

## Standard Summary Project Fiche – IPA centralised programmes

### Regional Programme on Trade and Investment in the Western Balkans

#### 1. Basic information

- 1.1 CRIS Number:** 2008/020-320
- 1.2 Title:** Regional Programme on Trade and Investment in the Western Balkans
- 1.3 ELARG Statistical code:** 01.01- Free Movement of Goods
- 1.4 Location:** Albania, Bosnia and Herzegovina, Belgium, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia as well as Kosovo<sup>1</sup>

#### Implementing arrangements:

- 1.5 Contracting Authority (EC)** European Community represented by the Commission of the European Communities on behalf of the Beneficiaries and the OECD under Joint Management with the European Commission.
- 1.6 Implementing Agency:** NA
- 1.7 Beneficiaries:** Western Balkans: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, , Montenegro and Serbia as well as Kosovo Republic of Moldova<sup>2</sup>

#### **Financing:**

- 1.8 Overall cost (VAT excluded)<sup>3</sup>:** EUR 1 125 000
- 1.9 EU contribution:** EUR 800 000
- 1.10 Final date for contracting: 30/11/2009
- 1.11 Final date for execution of contracts: 30/11/2011
- 1.12 Final date for disbursements: 30/11/2012

#### 2. Overall Objective and Project Purpose

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<sup>1</sup> under UNSCR 1244/99

<sup>2</sup> The Republic of Moldova is a signatory to CEFTA 2006 and its involvement is necessary for the successful implementation of CEFTA. It will therefore benefit from the support activities targeted at CEFTA as a whole but not from support targeting beneficiaries on an individual basis (e.g. coaching of local experts).

<sup>3</sup> The total cost of the project should be net of VAT and/or other taxes. Should this not be the case, the amount of VAT and the reasons why it should be considered eligible should be clearly indicated.

## 2.1 Overall Objective:

The overall objective is an increase in trade relations and investment between the Beneficiaries

## 2.2 Project purpose:

The project purpose is to support the monitoring and implementation of the Central European Free Trade Agreement 2006 (CEFTA) and activities of the South East European Investment Committee.

The implementation of CEFTA provides that by 31 December 2010 the countries that are signatories to CEFTA will have established a regional free trade area. Based on existing bilateral agreements which liberalise more than 90% of trade and almost all trade in industrial goods it will

- encourage co-operation and gradually liberalise trade in services in the region
- improve the region's rule book on trade and include modern trade provisions on issues such as competition, government procurement and the protection of intellectual property rights
- provide for convergence of trade related rules, especially, industrial and sanitary-phytosanitary rules.
- assist those signatories that are not yet part of the WTO to prepare for membership

As a result there should be a simplified single system of rules that facilitate intra-regional trade relations.

## 2.3 Link with AP/NPAA / EP/ SAA

Trade liberalisation in goods and trade related issues such as services, government procurement and intellectual property protection, are one of the main elements of the Stabilisation and Association Agreements (SAAs), which constitute the policy framework between the EU and potential candidates. The SAAs, where they have been concluded, foresee, under Article 13 and 14, a commitment to establish a free trade area with other potential candidates having signed a SAA and with candidates for accession to the EU. For those potential candidates that have not signed an SAA with the EU, interim trade and trade related agreements foresee similar commitments.

The effective implementation of CEFTA is a priority specified under "regional issues and international obligations" of the Accession and European Partnerships. Other trade-related priorities can be found in the Accession Partnerships in particular, including further alignment of the trade regime with WTO, SAA and CEFTA<sup>4</sup>. The alignment of customs and tax regime with EU *acquis* and practices and the improvement of legal framework for standardisation,

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<sup>4</sup> Under chapter European Standards/Internal Market/Free Movement of Goods and Customs and Taxation respectively.

metrology and certification of products in line with EU standards and practices are also important priorities, which are indirectly linked to the implementation of CEFTA.

#### 2.4 Link with MIPD

Trade and investment development is part of the strategic priorities presented under chapter 2.3.1.3.3. of the MIPD for the period 2008-2010. During the coming years assistance in this field will focus on the promotion of intra-regional relations i.e. the successful implementation of the CEFTA 2006.

#### 2.5. Link with National Development Plan (where applicable)

Several CEFTA signatories have adopted specific plans for the implementation of the CEFTA.

### **3. Description of project**

#### 3.1 Background and justification:

The implementation of CEFTA is part of the strategic priorities of the Enlargement Strategy 2007-2008. In its Communication: "Western Balkans: Enhancing the European Perspective" of 5 March 2008 the Commission re-iterated its commitment to supporting trade integration in the Western Balkans, notably, through the implementation of the CEFTA.

The overarching rationale for regional trade integration in the Western Balkans is its contribution to political stability and growth in the region, and, following from the region's European Perspective, its contribution to European political stability, security and prosperity- the top priority of overall EU policy.

Regional trade integration has developed through 32 bilateral free trade agreements since 2001. These Agreements were replaced by the Amended Central European Free Trade Agreement when it came into force in 2007.

Though trade within the Western Balkans has increased substantially through the bilateral free trade agreements, different set of rules remained an obstacle for the region to fully develop its economic potential, in particular, in terms of in-ward investments.

The implementation of CEFTA provides important advantages for the beneficiaries, namely:

1. One single set of rules will make it clearer and easier for Western Balkans producers and traders to develop business relations within the region.
2. Once established, the free trade area will attract more foreign direct investors, who will find it easier to carry out investment in one single free trade area, where markets and rules are no longer fragmented. Increased investment will contribute directly to jobs and growth.
3. The alignment of the trade and investment regime among the candidate and potential candidates is also an important preparation to the EU Single Market and to their participation in the EU's common commercial policy.
4. Finally, the implementation of CEFTA will facilitate alignment of the beneficiaries with WTO rules and facilitate the accession negotiations of those, who are not yet Members, to WTO.

For the benefits of trade to develop fully continuous business climate reforms at regional level are important. Therefore, the work on the implementation of CEFTA will be complemented by activities of the SEE Investment Committee (SEEIC) created under the auspices of the OECD led Investment Compact as part of the overall strategy of enhancing regional ownership of initiatives originally created by the Stability Pact for South East Europe. It comprises senior officials from ministries of economy in all the beneficiaries and uses a system of working groups to assess different aspects of investment-related policies (including trade) and to agree on priority reforms<sup>5</sup>. Active co-operation between the CEFTA structures and the SEEIC will contribute significantly to improving the overall trade and investment climate in the region, establishing productive networks among officials in related areas and improving dialogue with the business community.

The establishment of a regional free trade zone by 31 December 2010 accompanied by related business climate reforms is a challenging task for the region. The beneficiary authorities in charge of monitoring and implementing CEFTA and business climate reforms are still at the beginning to build up their administrative and technical capacities to address the tasks ahead. In addition, discussions on trade and investment will from now on take place on a regional level requiring meetings of CEFTA and the SEEIC and all the related preparations and follow-up. This is where the EU assistance will come in. It will guide the region for a limited time period to develop its own capacities to create regional norms and procedures, to formulate and implement regional trade and investment generation policies and to develop sustainable structures and networks at regional level to move forward regional trade integration on a continuous basis.

### 3.2 Assessment of project impact, catalytic effect, sustainability and cross-border impact (where applicable)

The absence of EU support to co-finance the CEFTA Secretariat and technical assistance for the analysis of trade and investment related policies and Sub-Committee and Working Group issues may lead to delays both in the setup of the regional structures and decisions concerning the implementation of CEFTA and adequate policy reforms.

The timely provision of expert advice and guidance should allow for a better adherence to the obligations set out in the agreement and to address policy deficits. The timely implementation of CEFTA will have a catalytic effect on the ability of the CEFTA parties to meet their EU and WTO obligations.

Sustainability will be provided through the transfer of know-how and expertise in specific areas to local experts, including, in particular, analytical capabilities to monitor the implementation of trade and investment related aspects.

The project has a strong cross-border impact. As the result of the progress in CEFTA and investment related policy reforms, cross-border trade and investment will substantially increase.

### 3.3 Results and measurable indicators:

#### Expected Results

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<sup>5</sup> To date, four working groups have been established (regulatory reform analysis, investment promotion, human capital development and anti-corruption).

- CEFTA Secretariat effectively supporting CEFTA decision making structures
- Trade and investment related policies assessed and recommendations formulated including a prioritisation of for policy reform (amongst others tax policies, financial market development, human capital and labour market policies)
- Progress in the work of the CEFTA Sub-Committees (i.e. commitments made in the liberalisation of trade with respect to agricultural products, non-tariff trade barriers and customs co-operation)
- Progress in the work of the SEEIC and its Working Groups (i.e. identification of priority reforms and development of work programmes to implement)
- Strengthened capacity of authorities and institutions with respect to the implementation of CEFTA and related trade and investment policies;
- Strengthened regional links and networking between governments of the Western Balkans with a view to align trade and investment related legislation and policies;
- Links between governments and the business community re-enforced.

#### Measurable Indicators

- Annual work programmes for CEFTA approved by Joint Committee and implemented by May 2010;
- CEFTA monitoring system in place and implemented on schedule
- One meeting per Sub-Committee in 2009 and one Joint Committee meeting
- Work programme of the Sub-Committee approved in 2009 and implemented in 2010
- One meeting of SEEIC Working Groups and one SEEIC plenary session in 2009
- Work Programme for SEEIC Working Groups approved and implemented
- Information network on trade, trade related issues and projects in the CEFTA region available and updated
- CEFTA web-site in place and continuously updated
- Trade and investment policy monitoring tools available to Beneficiaries
- CEFTA and SEEIC experts received coaching on economic analysis
- Sub-Committee Decisions taken to reduce barriers to trade in their respective domain
- Informal/formal networks between government officials and business community established

It will be possible to verify the achievement of these indicators in the Annual Report of the CEFTA Secretariat, CEFTA CiO Annual Report, OECD Investment Compact Report, SEEIC Working Group Annual Reports, the minutes of the meetings of the Sub-Committees and Joint Committee as well as the CEFTA web-site. Other sources of verification will be the South East European Investment Reform Index Report which will integrate the results of the policy assessment carried out by the OECD. With regards to the training provided, the OECD final project report will provide information on this aspect.

### 3.4 Activities:

#### Activity 1 – Supporting the CEFTA Secretariat's functioning in year 2

The CEFTA secretariat staffed with five persons was established in Brussels in August 2008 as an international organisation. The European Commission signed a direct agreement with the CEFTA Secretariat upon its incorporation covering the first year of operation.

For the second year of operation, the European Commission will provide an operating grant to the CEFTA Secretariat. For this purpose the European Commission concluded a new direct agreement with the CEFTA secretariat based on Article 168 (c) of the Implementing Rules, considering that the Secretariat has a de facto monopoly. This agreement will provide 50% of funding to the Secretariat in year 2. The remaining 50% will be financed jointly by the CEFTA parties and bilateral donors.

The overall role of the Secretariat is to support the CEFTA Joint Committee and in particular, the Chair in Office (rotating among parties on an annual basis) to ensure that CEFTA is implemented in line with its provisions.

The Secretariat's activities will be as follows:

- Draft annual CEFTA Work Programme (Joint Committee and Sub-Committees);
- Organise and follow up all meetings of the Joint Committee, Sub-Committees and any other groups set up by the Joint Committee and its appropriate organs, including, but not limited to, work involving research and preparation of background documents and/or technical papers, and the preparation of meetings;
- Help with the drafting of terms of reference for technical assistance aimed at supporting the implementation of CEFTA obligations;
- Monitor, as requested by the Joint Committee, implementation of CEFTA 2006, organise annual or other reviews stipulated by CEFTA 2006 and circulate notifications, information/updates to the Parties;
- Provide the necessary support for implementation of the dispute settlement mechanisms as outlined in the Agreement;
- Collect information on trade-related issues and projects at regional level and encourage co-operation and co-ordination between CEFTA structures and other complementary regional bodies and programmes;
- Promote the benefits of CEFTA to the business community both in the region and internationally.

Activity 2 - Strengthen the administration capacity of the beneficiaries to formulate and implement policies furthering both the implementation of CEFTA and promoting trade and investment

CEFTA's implementation and the development and implementation of complementary investment related reforms are in the hands of the Beneficiaries. Regional co-operation under CEFTA and the SEEIC is a novelty to the beneficiaries in terms of content and structure, and it is important to gradually transfer technical know-how and administrative capacities to the Beneficiaries. This is attempted through activities 2.1 and 2.2.

For all of the activities summarised below, the relevant CEFTA and SEEIC structures (Chair in Office and Secretariat) should be consulted and all activities co-ordinated with the overall implementation of CEFTA.

Activity 2.1 - Monitor, evaluate and prioritise Business Climate Reforms to increase the impact of trade liberalisation and generate investments in South East Europe

Under this activity know-how will be transferred to the beneficiaries on how to monitor, evaluate and prioritise policies conducive to trade and investment, with an initial focus on assessing

- human capital development and labour market policies
- tax policy and administration and
- financial market development

The European Commission will sign a direct Agreement with the OECD Investment Compact based on Article 168 (c) of the Implementing Rules, considering that the OECD Investment Compact – as the body supporting the SEEIC- has a de facto monopoly. The OECD Investment Compact<sup>6</sup> has developed a tool for monitoring and evaluating government policy to improve the business climate. This is the Investment Reform Index (IRI)<sup>7</sup>. The first IRI was published in 2006. It allowed Beneficiaries to benchmark their progress relative to peers in the region and provided guidance on how to improve each policy dimension through good practices from OECD countries. Under this Programme the IRI will be deepened and extended to monitor and evaluate selected policies that enhance the impact of trade liberalisation and investment generation.

The IRI methodology is based on a tripartite approach involving the OECD, the governments of Beneficiaries and the private sector of Beneficiaries. Where the governments will be involved in the monitoring, evaluation and prioritisation of the selected policies, local experts will be coached in order to repeat such assessments in the future on a regular basis and formulate recommendations.

Progress and recommendations following this activity should be discussed by the SEE Investment Committee and the CEFTA Joint Committee.

Activity 2.2. – Technical Assistance for the work of the CEFTA Sub-Committees

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<sup>6</sup> See also under "3.6. Linked Activities"

<sup>7</sup> It includes investment policy, investment promotion and facilitation, tax policy, anti-corruption and business integrity, competition policy, trade policy, regulatory reform, human capital.

Under this activity it is foreseen to mobilise technical expertise for the Sub-Committees through a restricted tender procedure (use of the EC framework contract). At the moment the following Sub-Committees have been established: (i) agriculture and sanitary and phytosanitary issues (ii) customs co-operation and rules of origin and (iii) non-tariff barriers including technical barriers to trade. Should further Sub-Committees be established the mobilisation of such expertise could also be covered under funding available from Activity 2.2.

The CEFTA structures will have the main role in defining the terms of the assignments for this short term expertise in close co-ordination and consultation with the Commission. Part of the needs for experts will stem from agreed work programmes of the individual sub-committees.

The assignments may deal with the following activities

- Develop and Agree on Work Programme for newly established Sub-Committees to address key areas in systematic and prioritised fashion;
- Research and analyse trade related topics, draft legislation and procedures, conduct training programmes and carry out information/awareness raising activities.

### 3.5 Conditionality and sequencing:

- A pre-condition to launching the assistance under this Programme is the registration and establishment of a CEFTA Secretariat in Brussels.
- CEFTA parties and bilateral donors will contribute 50% towards the costs of the CEFTA Secretariat, during the second year of operation.
  - EC funding for the CEFTA Secretariat will phase out over the next two years. The EC contribution expressed as a percentage of the total amount of the costs of the Secretariat (estimation €50,000 per annum) is expected to decrease progressively as follows: 50% in 2009 (IPA budget 2008), and 20% in 2010 (IPA budget 2009) and 0% in 2011. As from the fourth year of operation it is envisaged that the CEFTA parties will fully bear the costs of the Secretariat.
  - Beneficiaries pro-actively work as part of the SEEIC Working Groups and support the work politically and technically.
  - CEFTA parties are politically committed to implementing CEFTA and related policies to further trade and investment at regional level.
  - Recommendations from the CEFTA Secretariat and the SEEIC Working Groups are approved and implemented by the Beneficiaries.
  - EC and other donors continue to provide complementary trade and investment-related assistance at national level.

Activity 1 (identification of priorities within the framework of the CEFTA Secretariat) should start first. Approval/endorsement of the general CEFTA work programmes and Sub-



Committee work programmes by the CEFTA Joint Committee will permit the identification of the terms of reference of the expertise required for Activity 2.2, which will start later. It will also provide an important input to the depth and direction of the trade-related policy assessment under activity 2.1. The latter will commence based on the approved work programme of the SEEIC.

### 3.6 Linked activities

The Regional Co-operation Council (RCC) will play a valuable role in monitoring implementation and undertaking political trouble-shooting. For CEFTA and the SEEIC to be exploited to the full it will be vital to ensure an adequate flow of information between the CEFTA Structures, the SEEIC and the RCC.

At project level, both at regional and national level, investment promotion and business climate support and job creation measures exist or are being planned<sup>8</sup>. National assistance targeting the improvement of the administrative capacities of the customs administrations and Ministry of Finance, in particular for Montenegro, is also linked.

In Bosnia and Herzegovina a comprehensive trade related needs assessment was carried out in 2007. Amongst others, the resulting report<sup>9</sup> analyses technical barriers to trade, the legal framework for foreign direct investment, assessment of the administrative capacities of the trade policy-making institutions, in particular, those units responsible for implementing CEFTA. The report reveals a number of shortcomings with regards to the administrative capacity to implement CEFTA and which are addressed in the national programme 2008. The recommendations of this report with regards to CEFTA will be taken into account in this Regional Programme.

Activities directly linked to the implementation of CEFTA will be taking place in Bosnia and Herzegovina<sup>10</sup> and Kosovo, where it is planned to support, among others, the administration capacity of the authorities in charge of implementing CEFTA. This will effectively complement measures to support CEFTA as a whole at regional level.

### 3.7 Lessons learned

This Programme concerns the second year of supporting the implementation of CEFTA at regional level. As this Programme's activities will start, the previous year's Programme continues and respective work programmes concerning the first year of operation of the CEFTA Secretariat, monitoring of investment related clauses of CEFTA, and the recruitment for technical assistance for the sub-committees are being implemented. Prior to the start of activities under this Programme, the lessons learned from the first year will be taken into consideration.

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<sup>8</sup> Regional Project "Invest in the Western Balkans Programme" (EUR 1 million) – implemented by FIAS/IFC until end of 2009 and Regional Project "Defining and Strengthening Sector Specific Sources of Competitiveness in the Western Balkans" (EUR 1 million) implemented by the OECD until the end of 2009.

<sup>9</sup> Trade Related Needs Assessment Report, Sarajevo, November 2007, Maxwell Stamp PLC, co-financed by the EC

<sup>10</sup> Support the BIH State Ministry of Foreign Trade and Economic Relations in developing its institutional capacity related to the implementation of WTO, CEFTA and SAA (EUR 2 million).

Previous trade-related assistance experience has shown that when providing guidance to the CEFTA parties, different levels of capacities and know-how between the CEFTA parties concerning the issues related to CEFTA has to be taken into consideration. Training and advice needs to be designed in the way to consolidate these different levels and ensure implementation of agreed recommendations.

Dealing with and investment related issues at regional level is relatively new to the Beneficiaries, as most issues have previously been handled at a bilateral level. Thus, for all the activities undertaken under this Programme it will be very important to put emphasis on practical mechanisms for co-operation and create sustainable formal and informal regional networks among and between both government experts. It will also be important to include the local business community in these networks.

A number of multilateral and bilateral organisations provide trade and investment related assistance, some on a regional basis. The CEFTA Secretariat and the SEEIC should involve them to avoid duplication and overlapping activities.

#### 4. Indicative Budget (amounts in EUR)

			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1	x		650,000	325,000	50	325,000	50					
contract 1.1	x	–	325,000	325,000	50	325,000	50					–
Activity 2	x		475,000	475,000	100							
contract 2.1	x	–	325,000	325,000	100							–
contract 2.2	x	–	150,000	150,000	100							–
.....												
TOTAL IB			1,125,000	800,000	71,1	325,000	28,9					
TOTAL INV												
<b>TOTAL PROJECT</b>			<b>1,125,000</b>	<b>800,000</b>	<b>71,1</b>	<b>325,000</b>	<b>28,9</b>					

Amounts net of VAT

(1) In the Activity row use "X" to identify whether IB or INV

(2) Expressed in % of the **Total** Expenditure (column (a))

## 5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1	NA	3 <sup>rd</sup> Quarter 2009	3 <sup>rd</sup> quarter 2010
Contract 2.1	NA	3 <sup>rd</sup> Quarter	3 <sup>rd</sup> Quarter 2010
Contract 2.2	3 <sup>th</sup> Quarter 2009	4th quarter 2009	2 <sup>rd</sup> quarter 2010

## 6. Cross-cutting issues

NA

## ANNEXES

- 1- Log frame in Standard Format
- 2- Amounts contracted and Disbursed per Quarter over the full duration of Programme
- 3- Description of Institutional Framework
- 4 - Reference to laws, regulations and strategic documents:
  - Reference list of relevant laws and regulations
  - Reference to AP /NPAA / EP / SAA
  - Reference to MIPD
  - Reference to National Development Plan
  - Reference to national / sectoral investment plans
- 5- Details per EU funded contract (\*) where applicable:

**ANNEX 1: Logical framework matrix in standard format**

LOGFRAME PLANNING MATRIX FOR Project Fiche	Programme name and number Regional Programme on Trade and Investment in the Western Balkans	
	Contracting period expires: 30/11/2009	Disbursement period expires 30/12/2012
	Total budget : EUR 1,125,000	IPA budget: EUR 800000

<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	
Contribute to increase in trade and investment among Beneficiaries	Inter-regional trade volume increased by 30% by 2010 Increased in FDI at regional level by 20% by 2010	National trade and investment statistics (National Banks, institute for statistics etc.), IMF	
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
Support Monitoring and Implementation of CEFTA 2006 and Activities of the SEE Investment Committee	-All customs duties on the import of industrial products abolished by 31 Dec 2008. -Customs duties on imports of agricultural products reduced/abolished according to the schedule in Annex 3 of the CEFTA Agreement -Export subsidies for agricultural products abolished -Co-operation and exchange of information on sanitary and phytosanitary measures	CEFTA Reports (Secretariat, Chair in Office, Sub-Committees) OECD Investment Reform Index 2009-2010	Political commitment of beneficiaries to implement CEFTA and to implemented agreed investment reforms

	<ul style="list-style-type: none"> <li>-Technical barriers to trade identified and schedule for their reduction/elimination set up</li> <li>-Negotiations on harmonisation of technical standards started and time schedule established for conclusion</li> <li>-Negotiation for harmonisation of procedures for assessment of conformity started</li> <li>-Review done on co-operation in customs administration</li> <li>-Priority Investment Reforms identified</li> <li>-Implementation of priority investment reforms started to be implemented</li> </ul>		
<b>Results</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<ul style="list-style-type: none"> <li>-CEFTA Secretariat effectively supporting CEFTA structures</li> <li>CEFTA</li> <li>-Trade and investment related policy areas assessed and recommendations formulated</li> <li>-Progress in the work of the Sub-Committees and the SEEIC Working Groups</li> <li>-Strengthened capacity of authorities and institutions with respect to the implementation for CEFTA and investment related policies</li> <li>-Strengthened regional links</li> </ul>	<ul style="list-style-type: none"> <li>-CEFTA Work Programme implemented by May 2010</li> <li>-Monitoring Systems for CEFTA in place and implemented on schedule</li> <li>-One meeting per CEFTA Sub-Committee in 2009 and one CEFTA Joint Committee meeting in 2009</li> <li>-One meeting of the SEEIC and one meeting of the SEEIC working groups in 2009</li> <li>-Work Programmes of Sub-Committees approved in 2009 – implemented in 2010</li> <li>-Information network on trade related issues and projects for region</li> <li>-CEFTA web-site updated</li> <li>-Monitoring and Analytical tools in place to assess</li> </ul>	<ul style="list-style-type: none"> <li>Final report of CEFTA Secretariat to EC</li> <li>Minutes of the meeting of the CEFTA Joint Committee and Sub-Committees, SEEIC meetings</li> <li>CEFTA web-site</li> <li>Final report of the OECD Investment Compact to EC</li> <li>OECD Investment Reform Index</li> </ul>	<ul style="list-style-type: none"> <li>Continued co-financing of CEFTA Secretariat by CEFTA parties and bilateral donors</li> </ul>

and networking between WB governments and the business community	trade and investment related policy areas -Sub-Committee Decisions to reduce barriers to trade in their domain -CEFTA and SEEIC local experts received coaching on economic analysis -Informal/formal networks between government experts and the business community	2009/2010 FC Consultant's Final Report	
<b>Activities</b>	<b>Means</b>	<b>Costs</b>	<b>Assumptions</b>
<ul style="list-style-type: none"> <li>-Develop Annual CEFTA (Joint Committee/Sub-Committee WP)</li> <li>-Organise/follow up on meetings</li> <li>-Collect information on trade related issues and projects at regional level</li> <li>-Draft ToRs for assignments under Sub-Committees</li> <li>-Promote activities of CEFTA to business community</li> <li>-Assess human capital development and labour market policies, tax policies and financial market development</li> <li>-Coach local experts</li> <li>-Research and analyse trade and investment rel topics</li> <li>-Draft legislation and procedures</li> </ul>	<ul style="list-style-type: none"> <li>Staff of CEFTA Secretariat (5), office equipment</li> <li>OECD staff and equipment</li> <li>Experts in issues dealt with by Sub-Committees</li> <li>Service Contract</li> <li>Contribution Agreement</li> </ul>	<b>€1,125,000</b>	<ul style="list-style-type: none"> <li>-Recommendations from CEFTA Secretariat and SEEIC accepted</li> <li>-Joint Committee, Sub-committees and SEEIC meet as scheduled</li> </ul>

**ANNEX II: Amounts (in €) Contracted and disbursed by quarter for the project**

<b>Contracted</b>	<b>Q1 2009</b>	<b>Q2 2009</b>	<b>Q3 2009</b>	<b>Q4 2009</b>	<b>Q1 2010</b>	<b>Q2 2010</b>	<b>Q3 2010</b>	<b>Q4 2010</b>			
Contract 1.1			325000								
Contract 2.1			325000								
Contract 2.2.				150000							
<b>Cumulated</b>			<b>650000</b>	<b>800000</b>							
<b>Disbursed</b>											
Contract 1.1				260000				65000			
Contract 2.1				260000				65000			
Contract 2.2.					90000			60000			
<b>Cumulated</b>				<b>520000</b>	<b>610000</b>			<b>800000</b>			



### **Annex III: Description of Institutional Framework**

The driving institution with regards to trade policy at a global scale is the **World Trade Organisation (WTO)**, which sets the global rules for trade between nations. WTO contributes to peace and prosperity at a global scale as it serves to liberalise trade, negotiate trade agreements and settle trade disputes. It also operates a system of trade rules.

The core of the WTO system, referred to as the multilateral trading system, are the WTO agreements which lay down the legal ground rules for international trade as well as the market-opening commitments taken up by its Members. These agreements are negotiated and signed by all Members of the WTO and ratified in their parliaments. Apart from all 27 EU Member States, from among the Western Balkans Albania, Croatia and the former Yugoslav Republic of Macedonia have signed such agreements with the WTO. Serbia, Bosnia and Herzegovina as well as Montenegro are currently in the process of negotiating those Agreements.

The EU through its common trade policy ("Common Commercial Policy") based on Art 133 of the EC Treaty acts as one single actor on trade issues, where the **European Commission** (DG Trade) negotiates trade agreements and represents the European interests on behalf of the Union's 27 Member States, including in WTO matters.

At country level, the institutional framework with regards to the implementation of trade policy at regional level, at EU level and at multilateral level is as follow:

**Albania:** Ministry of Economy, Trade and Energy is the institution in charge of drafting and implementing trade policy in Albania, CEFTA included.

**Bosnia and Herzegovina:** The BiH State Ministry for Foreign Trade and Economic Relations (MoFTER) and the ministries in charge in the two entities (Federation of BiH and Republica Srpska) are responsible for the application of foreign trade policy and customs tariff policy. MoFTER is empowered to co-ordinate activities in foreign trade policy across the entities including CEFTA issues.

**Croatia:** The trade policy department of the Croatian Ministry of Economy, Labour and Entrepreneurship is in charge of implementing and following up on the fulfilment of commitments pursuant to trade agreements including CEFTA. Within the same Ministry the Directorate for Investment Promotion and Export is in charge of developing and implementing investment reforms.

**Former Yugoslav Republic of Macedonia:** The Ministry of Economy, Sector for International Trade Cooperation is in charge of implementation and monitoring CEFTA at national level.

**Serbia:** The Ministry of Economy and Regional Co-operation is in charge of designing, negotiating and implementing trade policy and negotiating international agreements.

**Montenegro:** The Ministry of Economic Development is in charge of issues related to CEFTA and investment related reforms.

**Kosovo:** The Ministry of Trade and Industry, the Patent Office and the Agency for Standardisation are the institutions relevant for the implementation of CEFTA.

The institutional framework for the implementation of trade policy at the regional level is most relevant for this Programme as it deals with the implementation of the Central European Free Trade Agreement. At regional level, it will be the Joint Committee – composed of senior government officials from the CEFTA Parties – which will take the main decisions on implementing CEFTA.

## **Annex IV: Reference to laws, regulations and strategic documents**

### **1. Reference list of relevant laws and regulations (non exhaustive)**

#### **1.1. Relevant EU policies in the field of trade and investment**

Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: Global Europe : Competing in the World – A Contribution to the EU's Growth and Jobs Strategy (4 October 2006)

Communication from the Commission to the European Parliament and the Council: Enlargement Strategy and Main Challenges 2007-2008 (6 November 2007)

Communication from the Commission to the European Parliament and the Council: Western Balkans: Enhancing the European Perspective (5 March 2008)

#### **1.2. Regional Trade Relations Western Balkans**

- Agreement on Amendment and Accession to the Central European Free Trade Agreement (signed 19 December 2006)

#### **1.3. Bilateral Trade Relations EC- Western Balkans**

- Council Regulation (EC) No 2007/2000 of 18 September 2000 introducing exceptional trade measures for countries participating in or linked to the European Union's Stabilisation and Association Process, amending Regulation (EC) No 2820/98, and repealing Regulations (EC) No 1763/1999 and EC No 6/2000
- Commission Regulation (EC) No 2487/2001 of 18 December 2001 amending Council Regulation (EC) No 2007/2000 as regards relations with Bosnia and Herzegovina, the Republic of Croatia, the former Yugoslav Republic of Macedonia, and the Republic of Slovenia
- Council Regulation (EC) No 374/2005 of 28 February 2005 amending Regulation (EC) No 2007/2000 introducing exceptional trade measures for countries and territories participating in or linked to the European Union's stabilisation and association process
- Council Regulation (EC) No 1946/2005 of 14 November 2005 amending Regulation (EC) No 2007/2000 introducing exceptional trade measures for Beneficiaries participating in or linked to the European Union's Stabilisation and Association process.

#### **Multilateral Trade Relations of Western Balkans**

WTO membership: Albania (8 September 2000), Croatia (30 November 2000), FYRoM (4 April 2003)

Serbia, Montenegro and Bosnia Herzegovina are currently negotiating their membership to WTO.

## **Annex V: Details per EU funded contract**

	<b>Type of Agreement</b>	<b>Amount in €</b>	<b>Duration</b>
<b>Contract 1.1.</b>	Contribution Agreement with International Organisations	325 000	12 months
<b>Contract 2.1.</b>	Contribution Agreement with International Organisations (taking into account the framework agreement between the EC and the OECD.	325 000	12 months
<b>Contract 2.2.</b>	Service Contract (framework contract)	150 000	12 months