

to the Commission Implementing Decision on the financing of the multi-country multiannual action plan in favour of the Western Balkans and Turkey for 2021-2022

Action Document for “EU support to the development of a Common Regional Market (CRM)”

1. SYNOPSIS

1.1. Action Summary Table

Title	EU support to the development of a Common Regional Market (CRM) Multi-country multiannual action plan in favour of the Western Balkans and Turkey for 2021-2022
CRIS/OPSYS number	IPA III/2021/043-643/15
Basic Act	Financed under the Instrument for Pre-Accession Assistance (IPA III)
Team Europe Initiative	No
Zone benefiting from the action	Western Balkans (Republic of Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, Republic of North Macedonia, and Republic of Serbia) and Republic of Moldova ¹
Programming document	IPA III Programming Framework
PRIORITY AREAS AND SECTOR INFORMATION	
Window and thematic priority	Window 4 – Competitiveness and Inclusive growth Thematic Priority 2 - Private sector development, trade, research and innovation Window 3 – Green Agenda and sustainable connectivity Thematic Priority 1 - Environment and climate change; and, Thematic Priority 2 - Transport, digital economy and society, and energy
Sustainable Development Goals (SDGs)	Main SDG : SDG 8 Decent work and economic growth Other significant SDGs: SDG 5 Gender equality SDG 9 Industry, Innovation and Infrastructure SDG 10 Reduced inequalities SDG 13 Climate Action
DAC code(s)	43010 – Multisector aid

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

¹ In relation to CEFTA-related activities, and in order to ensure the coherence and effectiveness of Union financing and to foster regional cooperation.

Main Delivery Channel@	Other multi-lateral institution - 47000			
Markers (from DAC form)	General policy objective@	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers@	Not targeted	Significant objective	Principal objective
	Biological diversity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Internal markers	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
Amounts concerned	<p>Budget line: 15 02 02 01.02</p> <p>Total estimated cost: EUR 21 000 000</p> <p>Total amount of EU budget contribution: EUR 21 000 000</p> <p>The EU contribution is for an amount of EUR 9 000 000 from the general budget of the European Union for financial year 2021 and for an amount of EUR 12 000 000 from the general budget of the European Union for financial year 2022, 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.</p>			
MANAGEMENT AND IMPLEMENTATION				
Type of financing and method(s) of implementation	<p>Project approach</p> <p>Direct management through Grants</p> <p>Indirect management with the World Bank Group</p>			
Relevant priorities and flagships from Economic and Investment Plan for the Western	Priority: Common Regional Market and Economic Integration			

Balkans	
Final date for concluding contribution / delegation agreements, procurement and grant contracts	For 2021 - At the latest by 31 December 2022 For 2022 - At the latest by 31 December 2023
Indicative operational implementation period	72 months following the adoption of the Financing Decision – allocation 2021 84 months following the adoption of the Financing Decision – allocation 2022

1.2. Summary of the Action

The Action aims to support the implementation of the Common Regional Market (CRM) Action Plan, in order 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 accelerate accession to the EU; and (iii) enhance good neighbourly relations. The CRM is structured around the four freedoms (free movement of goods, services, capital and people) while also covering aspects of digital, investment, innovation and industry policy, in order to address the economic fragmentation in the Western Balkans with a view to accelerating economic convergence with the European Union (EU). The Action will also include the support to a subset of regional aspects of the Green Agenda for the Western Balkans (GAWB)². It will be implemented by the Regional Cooperation Council (RCC), the Central European Free Trade Agreement (CEFTA) Secretariat and the World Bank Group, building on the work done and lessons learned through the Multi-annual Action Plan for a Regional Economic Area (MAP REA).

The objective thereof is the creation of a (i) regional trade area, (ii) regional investment area, (iii) regional digital area, and (iv) regional industrial and innovation area, with a view to forming a CRM, as a stepping-stone to integrate the region more closely with the EU Single Market prior to their accession to the European Union. The action is aligned with the Economic and Investment Plan (EIP)³, the Green Agenda for the Western Balkans and the Western Balkan Agenda on Innovation, Research, Education, Culture, Youth and Sports. It also builds on the achievements of the Digital Agenda for the Western Balkans.

2. RATIONALE

2.1. Context Analysis

As outlined in the European Commission priorities, green transition, digital transformation and an economy that works for people, are crucial for relaunching and modernising the economies of the IPA III beneficiaries. The Action will contribute to all of the above, in line with Windows 3 and 4 and *Thematic Priority 2: Private sector development, trade, research and innovation*, which aims to improve the business environment, innovation ecosystem and investment climate of the beneficiaries, promoting integration with EU industrial value chains, in view of supporting the socio-economic recovery after the COVID-19 pandemic and increasing the competitiveness of these economies.

The action will contribute to the implementation of the EIP, which calls for the Western Balkans to develop a CRM. The Action also builds on to the achievements of the Digital Agenda for the Western Balkans, which has been a key policy framework for the digital transformation of the region since its adoption in 2018.

The Western Balkans CRM – a catalyst for deeper regional economic integration and a stepping stone towards EU Single Market

At the Sofia Summit on 10 November 2020, the leaders of the Western Balkans recognised the need to better integrate

² SWD(2020) 223, 6.10.2020.

³ COM(2020) 641, 6.10.2020.

economically the Western Balkans – amongst themselves and with the EU.

They launched the CRM initiative, which is structured around the four freedoms (free movement of goods, services, capital and people) while also covering aspects of digital, investment, innovation and industry policy. This makes it the most ambitious regional integration effort to date in the Western Balkans.

The CRM represents a stepping-stone to integrate the region more closely with the EU Single Market before accession. This is key for the region to leverage its privileged relation with the EU. Regional economic integration based on EU rules and closer association to the EU Single Market will help the Western Balkans in the accession process. At the same time, the accession process and the gradual compliance with the EU *acquis* will help strengthen intra-regional integration.

Building a common market of 18 million people – potential game changer for the region

The CRM Action Plan aims to address the current economic fragmentation of the region. As an example, trucks spend 28 million hours waiting at borders every year – a burden that costs 1% of the region's GDP. Building a common market of 18 million people, functioning on the basis of EU rules, could be a game changer for the Western Balkans and would benefit both the region and the EU. For example:

- it increases the benefits of the big infrastructure projects (which require a minimum level of market integration within the region)
- it builds on the regulatory convergence process (*acquis* alignment) in which the entire region is engaged
- it has the potential to make the region a more attractive investment destination, able to benefit from nearshoring opportunities emerging from the pandemic context

Expected benefits

The CRM Action Plan for 2020-2024 adopted in Sofia specifies tangible and concrete results. Deliverables include for example:

- Travel within the region with an ID card only
- Facilitation of trade of food products and industrial goods through mutual recognition agreements: if one product is good enough for a internalmarket, it is good enough for the region
- Increased possibilities for professionals to work and students to study throughout the region
- Lower costs for regional payments
- Development of a regional digital market (e-commerce, 5G, digital services, data economy)
- Smoother border crossings by expanding the green lanes initiative to cut the waiting time at the borders to 70% of the current waiting times

According to the World Bank, economic integration would bring a 6.7% increase in the region's GDP and the International Monetary Fund estimates that the GDP could grow up to 10% if the region was better integrated in global value chains.

Regional organisations play an important role

The RCC, and CEFTA play a prominent role in coordinating and supporting the Western Balkans in this endeavour.

Private sector involvement is key

The private sector plays an important role in supporting the socio-economic transformation of the Western Balkans. With the CRM, it will be able to benefit from increased opportunities generated by the free movement of goods, services, people and capital within the region. Private sector representatives, notably Chambers of Commerce, therefore play a crucial role in the implementation of the CRM Action Plan.

2.2. Problem analysis by areas of support

The Action aims to address the economic fragmentation in the Western Balkans with a view to accelerating economic convergence with the EU. The region is facing continued challenges from weak competitiveness, high unemployment and significant brain drain. This action aims to step up convergence efforts, overcoming structural weaknesses,

strengthening innovation potential, and accelerating the green and digital transitions, through activities in the following four areas:

1. Regional trade area: free movement of goods, services, capital and people

The liberalisation and facilitation of trade in goods is based on Additional Protocol 5 (AP5) in the CEFTA. Although great strides have already been achieved in completely eliminating tariffs, key challenges still prevail in areas such as in the elimination of non-tariff barriers – and with that the establishment of a Dispute Settlement Mechanism – and ensuring the free movement of goods by aligning to the EU *acquis* and possibly via mutual recognition programmes.

Overall, the liberalisation and facilitation of trade in services is based on Additional Protocol 6 (AP6) in the CEFTA. One of the key challenges is to enable temporary service supply without establishment and authorisation requirement in line with the Chapter 3 of the EU *acquis*.

Regarding the recognition of professional qualifications, there is a need to adopt and implement a framework for the recognition of professional qualifications based on the EU system of automatic recognition. In terms of tourism, the region currently faces unnecessary barriers relevant to the licensing requirements for travel agencies and tour operators. The aim is to set out rules for ensuring the freedom of establishment and the free movement of services, while maintaining a high quality of services.

2. Regional investment area

Foreign Direct Investments (FDI) flows to the region remain low, mostly stagnant or decreasing over the past decade. With few exceptions, inward FDI levels have been lower than in other transition economies in Europe. Intra-regional FDI in the Western Balkans are also low and only represent about 6% of total FDI. According to the latest available data, comparable regions such as the Association of Southeast Asian Nations (ASEAN) present shares of intra-regional FDI of approximately 25%.

Greater regional alignment of investment policies in the region will create a more attractive environment for investors, by reducing time and costs to do business, creating economies of scale supporting, overall efficient allocation of resources and outreach to investors.

Global FDI flows collapsed in 2020 due COVID-19 pandemic. In light of declining FDI flows and increasing global competition, a joint regional approach to retain and foster investment promotion and reforms are a priority, particularly in the context of attracting global value chains and nearshoring of production networks and supply chains.

3. Regional digital area

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.

4. Regional industrial and innovation area

The regional industrial and innovation area aims to upgrade the regional industrial base and enhance competitiveness in European value chains by focusing on five priority sectors: automotive, agro-food, metal processing, circular economy/green value chains and creative industry. By supporting youth, women and green entrepreneurship, start-ups and early stage firms, the CRM seeks to strengthen sustainable industrial development in the region. The key goal of the regional innovation area is building a dynamic regional innovation ecosystem by supporting the region's businesses in priority industry sectors to innovate, grow, and contribute to European and global value chains. The CRM positions innovation as the most effective tool for sustainable regional economic development through connecting and empowering various stakeholders including businesses, governments, academia, and civil society.

5. Green Agenda for the Western Balkans

The Western Balkans face a common set of environmental challenges, such as pollution, especially air pollution; waste disposal, collection and treatment of wastewater. At the same time, the region has remarkable biodiversity which needs to be protected and conserved.

2.3. Relevance and complementarity with strategies supported by key stakeholders

Regional trade area: free movement of goods, services, capital and people, including crosscutting measures, such as the Green Lanes, to align with EU-compliant rules and standards and provide opportunities for companies and citizens.

The aim is to closely align rules and regulations with the core principles governing the EU Internal Market based on the four freedoms approach through mutual recognition arrangements, removing obstacles, and cutting costs and time needed for goods, services, capital and people to move freely across the region. This would lead to the improvement of growth and employment opportunities, as trade liberalisation, capital flows and mobility lead to market expansion, technology sharing, and more investments between the Western Balkans. Great potential of economies of scale will remain untapped unless transfer of goods, services, capital, and people becomes unhindered throughout the region.

Regional investment area, to align investment policies with the EU standards and best international practices and promote the region to foreign investors.

International investors increasingly operate regionally, basing investment decisions on market size, regional production and supply networks, availability of talent in the Western Balkans, and infrastructure linkages. Greater regional alignment of investment policies and better coordinated investment promotion, particularly in the most promising value chains, holds significant potential for the economies of the Western Balkans to increase their attractiveness for FDI. It is of utmost importance for the region to join forces in removing existing barriers to regional investment as investors look at the region and the potential of its markets as a whole. Western Balkans is particularly well positioned to offer nearshoring alternatives for EU-based investors looking to adopt a more balanced distribution and diversification of supply sources and develop means of production closer to consumers.

Regional digital area, to integrate the Western Balkans into the pan-European digital market.

Unleashing the potential of the digital economy in the Western Balkans would facilitate exchanges of goods and services and intensify trade by enabling more products and services to be exported to more markets, often by younger firms. The internet is also reducing transaction costs, offering an avenue for the Western Balkans to accelerate their integration within the region, as well as with the EU and other developed markets. To integrate the Western Balkans into the pan-European digital space, the region needs to remove obstacles to e-Commerce, introduce interoperability and mutual recognition of electronic identification schemes across the Western Balkans, upgrade digital infrastructure and reduce the digital skills gap.

Regional industrial and innovation area, to transform the industrial sectors, shape value chains they belong to, and prepare them for the realities of today and challenges of tomorrow.

Promoting economic growth and job creation in the Western Balkans requires a shift towards a more productivity-based, export-oriented growth model in which research and innovation are integral to industrial development. This can be done by focusing our support to youth entrepreneurship, start-ups and early-stage firms, introducing mechanisms for diaspora knowledge transfer, fostering green and women entrepreneurship, and supporting sustainable regional supply chains and their integration into European and global networks in the context of realigned and regionalised value and supply chains.

The Green Agenda for the Western Balkans, to mitigate climate change and increase adaptation capacities with the overarching goal of reaching net-zero green-house-gases (GHG) emission by 2050, and improve protection of the environment, preservation and restoration of nature and biodiversity in the region, address pollution and introduce circular economy and sustainable agriculture principle, standards and practices.

The Green Agenda will help create jobs and improve citizen's quality of live through concrete actions reflecting the European Green Deal and adapted to the realities on the ground. Rolling out clean technologies, changing industries and making production patterns sustainable will make the region more attractive for tourism, investment and business opportunities.

2.4. Relevance and complementarity with EU policy and EU and other donors' assistance

The Action will support economic integration and alignment with the EU *acquis*, in complementarity with assistance planned under the IPA III, most notably under **Window 4 on Competitiveness and Inclusive Growth**.

More specifically, it will contribute to *Thematic Priority 2: Private sector development, trade, research and innovation* of the IPA III Programming Framework, with the aim of improving the business environment, innovation ecosystem and investment climate of the beneficiaries, promoting integration with EU industrial value chains, in view

of supporting the socio-economic recovery after the COVID-19 pandemic and increasing the competitiveness of the Western Balkans.

The Action will also partly contribute to *Thematic Priority 2: Transport, digital economy and society, energy* of **Window 3 – Green Agenda and sustainable connectivity**, through activities supporting the implementation of the Green Agenda for the Western Balkans as well as supporting the digital transformation of the region.

The Action Plan is in line with the objectives of **the EIP**, adopted in October 2020, which includes a section dedicated to economic integration, regional integration and the Western Balkans' integration with the EU. In this section, the European Commission outlines the necessity for the region to **create a CRM, based on EU rules and standards**. According to the EIP, *“such an approach secures integration both within the region and with the EU, and is an important milestone for preparation for the EU accession”*. The EIP also states, that *“the implementation of sectoral agreements in this regional framework will be taken into account in the assessment of how prepared the Western Balkans partners are for participation in the EU single market in the given sector: successful regional economic integration will help to pave the way to a deeper economic integration with the EU single market.”* And: *“The EU calls upon the Western Balkan governments to develop an ambitious and inclusive roadmap to build this Common Regional Market. This roadmap should concentrate on identifying key deliverables around the four freedoms (goods, services, capital and people), and identify future-proof economic sectors of common interest for which the region can present an attractive value proposition to the global market. The EU should encourage the region to develop a properly functioning inclusive framework allowing for such deepened regional economic integration.”*

The Action Plan will also contribute to the implementation of the Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport.

2.5. Lessons learned and links with previous financial assistance

The CRM builds on the achievements of the Multi-Annual Action Plan for a Regional Economic Area (REA), endorsed at the Trieste Summit in 2017, which came to an end in December 2020. MAP REA provided a basis for creating a framework for an unobstructed flow of goods, services, capital and highly skilled labour, in order to make the region more attractive for investment and trade.

MAP REA focused on four pillars. The RCC has been in charge of coordinating the implementation in three pillars of the MAP REA: *mobility, and digital integration*, as well as *investments* in cooperation with the World Bank, while CEFTA has been the lead in the *trade* pillar.

Results of the MAP REA include: an agreement on the regional investment reform agenda has been reached; the mobility of higher education has been fostered thanks to the recognition of qualifications; and roaming charges in the region have been reduced. It has also led to the adoption of ambitious agreements to facilitate trade in goods and liberalise trade in services.

A key lesson is that strong political commitment by Western Balkans leaders is necessary. The proposed activities are in line with the CRM Action Plan endorsed by the Prime Ministers of the Western Balkans to secure the highest level of political support and with the work programmes of the RCC and the CEFTA Secretariat.

Previous financial assistance

This action is a continuation of a number of IPA II actions to support the implementation of the MAP REA 2017-2020 working with the RCC, CEFTA and the World Bank as follows:

- IPA II 2019 grant *EU support to the Regional Cooperation Council for Strengthening regional cooperation and the development of a competitive Regional Economic Area (REA)*, which focused on the implementation of the measures under the investment, mobility and digital integration components of the Multi-Annual Action Plan for a Regional Economic Area (MAP REA) and its horizontal processes.
- In addition, it is a continuation of the sustained support to the CEFTA Secretariat (grant contract 2019 IPA II) which benefits the Parties of the Agreement (Western Balkans and Moldova) to guide them in increasing economic integration among themselves and convergence with the EU *acquis*. The current grant aims to strengthen the capacity of the Secretariat to provide support to the Parties, in particular in areas where special technical expertise is needed in view of the increasingly technical complexity of further trade facilitation and liberalisation of trade in services. It also allows the CEFTA Secretariat to develop the CEFTA Management Information System to better monitor the implementation of the Agreement.
- Furthermore, it is also a continuation of the World Bank's financial sector work financed through IPA 2014,

which assessed the Western Balkans financial sectors in 2019 and developed a Regional Roadmap with reform areas. In 2020, preparatory activities are being financed to develop detailed proposals and enable broad consultations among Western Balkans economies. These proposals are used as a basis of the Regional Investment area of this Action. Furthermore, the activity continues support for Western Balkans Regional Investment Policy and Promotion.

3. DESCRIPTION OF THE ACTION

3.1. Planned results and intervention logic (describing causal links between impact, outcome(s) and output(s) and including assumptions)

The expected impact of the Common Regional Market is threefold:

- (i) to increase socioeconomic growth in the region thanks to increased trade and investment;
- (ii) to foster the implementation of the EU *acquis* pertaining to the EU Single Market in order to accelerate accession to the EU;
- (iii) to enhance good neighbourly relations.

This action aims at supporting the implementation of the Action Plan adopted by the Western Balkans governments in view of establishing a CRM. Therefore, the Action mirrors the structure of the CRM Action Plan.

Regional trade area based on the four freedoms

(i) Cross-cutting trade measures

- Support smooth border crossing by establishing integrated controls and one-stop shops within CEFTA and connecting System of Electronic Exchange of Data (SEED+) and Queue Management Systems. These activities will be performed in cooperation with the Transport Community Treaty (TCT) Secretariat and will support the reduction of waiting times at the crossing points.
- Support to the Dispute Settlement Mechanism within CEFTA through the implementation of CEFTA Additional Protocol 7 (AP7).
- Broaden the scope of CEFTA in trade related aspects such as intellectual property rights, public procurement, and competition.
- Continue dialogue with the business community and academia.
- The action will as well support the maintenance of the CEFTA information systems.

(ii) Free movement of goods

- A smoother Border crossing among the CEFTA Parties is facilitated.
- Adoption and implementation of a harmonised Dispute Settlement Mechanism within CEFTA and tackling non-tariff barriers is supported.
- Implementation, negotiation and adoption of Mutual Recognition Programmes (MRPs) is supported, based on the relevant EU rules and standards.

(iii) Free movement of services

The trade in services part is based on the implementation of the AP6 (Trade in Services) that entered into force on 11 January 2021, and it will relate to the following indicative activities:

- Implementation and expansion of the AP6 on trade in services (with focus on tourism, postal and financial services, e.g.) is strengthened; implementation of the recognition of professional qualifications is facilitated.
- Definition of new mutual recognition programmes in prioritised sectors and e-commerce is facilitated.

(iv) Free movement of capital

- Cost-efficient payments within the Western Balkans and with the EU through the Single Euro Payment Area (SEPA) is facilitated.
- Implementation of domestic instant payments is supported and linkages of those systems in the region are enabled in view of limiting the costs of intra-regional payments.
- Regional cooperation on financial markets is enhanced (on issues such as partial credit guarantees, public financial

institutions; pre-insolvency and insolvency frameworks; NPL resolution, etc.).

(v) Free movement of people

- Facilitated dialogue to reach Agreement on Freedom of Movement and stay with ID cards and the Agreement on the Freedom of Movement of Third Party Citizens is implemented.
- Improved implementation of the Agreement on automatic recognition of academic qualifications.
- Facilitated dialogue for removal of Barriers for mobility of students, researchers, professors and professionals, access to labour.

Regional Investment area

- The region is promoted as a single investment destination thanks to a regional investor lead generation campaign and a high level investor conference.
- Investment opportunities in the region to investors from the region are promoted to increase intra-regional investments.
- Negotiations of International Investment Agreements (IIAs) between Western Balkans and third countries based on the Regionally Accepted Standards are supported.
- Regional guidance criteria and procedures for screening mechanisms at the economy level for quick reaction to FDI concerns based on the emerging EU standards and policy are developed.

Regional Digital area

- Digital infrastructure and connectivity is improved (broadband internet access, ultra-fast and secure network, including harmonised 5G networks).
- Strengthened implementation of Roaming policy and progress in EU-Western Balkans roaming charges reduction process.
- Strengthened implementation of EU 5G Toolbox, 5G piloting, Western Balkans Broadband Competence Offices (BCO) networking and peering, integration in EU related programmes/frameworks on infrastructure and connectivity.
- Foresight of skills gaps and needs for foreseen market trends (Industry 4.0., circular economy, green economy, etc.).
- Supported drafting and implementation of Digital skills strategies, priorities and actions including through dialogue between universities and business community to remedy the skills mismatch in the labour market.
- Support to the organisation of Western Balkans Digital Summits.
- Strengthened implementation of a regional uniform protection of personal data based on GDPR.

Regional Innovation area

- The Western Balkans Innovation and Research Platform is closely aligned with European Research Area and fully associated to Horizon Europe; stronger ties and alliances with the European Institute of Innovation & Technology (EIT), EUREKA, and European Cooperation in Science and Technology (COST) are forged.
- The creation of Regional innovation infrastructure, and the development of Digital Innovation Hubs and Technology Transfer Offices are supported in view of supporting innovation eco-systems in the region.
- A Regional Diaspora Knowledge Transfer Initiative and Platform is implemented.
- The Network of Women in STEM for the Next Decade is supported.
- Support to the economies with developing and implementing roadmaps (operational programs) with measures to boost innovation and startups ecosystem

Regional Industrial Area

- Support to establishment of a sustainable regional tourism development and management framework, including acceleration of digitalisation of the tourism industry and establishment of informal regional tourism forum to support exchange of good practices, boosting the innovation capacity of entrepreneurs and SMEs.
- Support to industrial skills development to improve SME capacities in automation and digitalisation
- Ad-hoc support is provided (to be defined during the inception phase of the Action based on a needs assessment) to private sector-led activities on the industrial area (metal processing, circular economy, creative industry, agrofood, automotive, etc.).
- Support in drafting industrial policy documents.

Green Agenda for the Western Balkans

- Support to and regional coordination of the implementation of the Sofia Declaration Action Plan.
- Maintaining GAWB monitoring system, building on and bringing together existing reporting processes (e.g. The European Environment Information and Observation Network (EIONET) network, the Energy Community decarbonisation tracker, etc.).
- Developing Green Industrial Skills in order to meet the demand created by greening the economy, also in the context of other major transformations, such as digitalisation.

In addition, the RCC will also contribute to support the work of the Chambers of Commerce and other business organisations to implement the private sector-led aspects of the CRM Action Plan. It will in particular seek to synergise with the work under the Investment Area.

3.2. Indicative type of activities

The type of activities under this Action will consist of a combination between technical assistance (training, studies, study tours, etc.), regional policy dialogue and monitoring of the progress made in the implementation of the CRM Action Plan. It may include as well digital tools needed to support the implementation of these activities.

The regional groups/structures and bodies under the RCC and CEFTA will be the main fora where the regional policy dialogue takes place; they will be the beneficiaries of the technical assistance that will be mobilised under this Action. The World Bank Group will provide specific technical assistance on financial markets and investment policy.

Regional Trade Area (Four freedoms: free movement of goods, services, capital and people)

- Technical assistance to the CEFTA parties
- Organisation of regional meetings under CEFTA
- Capacity building activities
- Communication and awareness raising activities
- Policy dialogue
- Public private dialogue
- Performance monitoring and reporting

Regional Investment area:

- Technical Assistance
- Promotion and awareness raising
- Development of regional guidance criteria and procedures
- Deepening regional cooperation and peer-to-peer exchange

Regional Digital area:

- Regional policy dialogue to support implementation
- Technical assistance
- Policy dialogue
- Monitoring

Regional Innovation area:

- Trainings for developing appropriate mechanisms to foster cooperation with businesses;
- Knowledge transfer and capacity building
- Technical assistance
- Supporting innovation efforts across the region
- Regional policy dialogue

Regional Industrial area:

- Policy dialogue
- Awareness raising and knowledge sharing

Green Agenda for the Western Balkans:

- Coordination and monitoring
- Technical Assistance
- Trainings for developing projects
- Knowledge transfer and capacity building

3.3. Risks and assumptions

Risks	Risk level (H/M/L)	Mitigating measures
Risk 1: Lack of high-level political commitment, both as regards decision-making, ratification and implementation. This also applies to the alignment with the relevant EU <i>acquis</i> , which may serve as a basis for the implementation of regional actions. Results across all CRM related areas are highly dependent on the economy and on the high-level political commitment of the administrations.	M	The CRM Action Plan and the activities supported through this Action have been endorsed by the Prime Ministers of the region. In addition, implementation of this work programme will be closely coordinated with RCC and CEFTA Secretariat. It will leverage the World Bank Group staff in the relevant IPA beneficiaries and EU Delegations/Office to support reform advocacy. Support from various stakeholders, in particular from the private sector, will be mobilised through broad and in-depth consultations to support the dialogue and drive reform efforts.
Risk 2: There is a risk that priorities might differ from the regional agenda, for example in areas such as regional investment promotion and payment system activities, and that consensus on joint targets and sectors might therefore be difficult to achieve.	M	Maintain close consultations with each economy on regional agendas compliant to the priorities.
Risk 3: Lack of capacity (available staff or staff time, knowledge and skills, financial resources) and in some cases, of additional expertise and training (e.g. investor-state disputes settlements (ISDS), investment promotion, EU-compliant mechanism for market integration).	M	Close cooperation, including support with institutional strengthening, organisational change management and capacity building. Training and capacity building, including through regular respective Working Group meetings.
Risk 4: Political sensitivity in actions related to the free flow of data.	M	Support through capacity building workshops in cooperation with TAIEX as well as in-beneficiary support in specific areas with high relevance for EU <i>acquis</i> alignment to support internal processes of <i>acquis</i> alignment.
Risk 5: Outstanding financial needs to ensure digital upskilling and reskilling.	M	Engage in bilateral piloting to enable free flow for selected data and advance in regional step by step.
Risk 6: Western Balkans Innovation and Research Platform - Inability of business, research and academic communities to adapt quickly to new market realities, introduce innovative measures and endorse new forms of collaboration.	M	Partner with other regional and international organisations, which have specialised expertise in the field.
Risk 7: Launching Regional Diaspora Knowledge Transfer Initiative – Potential political blockages and low interest of the Western Balkans diaspora to engage with their economy of origin and the region as a whole.	M	Engagement of various stakeholders throughout the process to overcome silo mentality, promote examples of good practice and encourage cooperation at all levels, including partnerships aimed at joint projects implementation.
Risk 8: Lack of proactive leadership of WB6CIF in order to incorporate and reflect the private sector needs in implementing industry measures.	M	Close coordination with various stakeholders, including full involvement of the Western Balkans governments through PM Sherpas and CRM Coordinators with the DG R&I and other Directorates where necessary; identifying the smoothest way of managing the Scheme.
Risk 9: Lack of engagement by the private sector, especially considering certain activities are hindered by the COVID-19 consequences (shifting networking events etc. to virtual platforms)	M to L	Establishing strong coordination mechanisms between RCC and WB6CIF

Risk 10: Prolonged duration of COVID-19 further effecting tourism negatively in 2023-2024	L	Redesign activities to reflect conditions in tourism and travel.
Risk 11: A systemic lagging behind of the Western Balkans in policy and legal framework development in the areas of environment and climate action and therefore unfavourable starting position for achieving climate neutrality by mid-century and environmental protection objectives.	M	An intense work and regional coordination through implementation of the GAWB Action Plan, monitoring its progress, including activities for stimulating and coordinating support from other donors and partners while simultaneously increasing absorption capacities of Western Balkans.
Assumptions (to be reflected in the Logical Framework Matrix above) – grouped by outputs and outcomes		
Active engagement of authorities, including central banks in the case of activities related to the Regional Trade area, investment promotion agencies regarding activities related to the Regional Investment area, and other stakeholders for a conducive political environment.		

3.4. Mainstreaming

How does this Action contribute to Gender Equality and Women’s and Girls’ Empowerment (in line with the EU gender equality strategy 2020-2025)?

The Women’s and Girls’ Empowerment element is deeply enshrined in the CRM agenda, more specifically under the Innovation and Industrial area, where dedicated regional actions have been devised and agreed upon as part of human capital development and prevention of brain drain in the Western Balkans region. The element of empowerment of women and girls will be featured through regional activities of *Regional Network of Women in STEM for the Next Decade* as well as *Western Balkans Women Entrepreneurs Network*. The wider women economic empowerment agenda as part of this Action has been tailored closely to be in line with the EU gender equality strategy 2020-2025, more particularly in line with the areas of equal participation and opportunities for women in the labour market and closing the gender gap in innovation and technology fields. Through its regional actions, RCC will seek to integrate gender perspective in other area of CRM agenda, particularly those related to advancing digital skills and digital education of the region’s citizens.

How does this Action address Environment and Climate change?

The selection of green tech and circular economy enabled strategic regional value chains for investment promotion will ensure the creation the industrial capacities to support and align with the goals of the European Green Deal⁴. In addition environmental and sustainability aspects can be incorporated and anchored as core standards in regional and economy level investment policy frameworks and standards.

As part of this Action, the GAWB will ensure the integration of both environmental and climate change actions in the region. As a regional agenda, the GAWB represents a regional approach aimed at translating the European Green Deal for the region and as such will seek to address a number of policy areas such as climate and environment - focusing on pollution, biodiversity and circular economy, energy - focusing on clean and sustainable energy, transport - concentrating on smart and sustainable options as well as agriculture. What is more, the green transition will be supported also through CRM Industrial area, where specific regional activities will facilitate establishment of Green Start-ups to accelerate the growth of green economy and support the identification of green and circular economy regional value chains, aimed to seize untapped economic potential of the transition to green and circular economy.

How does this Action address the Rights Based Approach?

The implementation of this Action rests on the human rights principles which are enshrined in the RCC’s mandate and in all its supporting activities vis-à-vis Western Balkans and regional/international partners. RCC will ensure an equal level-playing field for all stakeholders involved in the implementation of CRM agenda and GAWB, thereby creating an enabling environment for an equal political dialogue and respect for human rights in all its forms. Discrimination in any of its forms will not be acceptable nor tolerated neither at the high-level nor technical meetings convened at the regional level.

⁴ COM(2019) 640 final

How does this Action promote the systematic engagement with Civil Society?

The civil society (investors, business associations) will have an active engagement in the design of reform measures through consultations and targeted investor aftercare, grievance management and financial sector associations.

As important stakeholders in the Western Balkans, Civil Society organisations have been included in the CRM agenda since the beginning of the process and have been consulted through public consultation process, launched by RCC and CEFTA. Their active participation will be sought in many regional activities across CRM policy areas, particularly in those fields where their participation is indispensable to the implementation of CRM deliverables. RCC will continue to maintain policy dialogue at the regional level with Civil Society and keep them informed on the progress of CRM agenda and GAWB.

Others (such as Resilience and Conflict Sensitivity, Roma, people with disabilities and other vulnerable groups)

In line with respecting an all-inclusive principle on which the implementation of this Action rests, RCC will seek to include all stakeholders which are pertinent to the implementation of the CRM and GAWB. Particularly in the fields of digital skills and competences under Regional Digital area, equal access for disadvantaged groups and minorities, including Roma will be ensured through the development of Digital Education Action Plans at the regional level.

3.5. Conditions for implementation

The main actors involved in this Action have committed to implement the Action Plan across all CRM policy areas. The full commitment from the Western Balkans authorities has also been provided at the highest level at the Sofia summit. Therefore there are no further preconditions for the starting of this Action. The progress on the implementation of both the CRM agenda and the GAWB will be monitored on an annual basis and all stakeholders involved will be informed about any obstacles and/or challenges in the implementation. RCC will remain the main facilitator of a regional dialogue across several CRM policy area and will ensure meetings at both high and technical level, including coordination with CEFTA and the World Bank Group, to enable a smooth implementation.

3.6. Logical Framework for PROJECT MODALITY (3 levels of results / indicators / Baselines / Targets / Source of Data / Assumptions - no activities)

Results	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Baselines (year)	Targets (year)	Sources of data (1 per indicator)	Assumptions
Impact	To increase socio-economic growth in the region thanks to increased trade and investment, to foster the implementation of the EU <i>acquis</i> pertaining to the EU Single Market in order to accelerate accession to the EU, and to enhance good neighbourly relations					<i>Not applicable</i>
Outcome 1	Trade in goods within the region is facilitated	Intra CEFTA Trade in goods/GDP ratio	2021 5% of GDP	2024 6.2% of GDP	Commission reports/ CEFTA Statistics	
Output 1 related to outcome 1	A smoother Border crossing among the CEFTA Parties is facilitated	Extent to which SEED+ is maintained and extended Extent to which Customs Risk Management strategy is implemented	2020: 60 minutes waiting time intra CEFTA (TCT) CEFTA Statistics N/A for 2020	2024 30% reduction	CEFTA statistics on waiting times; TCT Statistics on waiting times	
Output 2 related to outcome 1	Adoption and implementation of a harmonised Dispute Settlement Mechanism within CEFTA and tackling non-tariff barriers is supported.	Number of cases of undue non-tariff measures reported in the CEFTA Market Access Data Base	2020: 19 reported cases	2024: 5 reported cases	MADB Database statistics	
Output 3 related to outcome 1	(notably for the Quality Infrastructure Implementation, negotiation and adoption of Mutual Recognition Programmes (MRPs) is supported based on the relevant EU rules and standards based on the relevant EU rules and standards	Progress towards full alignment and the capacity to implement the EU <i>acquis</i> in the area of free movement of goods, as measured (for Western Balkans) in the Commission annual	2	5	Minutes of the JC meetings adopting Decisions. Reports on the implementation of CRM	

		reports Number of MRPs technically agreed in CEFTA				
Outcome 2	Trade in services within the region is facilitated					
Output related to outcome 2	Implementation and expansion of the Additional Protocol 6 on trade in services (with focus on tourism, postal and financial services, e.g.) is strengthened; implementation of the recognition of professional qualifications is facilitated.	Implementation gaps reported AP6 revision adopted Number of qualifications recognised	2021 100% No 0	2024 20% Yes 100	CEFTA Report	CEFTA Chairmanship
Output related to outcome 2	New mutual recognition programmes are defined in prioritised sectors and e-commerce is facilitated	Number of JC Decisions adopted	2	5	CEFTA Report	CEFTA Chairmanship
Outcome 3	Free movement of capital within the region and with the EUs is facilitated					
Output related to outcome 3	Cost-efficient payments within the Western Balkans and with the EU through the Single Euro Payment Area (SEPA) is facilitated	Average cost and time of cross-border payments	2022: n/a	2024	World Bank's Migration and Remittances Fact book	Active engagement of authorities and other stakeholders
Output related to outcome 3	Implementation of domestic instant payments is supported and linkages of those systems in the region are enabled in view of limiting the costs of intra-regional payments	Domestic instant payments systems implemented	2020: 1	2024: 4	Central Banks	Active engagement of authorities and other stakeholders
Output related to outcome 3	Regional cooperation on financial markets is enhanced (on issues such as partial credit guarantees, public financial institutions; pre-insolvency and insolvency frameworks; NPL resolution, etc.)	Number of regional meetings as an exchange platform for relevant topics	2020: 0	2024: 4	WGFM	Active engagement of authorities and other stakeholders
Outcome 4	Free movement of people within the region is facilitated					

Output related to outcome 4	Facilitated dialogue on adequate implementation and enforcement of Agreement on Freedom of Movement and stay with ID cards and the Agreement on the Freedom of Movement of Third Party Citizens is implemented	Regional Agreements ratified and entered into force ⁵ Increase of number of citizens that travel in the region by ID cards Increase of number of Third Party Citizens traveling in the region in accordance with common standards ⁶	2022 2022	2024 2024	Official Gazettes Statistical Offices Commission tasked with organising, coordinating and monitoring of the Agreement on ID Cards established; Commission reports; Regional Commission on Third Party Citizens established; Commission reports	Shown willingness and commitment to adequately and timely implement the Agreements
Output related to outcome 4	Improved implementation of the Agreement on automatic recognition of academic qualifications	Annual increase of recognised number of qualifications ⁷ NQF in the region harmonised	2022	2024	Working Group on Recognition of Academic Qualifications; Regional Commission reports; Regional Recognition Database	Shown willingness and commitment to adequately and timely implement the Agreements
Output related to outcome 4	Facilitated dialogue for removal of Barriers for mobility of students, researchers, professors and professionals, access to labour	Legislative modifications complete in the Western Balkans enabling full implementation of the Regional Agreement on Access to Study	2023	2024	Working Group on Recognition of Academic Qualifications reports; Governments of the Western Balkans	Shown willingness and commitment to adequately and timely implement the Agreements
Output 4	Supported Western Balkans Quality	Completed external	2023	2024	RCC report on external	Shown willingness and

⁵ This Indicator on the Freedom of Movement and Stay with ID cards cannot be quantified before entrance into force of the Agreement.

⁶ This indicator cannot be quantified at the moment as it is directly dependent on implementation of commitments from Tirana Declaration; end of COVID-19 pandemic; the demonstrated determination of the Western Balkans to become a single tourist destination.

⁷ Measuring of this indicator will begin in 2022, once the Western Balkans Agreement on Recognition of Academic Qualifications is ratified and enters into force.

related to outcome 4	Assurance Agencies for membership in ENQA and EQAR	quality assurance performance demonstrating compliance with ESG; The ESG implemented in majority of the Western Balkans; Participation of Western Balkans quality assurance bodies in European and regional networks and associations increased; At least two successful applications for membership in ENQA and EQAR			quality assurance performance; RCC report on implementation of ESG; ERI SEE report; ENQA/EQAR communiques; Governments of the Western Balkans;	commitment to adequately and timely implement the agreed reforms
Output 5 related to outcome 4	Participation of the Western Balkans in the EHEA demonstrated	At least one successful application from the Western Balkans HEI in European Universities Initiative	2022	2024	DG EAC; RCC reports; ERI SEE reports; Western Balkans HEI Western Balkans Ministries of Education	Shown willingness and commitment to adequately and timely implement the agreed reforms
Outcome 5	Increased investments in the region					
Output 1 related to outcome 5	The region is promoted as a single investment destination through regional investor lead generation campaigns and high level investor conferences in targeted value chains.	Number of investor leads generated in targeted value chains Number of investor conferences organised	2020: 0 2020: 0	2024: 40 2024: 4	Investment Promotion Agencies of Western Balkans WBG project/RCC/WB6 CIF reports	Institutional capacities and funding available at the central level which will be part of regional investment promotion activities.
Output 2 related to outcome 5	Investment opportunities in the region to investors from the region are promoted to increase intra-regional investments	FDI inflow in the region Number of investor conferences organised for intra-regional investors	2020: 0 mil EUR	2024: 3000 mil EUR	Central Statistical Offices/ Central Banks WBG project/RCC/WB6 CIF	Institutional capacities and funding available at the central level which will be part of regional investment promotion activities.

Output related to outcome 5	3 to	Negotiations of economy-specific International Investment Agreements (IIAs) <u>between EU and each of Western Balkans</u> based on the Regionally Accepted Standards for IIA are supported;	Number of IIAs negotiations based on regionally accepted standards initiated	2020: 0	2024: 6 initiated IIAs	Western Balkans authorities	Political commitment and support of European Commission secured.
Output related to outcome 5	4 to	Regional guidance criteria and procedures for screening mechanisms at the economy level for quick reaction to FDI concerns based on the emerging EU standards and policy are developed	Number of developed FDI screening mechanisms in the Western Balkans	2020: 0	2024: 3	Western Balkans authorities	Political decisions on central level agreed with the regional priority.
Outcome 6		Digital transformation of the Western Balkans is fostered					
Output related to outcome 6	1 to	Digital infrastructure and connectivity is improved (broadband internet access, ultra-fast and secure network, including harmonised 5G networks)	Investment in broadband through WBIF and other instruments increased	2020: Investment value under WBIF 506 mEUR Grant value under WBIF 8,2 mn EUR	2023: Investment value increased by 20% 2024: Investment value increased by 23%	WB DESI, Western Balkans Regulatory Authorities, WBIF Reports	Greater participation in WBIF call from Western Balkans
Output related to outcome 6	2 to	Strengthened implementation of Roaming policy and progress in EU-Western Balkans roaming charges reduction process	Average revenues from wholesale roaming charge from EU Member States compared to Western Balkans	2020: 4 times higher	2023: 3 times higher 2024: 2 times higher	BEREC Report	Shown readiness and willingness from telecom operators
Output related to outcome 6	3 to	Strengthened implementation of EU 5G Toolbox, 5G piloting, Western Balkans BCO networking and peering, integration in EU related programmes/frameworks on infrastructure and connectivity	Fixed broadband coverage (% of households)	2020: 72% (the lowest among Western Balkans)	2023: 90% 2024: 95%	WB DESI/WB Regulatory Authorities	Efficient consultation and cooperation with each economy on broadband and 5G is effective
			Internet users as: % of population/% of adult population	2020: 69% (the lowest among Western Balkans)	2023: 83% 2024: 90%	WB DESI/WB Regulatory Authorities	
Output	4	Supported implementation of Digital	At least 4 economies	2020: Only	2023: 3	CRM reports of	Economies advance with the

related to outcome 6	skills strategies, priorities and actions	have a dedicated digital skills strategy	1 economy	economies 2024: 4	implementation Commission Reports	preparation of Digital Skills strategies
		% of individuals with at least basic digital skills	2020: 32%	2023: 38% 2024: 42%	WB DESI /WB Statistical Offices	Shared contribution among different international organisations is maintained
		Share of ICT specialist in the workforce	2020: 1%	2023: 2% 2024: 3%		
Output related to outcome 6	Support to the organisation of Western Balkans Digital Summits	Annual Digital Summit organised	2020: 1	2023: 1 2024: 1	Digital Summit conclusions	Not applicable
Output related to outcome 6	Strengthened implementation of a regional uniform protection of personal data based on GDPR	Roadmaps to implement GDPR requirements	2020: 3 economies fully compliant with GDPR	2024: all economies fully compliant with GDPR	CRM report of implementation Commission reports	Economies advance with transposition of GDPR
Outcome 7	A regional innovation ecosystem is strengthened					
Output related to outcome 7	The Western Balkans Innovation and Research Platform operational	Western Balkans aligned with the ERA, Western Balkans fully associated to Horizon Europe & % increase in project participation, Forged alliances with the EIT, EUREKA, COST and EEN, Regular regional foresight conducted.	2021: Q2 no Western Balkans associated to Horizon Europe Below EU average project participation Sporadic cooperation with the EIT, EUREKA, COST and EEN Q2 no foresight available	2024: All Western Balkans associated to Horizon Europe 20% increase in project participation Systemic cooperation with the EIT, EUREKA, COST and EEN Regular foresight updates available	CRM report on implementation Commission reports	Effective regional consultation process and Western Balkans full engagement
Output related to outcome 7	Facilitated creation of Regional innovation infrastructure, and the development of Digital Innovation Hubs and Technology Transfer Offices	Number of supported innovation infrastructures & no of	2021: Q2 no networking among DIHs	2024: Networks of regional DIHs and TTOs in	CRM report on implementation	Increased engagement of DIHs and universities

	are supported	projects implemented	and TTOs	place		
Output 3 related to outcome 7	A Regional Diaspora Knowledge Transfer Initiative operational	Regional Diaspora Knowledge Transfer Initiative implemented Number of diaspora related programmes and/or policies in the Western Balkans	2021: No regional diaspora initiative exists 4 economies have diaspora policies in place	2024: Regional Diaspora Knowledge Transfer Initiative in place All Western Balkans have diaspora programmes in place	CRM report on implementation	Effective regional consultation process and Western Balkans full engagement
Output 4 related to outcome 7	Increased support to early stage innovation initiatives	Number of projects implemented through the framework of a regional Early Stage Innovation Support Funding Scheme	2021: 5 early stage innovation initiatives supported	2024: 50 early stage innovation initiatives supported	CRM report on implementation	Active engagement of Western Balkans business community
Output 5 related to outcome 7	The Network of Women in STEM for the Next Decade is supported	Number of women role models and mentoring programmes implemented	2021: 10 women role models promoted and 0 mentoring programmes	2024: tenfold increase of women role models promoted and 6 mentoring programmes implemented	CRM report on implementation	Active engagement of Western Balkans business community and policy-makers
Outcome 8	The development of a regional industrial area is fostered					
Output 1 related to outcome 8	Enabling conditions for sustainable tourism are supported	Number of proposed pilot destinations that will implement Regional Development Roadmap	2022:0	2024: 6	Western Balkans authorities	Common agreement of the Western Balkans on the Regional Development Map
		Successful completion of the competition, including production of digital solutions	2021: 1 event, 7 winners	2024: 1 event, 9 winners	CRM report on implementation	Interest of Western Balkans innovation professional remains high
		Commonly agreed occupational standards	2020: 0	2023: 1 set of standards	Western Balkans authorities CRM report on	Active engagement of Western Balkans business community and

		is adopted by the Western Balkans			implementation	policy-makers
Output related to outcome 8	Ad-hoc support is provided (to be defined during the inception phase of the Action based on a needs assessment) to private sector-led activities on the industrial area (metal processing, circular economy, creative industry, agro food, automotive, etc.)	Capacity building efforts re-oriented towards public and private sectors (for coordinated action on industrial development policy and initiatives)	2021: 1	2024: 4	CRM reports on implementation, Western Balkans relevant public institutions and WB6CIF data	Strong leadership of WB6CIF and engagement of the private sector; full engagement of the Western Balkans
		Number of capacity building activities / workshops / seminars organised with the aim to enhance knowledge and enhance partnerships among stakeholders (public and private sectors; and academia, when relevant)				
		Aligned private sector support with the Western Balkans' strategies and systems	2021	2024: All economies have relevant and regionally coordinated systems in place (strategies, structures, initiatives etc.)	CRM report on Implementation Commission reports, Western Balkans relevant public institutions, WB6CIF data	Economies advance with the implementation of relevant strategies, when available; OR prepare relevant strategies and structures, when lacking; Strong leadership of WB6CIF and engagement of the private sector
		Annual change in the region's international competitiveness rankings	2018	2024: Annual improvement in ranking as a region	WEF Competitiveness Global Index Report	Strictly related to Western Balkans commitment and actions taken to improve the rankings; Strong leadership of WB6CIF and engagement of the private sector
		Index of Industrial Production	2018	2024 Annual improvement in Index	Western Balkans Statistical Offices / UNIDO statistics / EUROSTAT industry statistics	Strictly related to Western Balkans commitment and actions taken to improve the Index; Strong leadership of WB6CIF and engagement of the private sector

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing agreement

In order to implement this action, it is not foreseen to conclude financing agreements with the targeted IPA III beneficiaries nor Moldova.

4.2. 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 measures⁸.

4.2.1. Direct Management (Grants)

Grants: (direct management)

4.2.1.1. Regional Cooperation Council

(a) Purpose of the grant

The RCC will be awarded the grant in order to lead the implementation of: (i) *Outcome 4 - Free movement of people within the region is facilitated*, (ii) *Outcome 6 - Digital transformation of the Western Balkans is fostered*, (iii) *Outcome 7 - A regional innovation ecosystem is strengthened* and (iv) *Outcome 8 - the development of a regional industrial area is fostered*.

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the RCC.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified on the basis of article 195 (f) of the Financial Regulation of the Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, i.e. "for activities with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its **administrative powers**, on condition that the activities concerned do not fall within the scope of a call for proposals. The RCC is uniquely placed to implement the actions foreseen, given its mandate by the Western Balkans leaders to function as an all-inclusive, regionally owned and led cooperation framework which engages RCC participants from South East Europe (SEE), as well as its resulting role in monitoring and support the implementation of the CRM Action Plan and the wider South East Europe (SEE) strategy. The related activities are in line with the CRM Action Plan endorsed by the Prime Ministers of the Western Balkans who mandated the RCC as the main facilitator of a regional dialogue across several CRM policy areas. The RCC has a unique mandate to convene the governments from the region, as well as to develop the necessary expertise to carry out the actions foreseen.

4.2.1.2. CEFTA Secretariat

(a) Purpose of the grant

CEFTA will be awarded the grant in order to lead the implementation of: (i) *Outcome 1 - Trade in goods within the region is facilitated* and (ii) *Outcome 2 - Trade in services within the region is facilitated*.

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the CEFTA Secretariat.

⁸www.sanctionsmap.eu. 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.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified on the basis of article 195 (f) of the Financial Regulation of the Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, i.e. "for activities with specific characteristics that require a particular type of body on account of its technical competence, and its high degree of specialisation, on condition that the activities concerned do not fall within the scope of a call for proposals. The CEFTA Secretariat is the only regional organisation in charge of supporting the trade negotiations among all CEFTA parties. Since 2001, regional trade policy in the region of South East Europe has been developed and implemented under the auspices of the Stability Pact's Trade Working Group. With the entry into force of Central European Free Trade Agreement (CEFTA) in 2006 responsibility for facilitating, managing, monitoring and promoting trade relations was transferred to the CEFTA institutions. The Secretariat was established in 2007 through a CEFTA Joint Committee Decision and received the mandate to provide technical and administrative support to the Joint Committee, to any sub-committee, expert group or other body established by the Joint Committee so as to support the CEFTA Parties in the implementation of the CEFTA 2006 and of trade related components of the SEE 2020 Strategy, and SEE 2030. The work done by CEFTA has been instrumental in ensuring the success of negotiations on trade facilitation (Additional Protocol 5) and on liberalisation in trade in service (Additional Protocol 6), by allowing the Parties to have access to high-level expertise at the time when they needed it most in their negotiations. More importantly, the tasks of the CEFTA Secretariat and the Parties are continuously expanding to include negotiations on AP7 (Dispute Settlement Mechanism), non-tariff measures, quality infrastructure, market surveillance and e-commerce. These are core elements to ensure an enhanced intra-region trade and a progressive alignment with the EU *acquis* as well as key elements to support the implementation of the CRM Action Plan.

4.2.2. Indirect management with an international organisation

A part of this action may be implemented in indirect management with the World Bank Group. This implementation entails contributing to: a) **free movement of capital** (*Outcome 3 – Free movement of capital in the region is facilitated*) part, facilitating cost-efficient payments within the Western Balkans and with the EU through the Single Euro Payment Area (SEPA), domestic instant payments and linkages of those systems in the region to limit intra-regional costs, regional cooperation on financial markets; and b) **regional investment area** (*Outcome 5 - Increased investments in the region*), the promotion of the region as a single investment destination, investments opportunities promotion in the region, negotiations on international investment agreements between the Western Balkans and third countries based on Regionally Accepted Standards and support for screening mechanisms to address FDI concerns.

The envisaged entity has been selected using the following criteria: its proven experience in the investment area; its presence in the Western Balkans; and its financial and operational capacity. Overall the World Bank is a leading institution globally in providing policy advice and technical assistance to governments with the implementation of impactful investment policy and promotion reforms.

4.4. 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 countries 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.

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.

4.5. Indicative budget

	EU contribution (amount in EUR) 2021	EU contribution (amount in EUR) 2022	Indicative third party contribution, in currency identified 2021
Outcome 1 and 2			
Direct management (Grants) with CEFTA Secretariat	4 000 000		N/A
Outcome 3 and 5			
Indirect management with the World Bank Group	5 000 000		N/A
Outcome 4, 6, 7 and 8			
Direct management (Grants) with the Regional Cooperation Council		12 000 000	N/A
Grants – total envelope under section 4.2.1	4 000 000	12 000 000	N/A
Totals	9 000 000	12 000 000	N/A
Total	21 000 000		N/A

4.6. Organisational set-up and responsibilities

In order to implement the Action in the most effective way, the following institutional set-up overseeing the implementation of the Action will be used for the components that RCC is in the lead of:

Annual Meeting of the RCC - The Annual meeting ensures the strategic coordination and development of the regional cooperation processes, reviews and endorses the Secretary General’s Annual Report on regional cooperation in SEE as well as the triennial Strategy and Work Programme of the RCC. The annual meeting gathers senior civil servants from the Ministries of Foreign Affairs;

RCC Board - The Board provides operational guidance to and supervision of the RCC, adopts decisions pertinent to the activities of the Secretariat of the RCC and oversees their implementation. The Board adopts the triennial Strategy and Work Programme of the RCC and supports the Secretary General in its implementation and reviews its progress. The Board holds three meetings per year and decisions are taken by consensus. The Board consists of those participants of the RCC contributing to the budget of RCC’s Secretariat;

Regional guidance will be enhanced with the establishment of a **Steering Committee**, members of which include the European Commission, RCC and key relevant partners, such as CEFTA and the World Bank. The meetings are to be held twice a year in order to steer the implementation of the Action through endorsing work plans for the upcoming period, provide advice and guidance, take stock of implementation and ensure overall smooth implementation.

CRM structures: Activities within CRM components of Free movement of capital, services and people, Regional Investment, Industrial and Innovation, and Digital Areas, Green Agenda for the Western Balkans (GAWB) and CRM horizontal activities will be implemented in line with the agreed “Note on coordination and governance of Common Regional Market agenda 2021-2024” that was presented and agreed between PM Sherpas, regional organisations (namely RCC, CEFTA, TCT Secretariat and WB6 CIF) and European Commission. The overall coordination for the CRM implementation in each of the Western Balkan economy is the responsibility of the CRM Coordinator/PM Sherpa. In addition, the CRM Component Contact Points for each CRM policy area which steer the work of various working mechanisms will be closely involved in the implementation of the proposed activities. RCC is tasked with the overall coordination, reporting and monitoring at the regional level, with CEFTA, TCT Secretariat and WB6 CIF being responsible for CRM policy areas which fall into their realm of responsibility and line of work, while at the national level these tasks remain in the realm of CRM Coordinators. RCC is to put in place a certain process of governance, coordination and monitoring of CRM and maintain regular reporting (i.e. to CRM structures, PM Offices, Sherpas’ meeting and Western Balkans Summits) allowing for regular review of CRM implementation and proposing possible adaptation of the CRM. Close coordination will be ensured with CEFTA Secretariat, WB6 CIF, TCT Secretariat, the World Bank Group and other key partners and stakeholders. The governance of matrix for the

implementation of CRM activities along each CRM policy area has been defined in close consultation and following the nominations on behalf of the Western Balkans.

Activities within the Green Agenda for the Western Balkans (GAWB) will be implemented through Regional Working Group on Environment and high-level platforms (operational and ministerial meetings) on environmental policies.

Part of the Action will be implemented by the RCC Secretariat with the Head of Programme Department providing overall guidance and ensuring full integration and streamlining of the Action into RCC's work. The programme will be implemented through the following type of activities: supporting and organising regional events; maintaining and facilitating the regional policy dialogue; providing targeted capacity-building support; designing, producing and disseminating information materials (print, web-based); workshops; seminars; studies; peer reviews; data analysis; study tours; on-demand technical assistance; etc.

Activities envisaged under this Action will be implemented through modalities based on procedures defined by the RCC Financial Management Manual.

The Implementation of CEFTA 2006 is supported by a permanent Secretariat located in Brussels established in accordance with the Article 40.2 of CEFTA 2006. The overall function of the Secretariat is to provide technical and administrative support to the Joint Committee and any body established by it, as defined by its mandate set out in the Joint Committee (JC) Decision 1/2018. The functions of the Secretariat can be summarised as follows:

- Support the supervision of the implementation of CEFTA 2006 by deploying implementation monitoring mechanisms and recommending the Joint Committee how to enhance the effectiveness of implementation of the Agreement and
- Facilitate the administration of the implementation of the Agreement by:
 - o Preparing the initial drafts of all documents discussed and adopted by the CEFTA Bodies;
 - o Supporting the Chair in Office of CEFTA in the organisation and follow-up of all meetings of the Joint Committee and of other CEFTA Bodies;
 - o Preparing and presenting technical opinions to the corresponding agenda items of the meetings of CEFTA Bodies or the ones organised by CEFTA Parties and other Regional or International Organisations;
 - o Negotiating, co-ordinating, and reporting on donor funded assistance for regional trade related activities;
 - o Acting as contracting authority by implementing procurement rules in tendering procedures;
 - o Maintaining the official archive of the Agreement in liaison with the Depositary/Acting Depositary;
 - o Supporting the implementation of the trade related components of the SEE 2020 strategy and the Consolidated Multi-Annual Action Plan for the creation of a Regional Economic Area, and all other regional actions in the context of any other economic initiatives or in trade related international organisations related to CEFTA;
 - o Liaising with the European Commission and other relevant partners and donors to secure and manage technical and financial assistance on behalf of the CEFTA Parties in the implementation of any regional strategy or plan which involves the CEFTA Bodies and informing regularly the Joint Committee thereof.

In the context of the now CRM – then MAP REA – the CEFTA Secretariat is in charge of coordinating the trade matters of the CRM and closely coordinate with RCC on issues that are of mutual interest.

- **CEFTA Bodies**

Joint Committee (CEFTA 2006, Article 40) is the only decision-making body established in accordance with Article 40 of CEFTA 2006 which supervises and administers the implementation of the Agreement. It is composed of the representatives from each Party and it is entrusted to supervise and administer the implementation of the agreement. The JC meets at least once a year and can adopt decisions and recommendations. The JC is chaired by one of the Parties and this function revolves around an annual basis in alphabetical order.

Committee of Trade Facilitation (JC Decisions 1/2015) is tasked to develop and broaden cooperation among CEFTA Parties and to address the issues which are related to the facilitation of regional trade in CEFTA. The aim is to reduce

trade costs, while balancing trade facilitation with increasing requirements for safety and security measures in international and regional supply chains.

Committee of Contact Points (JC Decision No. 1/2015) is tasked to support the smooth functioning of the Agreement and the fulfilment of the decisions, conclusions and recommendations of the Joint Committee both within the Contracting Party concerned and with all CEFTA stakeholders.

Subcommittees

- The Sub-committee on Non-Tariff Measures is tasked to identify non-tariff measures that can potentially have an economic effect on international trade in goods, changing quantities traded, or process or both, review those identified measures and propose measures for their elimination;
- The Sub-committee on Agriculture including Sanitary and Phytosanitary Issues is tasked to contribute to the promotion and facilitation in trade in agricultural products within the region and to discuss and coordinate to the maximum extent the policies on agriculture and protection of plant health, animal health and food safety and other relevant areas in accordance with articles 11 and 12 of CEFTA 2006;
- The Sub-committee on Customs and Rules of Origin is tasked to simplify and facilitate customs procedures and to coordinate the implementation of common rules of origin in CEFTA (in accordance with article 14.4 of CEFTA 2006); and
- The Sub-Committee on Trade in Services is tasked to strengthen and deepen the intra-regional cooperation in the field of trade in services by facilitating the implementation of the commitments stipulated in Articles 26–29 of the CEFTA 2006.

World Bank Group

The program will be managed by a senior World Bank task team leader based in Europe with relevant experience in project management and supported by World Bank coordinators in the Western Balkans economies. The program will draw on the global and regional expertise of the Bank personnel contributing to specific segments of the activities in, among others, the following areas: investment promotion; investment legislation; international investment agreements; trade economics; green and digital economy. The program will be managed by the World Bank Group's Finance, Competitiveness and Innovation global practice under the supervision of its regional Practice Manager for Eastern Europe and Central Asia, in close coordination with the World Bank Director for the Western Balkans.

5. PERFORMANCE/RESULTS MONITORING AND REPORTING

5.1. Internal monitoring

The European Commission will monitor progress in the achievement of expected results on the basis of indicators outlined in the action. In addition, the action might be subject to external monitoring in line with the European Commission rules and procedures.

A Steering Committee will monitor and steer the implementation of this action, chaired by the European Commission, and include the RCC, CEFTA and the World Bank Group. As described above, the main bodies for the monitoring of the RCC activities are the Annual Meeting of the RCC, the RCC Board, as well as the CRM structures. RCC Secretariat will perform regular monitoring and reporting of the implementation of the action in order to assess interim progress at a programme level, identify areas of failure and their reasons, and any immediate action to be taken in order to improve programme performance further. The World Bank Group will report on the implementation of the elements of the action under its responsibilities.

5.2. Roles & responsibilities for data collection, analysis & reporting

Data will be collected through a variety of sources and analysed through structured annual cycles. This will also include the measurement of the public and business perception through the Balkan Barometer Survey. RCC Secretariat will provide annual substantive reports of the action on progress achieved, based on results envisaged in

the action plans, covering project outputs and outcomes. RCC Secretariat will regularly transmit to the Commission relevant information about its activities to assist in ensuring the appropriate visibility and co-ordination of the action. RCC Secretariat and World Bank Group will ensure that the relevant European Commission services are kept informed of relevant developments.

5.3. Evaluation

The European Commission will evaluate progress in the achievement of expected results on the basis of indicators outlined in the action. The European Commission may carry out a mid-term, a final or an ex-post evaluation for this action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the Directorate-General for Neighbourhood and Enlargement Negotiations guidelines on linking planning/programming, monitoring and evaluation.

When appropriate, the financing of the evaluation shall be covered by another measure constituting a financing Decision.

In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures.

The evaluation reports shall be shared with the partner beneficiary and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner beneficiary, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

6. AUDIT

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 audits or expenditure verification assignments for one or several contracts or agreements.

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

7. COMMUNICATION AND VISIBILITY

Visibility of EU funding and communication about objectives and impact of Actions are a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force.

In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the public administrations (for instance, concerning the reforms linked to EU budget support), entrusted entities, contractors and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

The measures shall be based on a specific Communication and Visibility Plan, established and implemented in line with the EU communication and visibility requirements in force. The plan shall include, inter alia, a communication narrative and master messages for the Action, customised for the various target audiences (stakeholders, civil society, general public, etc.)

Visibility and communication measures specific to this Action shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegations and Offices. The European Commission and the EU Delegations and Offices should be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages. It is the responsibility of the implementing partner(s) to keep the EU Delegations/Office and the European Commission fully informed of the planning and implementation of the specific visibility and communication activities.

Communication on this Action should also take into consideration the risks from misinformation and disinformation, and the ways of countering these in order to avoid undermining the Union's efforts and image in the Western Balkans.

8. SUSTAINABILITY

The Action is expected to be sustainable beyond its implementation period as it focuses on regional cooperation and economic integration among the Western Balkans (and Moldova for trade related activities), but also addresses the economic fragmentation in the region with a view to accelerating its economic convergence with the EU, as a continuation of the MAP REA.

While the progress of the implementation of the Action relies on the political will of the Western Balkan leaders, it is also a regional initiative and therefore has strong regional ownership, which can bring about lasting changes through structural reforms and increased competitiveness of the region.

The action is aligned with the EIP, which is the main guiding framework for the duration of the MFF.