level of creation, administration, protection and enforcement of intellectual property rights (IPR) in line with European best practice, in cooperation with the European Union Intellectual Property Office (EUIPO), and in support of the EU enlargement policy and the Growth Plan for the Western Balkans; in particular by aligning with the EU *acquis*

Activities related to Output 3.4

* Technical assistance to strengthen regional cooperation among market surveillance authorities, coordination in the field of enforcement of consumer protection, resolution of disputes between customers and traders;
* Support for the creation of network of Consumer Protection Centres within CEFTA modelled on the European Consumer Centres Network;
* Technical assistance to harmonised rules for the sale of goods and the supply of digital content and digital service in line with EU *acquis*;

Activities related to Output 3.5

* Technical assistance to harmonise statistical data production and their timely exchange within the CEFTA Statistical Portal with increased scope;

Activities related to Output 3.6

* Support to regional dialogue and coordination on trade-related environmental issues with a focus on perspectives for carbon pricing through the EU Emission Trading System and Carbon Border Adjustment Mechanism;

Activities related to Output 3.7

* Technical assistance to support the implementation of Additional Protocol 7 on Dispute Settlement in view of the efficient resolution of trade issues and prevention of non-compliant measures;
* Support to the establishment and maintenance of CEFTA Electronic Communication System for Dispute Settlement, enabling streamlined communication and documentation exchange between disputing parties, reducing administrative burdens and enhancing efficiency;

Activities related to Output 3.8

* Develop a regional approach to export, to enhance the competitiveness of the region for entering the EU single market.
* Set up services supporting integration of SMEs into European and global value chains
* Develop relevant information and guidelines services on WB markets for exporting companies

Activities related to Output 4.1

* Support the implementation of the mobility agreements in the area of education, including access to studies.
* Facilitate standardisation and alignment work in the education and vocational training fields with the Education Reform Initiative of South Eastern Europe (ERI SEE).

Activities related to Output 4.2

* Improve the framework to further develop dual education in the WB6
* Enhance knowledge-sharing between education/training providers and businesses, to address qualifications and skills needs for the regional labour market
* Improve the licensing system for different occupations

Activities related to Output 4.3

* Facilitate coordination of WB6 social security systems to align with EU social security standards.

Activities related to Output 4.4

* Boost regional innovation through various activities, including facilitating transfer between academia and businesses;
* Facilitate initiatives involving deep-tech and start-ups
* Support the development of regional research and innovation infrastructures

Activities related to Output 5.1

* Support sustainable and digital finance through technical assistance in various aspects, such as harmonised taxonomy, green bonds and fintech

Activities related to Output 5.2

* Support consumer finance e.g. SEPA, TIPS and engagements with international payment service providers
* Support the region’s financial literacy

Activities related to Output 5.3

* Support investment in the region, including foreign direct investments

Activities related to Output 5.4

* Enable regular monitoring of industrial development and regional industrial cooperation
* Prepare a regional strategy on integrating key industrial sectors into European value and supply chains

Activities related to Output 5.5

* Academia-business collaboration on green tech
* Pilot Digital Product Passports at WB economy level
* Enhance cooperation between eco-industrial parks

Activities related to Output 5.6

* Introduce a regulatory framework targeting alternative financing options
* Adopt guidelines for establishing co-investment schemes

Activities related to Output 5.7

* Establish regional criteria for product innovation entities
* Improve the creation and enforcement of intellectual property rights
* Support to SMEs and the WB chambers on access to EU funds

Activities related to Output 5.8

* Develop a strategic regional approach to a green and digital sustainable tourism transition

Activities related to Output 5.9

* Improve the infrastructure to support and develop women's entrepreneurship

Activities related to Output 5.10

* Expand the Regional Supplier Development Program to maximise participation of SMEs in regional and international supply chains, and to support new networking channels for developing partnerships (between WB6 companies and with EU companies)
* Develop and promote a WBs collective trademark

Activities related to Output 6.1

* Support connectivity both in roaming and broadband fields
* Support the enhancement of citizens' understanding of new technologies and services and their impact

Activities related to Output 6.2

* Support the development of a digital economy in the region, including interoperability

Activities related to Output 6.3

* Support the region on cybersecurity, increasing their resilience to external attacks through reinforced skills and shared experiences and good practices.

# Mainstreaming

**Environmental Protection, Climate Change and Biodiversity**

At this stage no Strategic Environmental Assessment, Environmental Impact Assessment or Climate Risk Assessment are required since the support will involve mostly non-physical work (i.e. no new infrastructure). On top of strategic objective to get the Western Balkans to European environment standards and to implement their Green Agenda, the action brings also concrete and pragmatic environmental wins. The digital component of the action should promote smart solutions for trade and logistics thereby reducing carbon emissions. Consultation, workshops and meetings organised at regional level should alternate in person and virtual modalities in order to reduce air and road transport emissions of participants. Progress in the area of mutual recognition can simplify testing procedures for economic operators and limit unnecessary transactions and shipments. The action foresees activities relating to phytosanitary inspections, controls, contingency plans and food safety measures. This in turn contributes to preserving biodiversity in Western Balkans (and also on the EU market through safer imports) thanks to the detection and eradication of pests.

The increase in trade flows presents the risk of generating additional carbon emissions through the movement of consignments but this should be mitigated by the development of sustainable transport infrastructures in line with the Green Agenda for Western Balkans.

Stakeholders of the action should also promote the development of regional trade in a way that it contributes to sustainable development objectives by preserving the environment and climate change through the promotion of a green and circular economy and the adoption of product standards with higher environmental requirements as targeted by the Green Agenda for the Western Balkans and European Standards. The programme is an opportunity to sensitise economic stakeholders on the Paris Agreement, their own nationally determined contributions, Montreal-Kunming Global Biodiversity Framework.

**Gender equality and empowerment of women and girls**

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that in line with the approach outlined in the EU Gender Action Plan, (GAP III) 2021-2025, the action will mainstream gender equality whenever possible.

As the voice of the private sector, chambers of commerce can play a vital role in shaping policies and partnerships, in overseeing their implementation, and in promoting a gender responsive policy in the region. Cluster cooperation and networking of women and youth can be promoted through the support services offered to SMEs in niche markets. Activities carried-out under outcome 5 ‘strengthening of the business environment’ will ensure that specific needs of women entrepreneurs are addressed specifically though workshops and panel discussions.

As part of the monitoring of indicators linked to activities implemented under outcome 3 ‘strengthening horizontal trade measures’, data should be collected and presented as much as possible disaggregated by sex and reflect gender issues. Indeed, statistics provide the basis for evidence-based policy development and monitoring and evaluation of their implementation.

Overall the contracts deriving from this action should be designed in a way to mainstream gender equality and enable better delivery of services to the vulnerable populations. This could particularly be applied when supporting customs and trade procedures reforms in order to combat gender stereotypes and promote the reporting of offenses.

**Democracy**

Promoting the democratic consolidation of the Western Balkans is an integral part of DG NEAR work to prepare them to join the European Union. The action supports democracy as a value, but doesn’t target any specific activities towards media pluralism or civil society engagement.

**Conflict sensitivity, peace and resilience**

Promoting trade and regional integration in Western Balkans is a sustainable and powerful way to reduce the risk of conflict in the region. The action aims at increasing cooperation among responsible authorities of CEFTA parties (i.e. customs and regulatory authorities), promote opportunities for business in the region (i.e. chambers of commerce) and generate socio-economic benefits for the population.

**Disaster Risk Reduction**

The promotion of data exchange through digital means among CEFTA parties can reduce phytosanitary, veterinary and food safety risks in the region. The regional platform for data exchange could also real-time notification in the event of an outbreak presenting a risk for human consumption, animals or the environment.

# Risks and Assumptions

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Category** | **Risks** | **Likelihood**  **(High/**  **Medium/**  **Low)** | **Impact**  **(High/**  **Medium/**  **Low)** | **Mitigating measures** |
| 1-External environment: Political matters | Lack of progress with the implementation of Belgrade-Pristina dialogue agreement (2023) could negatively affect trade and regional integration | M | H | Regular engagement with stakeholders through Growth Plan fora and CEFTA structures should promote constructive attitudes and ensure that mutual benefits are not blocked by political factors.  Active participation of the private sector in demonstrating the benefits and need for deeper regional integration in Western Balkans.  Trade data exchanged digitally through clouds located outside of the region preventing political susceptibility. |
| 1-External environment: Economic conditions | Macro-fiscal weaknesses could negatively impact trade flows in the region | M | M | The engagement of the European Commission with Western Balkans as part of the accession process together with support through Economic Reform Programmes, Economic Investment Plans and broadly through the Instrument of Pre-accession Assistance should contribute to improving the resilience and competitivity of the region. |
| 1-External environment: Cybersecurity | Cyber-attacks disrupting the functioning of administrations and businesses | M | M | Support cyber resilience and networking in the region to improve the resilience of critical infrastructures. |
| 1-External environment: Environment and Climate Change | Limited institutional capacity to transition towards a greener and more sustainable economy | M | M | Sensitization of public and private stakeholders on the impact of the Carbon Border Adjustment Mechanism for Western Balkan exporters.  Inclusion of environmental and climate change consideration when engaging with stakeholders of the CRM Action Plan II |
| 3-People and the organisation: People | Lack of capacity of customs officers and/or inspectors | M | M | Needs assessments and capacity building activities will be provided under outcome 1 |
| 3-People and the organisation: People | Limited capacity in some WB Chambers of commerce | M | M | Regular project management team meetings to steer and manage implementation. A ROM could be useful at some stage to provide further guidance. |
| 3-People and the organisation: Organisations | Lack of ownership for some reforms foreseen under CRM Action Plan II | L | M | Technical assistance provided to working groups of the CRM Action Plan II will ensure participation of key domestic stakeholders and foresee exit strategies wherever possible. Support will be provided in line with EU accessions negotiation agenda. |
| 4-Legality and regularity aspects: Integrity | Risk of corruption, fraud or malpractice by the public and/or private sectors undermine partners confidence | M | H | The adherence to international procurement standards, technical and financial audits and evaluations can significantly reduce the scope of corruption and fraud. Digitalisation of government services for the exchange of trade data will increase transparency and accountability. |
| 5-Communication and information | Risk of disinformation and foreign information manipulation. | M | M | DG NEAR with its EU Delegations and EU Office, together with the EEAS will work together supporting our implementing partners to communicate timely the benefits of a CRM for the WB people, EU support and the benefits of joining the EU. |

**External Assumptions**

In order to achieve the expected results of this action it is assumed that beneficiaries will remain committed to implement the CRM Action Plan 2025-2028. This entails cooperating in good faith and exchanging information in different areas of work. Equally, the intervention logic relies on the assumption that beneficiaries remain actively determined to advance internal reforms in light of their accession to the EU and that individual political issues do not block the regional momentum.

# Indicative Logical Framework Matrix

| **Results** | **Results chain:**  **Main expected results** | **Indicators** | **Baselines**  **(values and years)** | **Targets**  **(values and years)** | **Sources of data** | **Assumptions** |
| --- | --- | --- | --- | --- | --- | --- |
| **Impact** | To prepare Western Balkans region for EU accession in relation to economics and trade matters, through the creation of a Common Regional Market. | Western Balkans 6 GDP per capita relative to EU average | 38% (2022) | Tbc (2028) | OECD Western Balkans Economic Convergence Scoreboard | *Not applicable* |
| **Outcome 1** | Free movement of goods promoted | Value of trade in goods exports in CEFTA | EUR 8 500 000 000 (2023) | Tbc (2028) | CEFTA trade statistics portal or aggregated from national statistics offices if necessary or World Bank regular economic report | CEFTA parties remain committed to CEFTA additional protocol 5 and implement its provisions |
| **Outcome 2** | Free movement of services promoted | Value of trade in services exports in CEFTA | EUR 3 600 000 000 (2022) | Tbc (2028) | CEFTA trade statistics portal or aggregated from national statistics offices if necessary or World Bank regular economic report | CEFTA parties remain committed to CEFTA additional protocol 6 and implement its provisions |
| **Outcome 3** | Horizontal measures strengthened | Average waiting time to cross borders in CEFTA | 86 minutes (2023) | Tbc (2028) | CEFTA green corridors statistics portal | Active and constructive participation of CEFTA parties stakeholders in promoting intra-regional trade |
| **Outcome 4** | Human capital development enhanced | Skills for adaptable labour market index (WB6 average) | 2.6 (2023) | Tbc (2028) | OECD Western Balkans competitiveness Data Hub | Western Balkans 6 are committed to implement corresponding CRM II AP provisions |
| **Outcome 5** | Business enabling environment and competitiveness strengthened | Investment promotion and facilitation index (WB6 average) | 3.3 (2023) | Tbc (2028) | OECD Western Balkans competitiveness Data Hub | Western Balkans 6 are committed to implement corresponding CRM II AP provisions |
| **Outcome 6** | Digital transformation promoted | Digital society access index (WB6 average)  Digital society trust index (WB6 average) | 2.9 (2023)  2.7 (2023) | Tbc (2028)  Tbc (2028) | OECD Western Balkans competitiveness Data Hub | Western Balkans 6 are committed to implement corresponding CRM II AP provisions |

# IMPLEMENTATION ARRANGEMENTS

# Financing Agreement

In order to implement this action, it is not envisaged to conclude financing agreements with the relevant IPA III beneficiaries or with Moldova.

# Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72, and   
84 months from the date of adoption by the Commission of this Financing Decision for the allocations 2025 and 2026 respectively.

Extensions of the implementation period may be agreed by the Commission’s responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

# Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures[[8]](#footnote-9).

# Direct Management (Grants)

# Grants

**(a) Purpose of the grant(s)**

Grants will contribute to achieving all six outcomes indicated in the intervention logic.

**(b) Type of applicants targeted**

Potential applicants are non-profit making legal or natural persons. Applicants may be organisations such as non-governmental organisation, public sector operator, local authority, international (inter-governmental) organisation as defined by Article 159 of the Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union.

Direct awards may still later be decided, through a substantiated award decision and according to Article 198 of the Financial Regulation.

The part of the action under the budgetary envelope reserved for grants may, partially or totally and including where an entity is designated for receiving a grant without a call for proposals, be implemented in indirect management with an entity, which will be selected by the Commission’s services using the following criteria: have suitable past professional experiences, technical expertise, competencies, and financial capacity to implement priority areas of the Common Regional Market Action Plan II.

**(c) Exception to the non-retroactivity of costs**

The Commission authorises that costs incurred may be recognised as eligible as of 1 April 2025. Cost eligibility as of 1 April 2025 would allow a smooth transition for IPA III regional programmes extended through a follow-up phase. The indicative timeline for the Financing Decision is end of April 2025.

# Indirect Management with a pillar-assessed entity

A part of this action may be implemented in indirect management with a pillar assessed entity, which will be selected by the Commission’s services using the following criteria:

* Extensive track-record and expertise in relation to economic, trade and regional integration in Western Balkans;
* Political independence and sound regional reputation gained during the negotiation and implementation of Common Regional Market Action Plan I or II;
* Technical and financial capacity to support the capacities of relevant stakeholders in the region and promote their cooperation;

The implementation by this entity relates to various areas mentioned in the outcomes, in particular for trade in goods and services, intellectual property rights as well as financial and payment services.

The Commission authorises that costs incurred may be recognised as eligible as of 1 February 2025. Cost eligibility as of 1 February 2025 would allow a smooth transition for the current IPA III regional programmes that end in January 2025 . This programme provides essential support for the implementation of CEFTA agreements, a key aspect of CRM AP II, as well as for the Growth Plan for Western Balkans. The indicative timeline for the Financing Decision is end of April 2025.

# Changes from indirect to direct management (and vice versa) mode due to exceptional circumstances

If the implementation modality under indirect management as defined in section 4.3.2 cannot be implemented due to circumstances beyond the control of the Commission, the modality of implementation by grants under direct management would be used according to the following section 4.3.1.1.

If the implementation modality under direct management as defined in section 4.3.1.1 cannot be implemented due to circumstances beyond the control of the Commission, the modality of implementation by indirect management with a pillar-assessed entity would be used according to section 4.3.2.

# Scope of geographical eligibility for procurement and grants

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

The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the Partners or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

Due to the regional nature of the action, in order to ensure the coherence and effectiveness of Union financing and to foster regional cooperation, the Commission decides to extend the eligibility of this action to Moldova. For this multi-country action, natural persons who are nationals of, and legal persons who are effectively established in these countries, are also eligible.

# Indicative Budget[[9]](#footnote-10)

|  |  |  |
| --- | --- | --- |
| **Indicative Budget components** | **EU contribution for 2025**  **(amount in EUR)** | **EU contribution for 2026**  **(amount in EUR)** |
| **Methods of implementation - cf. section 4.3** |  |  |
| **All outcomes** |  |  |
| **Indirect management** – total envelope under section 4.3.2 | 16 500 000 |  |
| **Grants** – total envelope under section 4.3.1 | 12 000 000 | 16 000 000 |
| **Evaluation** – cf. section 5.2  **Audit** – cf. section 5.3 | Covered by another Decision | Covered by another Decision |
| **Strategic Communication and Public Diplomacy – cf. section 6** | N/A | N/A |
| **Sub totals** | 28 500 000 | 16 000 000 |
| **Total** | **44 500 000** | |

# Organisational Set-up and Responsibilities

Contractors recruited through direct or indirect management are expected to assign a project team for the coordination and implementation of activities. The project team will be responsible for the daily management of activities, liaison with experts and stakeholders, reporting to the Commission for both operational and financial matters. It is recommended that a Steering Committee takes place at least once a year in order to review past deliverables, reflect on achievements, challenges, mitigating measures, and how the intervention addressed targeted mainstreaming areas. In addition, the Steering Committee will provide updates on financial and human resources matters and present an updated work plan for the next implementing period. Indicatively, Steering Committee members should be representatives of the contractors and of beneficiaries.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission (i.e. DG NEAR and other line DGs as required) may participate in the above governance structures set up for governing the implementation of the action.

# PERFORMANCE MEASUREMENT

# Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its Outputs and contribution to the achievement of its Outcomes, and if possible, at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators, using as reference the logframe matrix.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Arrangements for monitoring and reporting, including roles and responsibilities for data collection, analysis and monitoring will be specified in each of the contracts relating to the Outcomes. Implementing partners should report to the designated task manager at DG NEAR, Unit D1 and the financial initiating agent at DG NEAR, Unit R5.

The statistical and monitoring systems as well as the quality of official data in the policy field covered have been assessed. This assessment has fed into the design of the action as follows: regional trade statistics reflected in the CEFTA statistical portal (<https://transparency.cefta.int/TradeStatistics>) reflect official data extracted from national statistics offices in Western Balkans and Moldova. Additional statistical sources not available in this database can be sourced from Eurostat or trusted external sources such as the OECD, World Bank or International Monetary Fund.

# Evaluation

Having regard to the nature of the action, a final evaluation may be carried out for this action or its components contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the EU policies in support to regional integration in Western Balkans needs to adapt to evolving needs in light of global challenges and with the perspective of EU accession for countries in the region.

The Commission shall form a Reference Group (RG) composed by representatives from the main stakeholders at both EU and national (representatives from the government, from civil society organisations, private sector, NGOs, etc.) levels. If deemed necessary, other donors will be invited to join. The Commission shall inform the implementing partner at least two months in advance of the dates envisaged for the evaluation exercise and missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the IPA beneficiary/ies and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the action/component.

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

# Audit and Verifications

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

# STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union’s support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document [*Communicating and raising EU visibility: Guidance for external actions*](https://international-partnerships.ec.europa.eu/knowledge-hub/communicating-and-raising-eu-visibility-guidance-external-actions_en) (or any successor document).

This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the IPA beneficiary/ies, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and contribution agreements.

For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds. Effectiveness of communication activities on awareness about the action and its objectives as well as on EU funding of the action should be measured.

Implementing partners shall keep the Commission and the EU Delegation/Office fully informed of the planning and implementation of specific visibility and communication activities before the implementation. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees.

# SUSTAINABILITY

Sustainability of the action’s results should be ensured through the involvement and commitment of key domestic and international actors working on areas covered by this action and its components.

Key aspects to secure sustainability of the action are:

·         Ownership by beneficiaries

·         Capacity building of beneficiaries

·         Complementarity with other actions/programmes by EU and other donors

·         Continued political support in the context of enlargement negotiations 

1. Moldova is beneficiary for components 1, 2, and 3 described in paragraph 3, in order to ensure the coherence and effectiveness of the European Union financing and to foster regional cooperation. [↑](#footnote-ref-2)
2. [EU Candidate Countries’ & Potential Candidates’ Economic Quarterly (CCEQ), 4th Quarter 2022 (europa.eu)](https://economy-finance.ec.europa.eu/system/files/2023-01/tp062_en.pdf) [↑](#footnote-ref-3)
3. [Competitiveness in South East Europe: A Policy Outlook 2021](https://www.oecd-ilibrary.org/development/competitiveness-in-south-east-europe-2021_dcbc2ea9-en?_ga=2.175878690.1875065696.1635319327-536767888.1554455919), OECD [↑](#footnote-ref-4)
4. [Growth Plan for the Western Balkans communication](https://neighbourhood-enlargement.ec.europa.eu/document/download/8f5dbe63-e951-4180-9c32-298cae022d03_en?filename=COM_2023_691_New%20Growth%20Plan%20Western%20Balkans.pdf) [↑](#footnote-ref-5)
5. COM (2020) 641 final, 6.10.2020 [↑](#footnote-ref-6)
6. SWD(2020)223 final, 6.10.2020 [↑](#footnote-ref-7)
7. EIB (2023). *The impact of the EIB’s intermediated lending to businesses in the Western Balkans.* [↑](#footnote-ref-8)
8. [EU Sanctions Map](https://www.sanctionsmap.eu/#/main). Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails. [↑](#footnote-ref-9)
9. Further breakdown provided in Appendix 1, i.e. number of primary interventions and indicative budgets [↑](#footnote-ref-10)