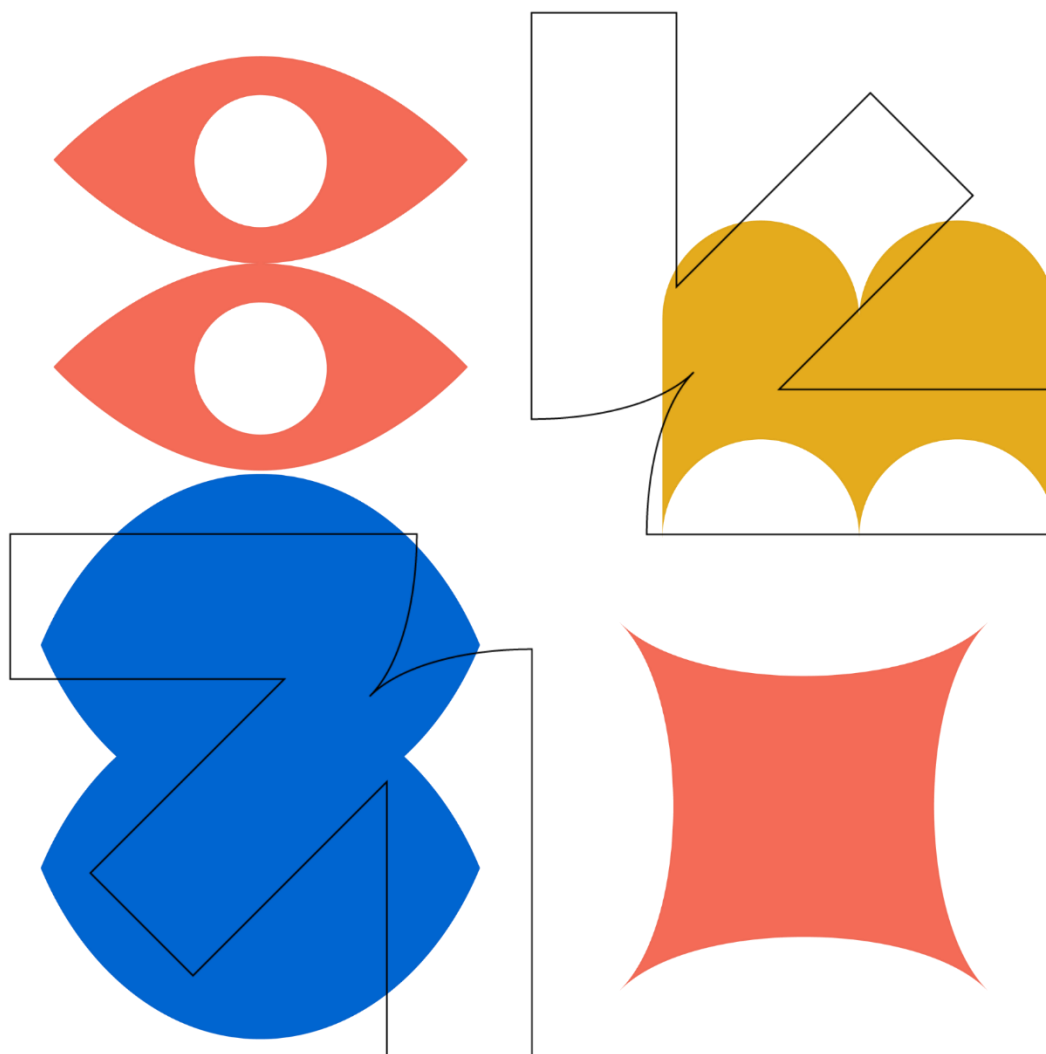


ANALYSIS FOR MARKET INTEGRATION INITIATIVES BETWEEN THE WESTERN BALKANS AND THE EUROPEAN UNION, BEYOND THE GROWTH PLAN FOR THE WESTERN BALKANS

Report (short version)

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Key Drivers of Western Balkans' Integration with the EU Single Market

The integration of the Western Balkans (WB) into the EU Single Market (EU SM) is a complex but essential part of their EU accession process, requiring alignment with economic policies, regulatory frameworks, and market structures. Enlargement candidates must meet the four freedoms of the EU SM that are embedded in Cluster 2 of the negotiating process with the EU (Chapters 1, 2 3, 4, 6, 7, 8, 9, and 28). The Growth Plan for the WB (2024–2027) is a EUR 6 billion initiative introduced to support these efforts, accelerate socio-economic convergence with the EU, and support accession. It focuses on four key areas: integration into the EU SM, regional economic cooperation through the Common Regional Market (CRM), fundamental reforms, and financial assistance. Key measures include facilitating the free movement of goods, services, and workers, expanding access to the Single Euro Payment Area (SEPA), advancing digital and green transitions, strengthening governance and rule of law, and fostering regional cooperation¹.

Regional mechanisms further complement EU-driven efforts. The CRM, launched in 2020, has produced achievements such as identity card-based travel, mutual recognition of higher education and professional qualifications, and the Regional Roaming Agreement, which eliminated fees in 2021 and reduced costs with the EU in 2023. Its new 2.0 Action Plan (2025–2028) further enhances alignment with the EU SM's four freedoms. The Central European Free Trade Agreement (CEFTA) underpins the CRM, facilitating trade liberalisation, Green Lanes, digital trade facilitation, and regulatory harmonisation. The Transport and Energy Communities integrate WB infrastructure and energy markets with EU standards, while Horizon Europe and Erasmus+ promote research, innovation, and academic mobility. Small and medium-sized enterprise (SME) integration into the Single Market (SM) is supported by the Single Market Programme (SMP). Large-scale infrastructure projects are backed by the Western Balkans Investment Framework (WBIF), the Economic and Investment Plan (EIP), and the Connecting Europe Facility (CEF). Additionally, Customs and Fiscalis, U programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME), the European Green Deal, Digital Europe, and Technical Assistance and Information Exchange instrument of the European Commission (TAIEX) provide critical financial and technical assistance. The European Economic and Social Committee (EESC) Enlargement Candidates Members Initiative (ECM), launched in 2024, fosters WB civil society participation in EU advisory processes, strengthening gradual SM integration.

The stakeholders landscape of WB integration into the EU SM is extensive and involves EU institutions (European Commission (EC) and its bodies, European Parliament (EP), European

¹ European Commission, *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions New Growth Plan for the Western Balkans*, Brussels, 8.11.2023 COM(2023) 691 final.



Central Bank (ECB), European Economic and Social Committee (EESC)), regional bodies (CEFTA Secretariat, Regional Cooperation Council, Transport and Energy Communities), national governments, and civil society organisations (CSOs). The European Commission leads accession efforts, supported by specialised agencies ensuring regulatory alignment. The Central European Free Trade Agreement (CEFTA) and the Regional Cooperation Council (RCC) drive trade and economic integration, while national governments coordinate reforms through Stabilisation and Association Agreements (SAAs) and negotiation teams. Civil society organisations (CSOs) play a crucial role in this landscape, particularly in monitoring reforms and advocating for transparency of the EU SM integration process. However, they face challenges such as limited institutional cooperation, political interference, shrinking civic space, and financial instability, which limit their effectiveness. To contribute to the broader objectives of the EU–WB integration agenda, CSOs in the region must be empowered to monitor the region’s integration into the EU SM, advocate for advanced reforms, engage with relevant stakeholders, and raise public awareness and support for the process.

Challenges of the Western Balkans’ Integration with the EU Single Market

Notable strides have been made across WB economies in EU policy alignment² and regional market integration³. Still, the overall process remains uneven and hindered by numerous structural, institutional, regulatory, political, and regional cooperation challenges. Albania has advanced in digital transformation, trade facilitation, and energy reforms, but high informality, regulatory gaps, and weak market surveillance remain barriers, as does incomplete reform in labour mobility, capital movement, and mutual recognition of professional qualifications. Bosnia and Herzegovina lags due to political fragmentation and slow reforms, with delays in transport, energy integration, and regulatory convergence further impeding progress. Despite advances in trade facilitation and digitalisation, Kosovo faces obstacles due to non-recognition by some EU states, along with challenges in competition policy, financial crime prevention, and market surveillance. Montenegro, the frontrunner in accession with 33 out of 35 chapters opened, has made significant advances in trade liberalisation, investment, and infrastructure connectivity, though competition policy, consumer protection, and digital market reforms still require improvement. North Macedonia has progressed in trade facilitation, digitalisation, and energy transition, but gaps in regulatory frameworks, workforce mobility, and infrastructure

² European Commission, *Country reports for 2024*

³ Regional Cooperation Council, *Common Regional Market Report on Implementation for 2022, Sarajevo, May 2023* <https://www.rcc.int/download/docs/2023-05-Common-Regional-Market-2022-spread.pdf/3e4e41db978a0f1aa37353f8152ef683.pdf>

Transport Community, *Sustainable and Smart Mobility Strategy in the Western Balkans Progress Report, Belgrade, November 2024* <https://www.transport-community.org/wp-content/uploads/2024/12/2024-Sustainable-and-Smart-Mobility-Strategy-monitoring-report.pdf>

Energy Community, *Report on the Implementation of Declaration on Energy Security and Green Transition in the Western Balkans, Vienna, 17.10.2023.* https://www.energy-community.org/dam/jcr:2229718d-018e-4643-858f-3765129f8c04/ECS_Report_on_Declaration_WB6.pdf



investment remain. Serbia leads in trade facilitation, customs interoperability, and energy transition, but governance inefficiencies, rule of law challenges, and geopolitical balancing hinder further integration.

As a common denominator, weak rule of law, governance fragmentation, and corruption hamper integration efforts, while economic disparities, low productivity, and limited diversification restrict competitiveness. Trade facilitation remains inconsistent due to regulatory gaps, non-harmonised standards, inefficient border controls, and weak market surveillance. Capital mobility is hindered by financial regulation gaps and weak anti-money laundering frameworks. The region lags behind in digital and green transitions due to insufficient investment in broadband and renewables. Labour market inefficiencies drive high youth migration, while social policy gaps limit employment access. Ethno-nationalist politics and unresolved disputes delay CRM and CEFTA implementation, fragment markets, and weaken economic potential.

Opportunities for the Western Balkans' Further Integration with the EU Single Market

While full EU integration remains a long-term goal, the WB can achieve significant short-term progress by prioritising reforms under CRM 2.0, CEFTA agreements, and the EU Growth Plan in the following key areas: trade facilitation, investment reform, digital transformation, sustainability, transport and energy connectivity, labour mobility, and governance. Additionally, strengthening institutional frameworks and raising public awareness are essential to accelerating this progress.

Due to gaps in **trade liberalisation**, such as non-tariff barriers (NTBs) and a lack of harmonised standards, CRM 2.0's Trade Facilitation Framework must accelerate the adoption of mutual recognition agreements and expand them to high-value sectors like pharmaceuticals and information technology (IT) to drive economic growth and innovation. Aligning technical regulations with EU norms and digitising trade procedures through the CEFTA Support to Systematic Electronic Exchange of Data (SEED) will further streamline integration.

Investment reforms remain underdeveloped despite their importance for economic growth and regulatory alignment. While regional agreements on Foreign Direct Investment (FDI) screening and investment standards exist, implementation lags. A regional investment readiness programme and improved SME access to finance would strengthen local business competitiveness and integration into EU value chains.

Creating a regional digital market through interoperable digital identities, e-services, and broadband expansion is critical for EU SM integration. Advancing artificial intelligence policy frameworks aligned with the EU Digital Compass and fostering regional innovation hubs will



position the WB as a digital leader. Additionally, a regional digital payment system interoperable with SEPA would improve financial transactions between the WB and the EU.

A regional green initiative should develop its own financing framework, including green bonds and incentives for sustainable practices. Investment in infrastructure to ensure compliance with the Carbon Border Adjustment Mechanism (CBAM) and Emissions Trading System (ETS) must be prioritised, along with a certification scheme for carbon-neutral products to facilitate trade with the EU.

To improve connectivity, expanding Green Lanes to pharmaceuticals and high-tech goods, introducing digital queue management at borders, and developing multimodal transport systems will enhance trade efficiency and regional integration. Initiatives such as energy storage and smart grids would further strengthen resilience and improve EU market integration.

Good governance is fundamental to all reform efforts yet is often overlooked in regional initiatives. Establishing a Regional Good Governance Index and a Mediation/Dispute Resolution Mechanism for bilateral disputes would enhance legal certainty and policy implementation.

The mutual recognition of professional qualifications has advanced labour mobility, but further coordination on social protection, health insurance portability, and work permit procedures is needed. Expanding vocational training in digital and green skills through a Regional Science, Technology, Engineering and Mathematics (STEM) Education Strategy would address labour market gaps.

Industrial modernisation, SME development, and regional supply chain integration remain underutilised opportunities for improving competitiveness. Promoting innovation hubs, establishing industrial intelligence networks, and enhancing regional clusters would boost productivity and market access.

Public support is critical for sustained reforms, yet transparency remains weak. To foster public support, a CRM Transparency Portal should be created. Additionally, meaningful civil society engagement in regional frameworks is needed to enhance accountability and ensure that regional initiatives and EU SM integration efforts reinforce EU accession priorities and align with public interests.

Importance of CSOs in the Western Balkans' Integration with the EU Single Market

CSOs play a crucial role in ensuring that WB integration into the EU SM is inclusive, transparent, and accountable. Their contributions span independent monitoring, policy advocacy, implementation support, public awareness-raising, and fostering dialogue between institutions and citizens. However, institutional detachment, inadequate financial



resources, political interference, and limited public engagement channels often hinder their impact.

While structured platforms such as Serbia’s National Convention on the EU (NCEU) and North Macedonia’s National Convention on the European Union (NCEU-MK) provide expert input on the negotiating process, their influence remains constrained by an often-hostile environment for CSOs. At the regional level, mechanisms like the Berlin Process Civil Society Forum (BP CSF) and Balkans in Europe Policy Advisory Group (BiEPAG) facilitate engagement in trade, mobility, and environmental policy discussions. However, institutional follow-up and responsiveness remain weak. Numerous CSOs across the region conduct valuable analytical and monitoring initiatives. Still, despite their efforts, meaningful participation in policymaking is frequently obstructed by uncooperative political elites and a fragile civil society landscape that requires stronger safeguards to protect their effectiveness and operational independence⁴.

CSOs face several structural barriers⁵ that limit their impact on EU SM integration. Institutional detachment remains a key issue, with governments engaging CSOs in consultation processes without systematically incorporating their recommendations. Forums like the BP CSF provide policy input, but their influence on official outcomes remains minimal without follow-up mechanisms. Resource constraints also weaken CSO engagement. While the EU’s Instrument for Pre-Accession Assistance (IPA) funds civil society projects, short-term funding cycles and shrinking civic space create instability, forcing CSOs to compete rather than collaborate. Regulatory and political challenges further hinder CSO participation. Legal restrictions, such as foreign agent laws in Republika Srpska and increased state oversight in Serbia, constrain operational space. In politically volatile environments like Bosnia and Herzegovina and Kosovo, CSOs struggle to secure institutional support. Weak public engagement further reduces CSO leverage, as low awareness of EU SM alignment diminishes public pressure on governments to act on CSO recommendations.

To enhance CSO participation, governments and regional bodies must institutionalise their role in policy design, implementation, and oversight. Structured participation in policy design through multi-stakeholder working groups can ensure greater inclusivity in competitiveness, digital transformation, and green transition strategies. Implementation partnerships should be expanded, enabling CSOs to lead pragmatic pilot projects in renewable energy, digital skills training, and labour mobility. Formal monitoring mechanisms—such as independent CSO audits of CEFTA and CRM initiatives—would strengthen transparency and accountability in the process and among involved stakeholders. Follow-up structures for CSO recommendations from forums such as the BP CSF should be institutionalised to ensure a greater impact. Lastly, public awareness

⁴ *Balkan Civil Society Network, Civic Space Report 2024, Skopje, May 2024.*

⁵ *TACSO, DG NEAR Guidelines for EU Support to Civil Society in the Enlargement Region 2023 Assessment, Belgrade, June 2024.*



campaigns should be expanded, leveraging CSOs' outreach capacity to inform citizens about EU SM integration and its benefits.

Recommendations

A multi-stakeholder approach is essential to ensuring inclusive, transparent, and effective reforms. By securing a formal role in the EU accession framework, CSOs can strengthen the legitimacy, effectiveness, and inclusiveness of WB economic integration. This will ensure that reforms serve the broader societal interest while accelerating progress toward the EU SM. In this regard, the roles of the EU, WB governments, and CSOs are interconnected, requiring enhanced collaboration and institutionalised mechanisms for engagement.

Recommendations for the EU

Incentivise and Strengthen Institutional Mechanisms for CSO Engagement

The EU should mandate formalised and consistent mechanisms for incorporating CSO input across all WB countries in EU-related processes, ensuring their recommendations help shape policy decisions. For example, the EC and the RCC and CEFTA can institutionalise follow-up mechanisms for recommendations made at the BP CSF. Additionally, the EU could link funding and technical assistance for WB governments to demonstrable CSO inclusion in policymaking and implementation processes, ensuring their voices are systematically integrated into reforms.

Enhance Funding for CSOs and Expand Technical Assistance and Capacity Building

Enhance funding for programmes that support CSO capacity building in monitoring, advocacy, and public outreach related to EU SM alignment. The EU should ensure multi-year funding frameworks to stabilise long-term projects and consider establishing a dedicated CSO Integration Fund under IPA III to support CSO activities and cooperation related to EU SM alignment.

Promote Accountability in Regional Frameworks

Require the RCC, CEFTA, and similar regional bodies to implement and report on the inclusion of CSO feedback in action plans such as the CRM and continue assessing how CSO contributions are integrated. Additionally, the EU could consider funding projects that formalise CSO participation in regional policymaking and provide technical and financial support for cross-border initiatives that align with EU SM standards, such as trade facilitation and mobility reforms.

Recommendations for WB Governments

Institutionalise CSO Engagement

Formalise CSO participation in legislative and regulatory processes through memoranda of understanding or binding agreements. Establish multi-stakeholder councils at national and



regional levels, ensuring civil society perspectives are represented in key areas such as labour mobility, green transitions, and trade policy.

Improve Legal and Regulatory Environments

Address restrictive legal frameworks, ensure CSOs have the operational independence needed to contribute effectively, and invest in building public trust by highlighting CSO contributions to policy reforms.

Improve Data Transparency

Create consolidated, publicly accessible platforms that provide real-time information on EU SM-related reforms and initiatives. Enact legislation mandating public institutions to share data with CSOs, ensuring consistency and reliability.

Strengthen CSO Capacities

Allocate national budget funds to complement EU and donor funding for CSO activities. Invest in training programs to equip CSOs with technical skills in monitoring, advocacy, and alignment with EU policies, particularly in areas such as environmental standards and digital transformation.

Develop Follow-Up Mechanisms

Establish structured processes for tracking and implementing CSO recommendations from forums such as the BP CSF. Regular progress reports should detail how CSO inputs influence policymaking and strengthen accountability and trust.

Promote Joint Public Awareness Campaigns

Collaborate with CSOs to launch campaigns that demystify the benefits of EU integration, targeting marginalised groups, such as rural communities, youth, and minorities. Leverage digital platforms, workshops, and town hall meetings to foster public understanding and support for reforms.

Recommendations for CSOs and donors

Enhance Technical Expertise

Invest in technical training for CSO staff in areas such as trade facilitation, environmental standards, and digital governance. Strengthen the ability to monitor and advocate for SM-related reforms through evidence-based analyses.

Monitor and Advocate for Reform Transparency

Establish independent, CSO-led monitoring mechanisms for reforms under the CRM, SAAs, and the EU Growth Plan. Publish findings in accessible formats to ensure institutional accountability and inform the public.

Broaden Focus Beyond Analysis and Advocacy

Expand CSOs' roles to include implementation partnerships in community-driven initiatives, such as pilot projects on energy efficiency, digital skills training, and SME development under the CRM and EU Growth Plan. Donors can support these projects through targeted funding.



Foster Regional and EU Collaboration

Strengthen regional networks of CSOs within the WB and with counterparts in the EU, enabling collective advocacy on cross-border issues such as environmental sustainability and labour mobility. This will amplify impact and facilitate the exchange of best practices.

Increase Grassroots Engagement

Develop programmes that directly involve local communities, ensuring that integration processes are tangible and relevant to citizens' daily lives. For example, organise workshops on labour mobility or green energy opportunities for rural populations.

Focus on Public Diplomacy and Increase Public Outreach

Collaborate with governments and EU institutions to design campaigns countering euroscepticism and promoting the benefits of EU integration. Engage marginalised groups with tailored programmes to ensure inclusivity and broad-based support for reforms.

Enable Sustainable Funding

Donors should transition from short-term, project-based funding towards long-term, strategic partnerships with CSOs. This approach will enable CSOs to plan strategically, act more effectively, and retain skilled personnel.



Abbreviations

AP – Action Plan

BP CSF – Berlin Process Civil Society Forum

BiEPAG - Balkans in Europe Policy Advisory Group

CBAM - Carbon Border Adjustment Mechanism

CEF – Connecting Europe Facility

CEFTA – Central European Free Trade Agreement

COSME – Competitiveness of Enterprises and Small and Medium-sized Enterprises

CRM – Common Regional Market

CSO – Civil Society Organization

EC – European Commission

ECB – European Central Bank

ECM – Enlargement Candidates Members

EESC – European Economic and Social Committee

EIP – Economic and Investment Plan

EP – European Parliament

ETS – Emissions Trading System

EU – European Union

EU SM – EU Single Market

FDI – Foreign Direct Investment

GP – Growth Plan

IPA – Instrument for Pre-accession Assistance

NCEU – National Convention on the EU (Serbia)

NCEU-MK – National Convention on the EU Republic of North Macedonia

NTB – Non-Tariff Barrier

RCC – Regional Cooperation Council

SAA – Stabilization and Association Agreement

SEED – Systematic Electronic Exchange of Data

SEPA – Single Euro Payments Area

SM – Single Market

SME – Small and Medium Enterprises

SMP – Single Market Programme

STEM – Science, Technology, Engineering and Mathematics

TAIEX – Technical Assistance and Information Exchange

WB – Western Balkans

WB6 – Western Balkans Six (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia)

WBIF – Western Balkans Investment Framework

