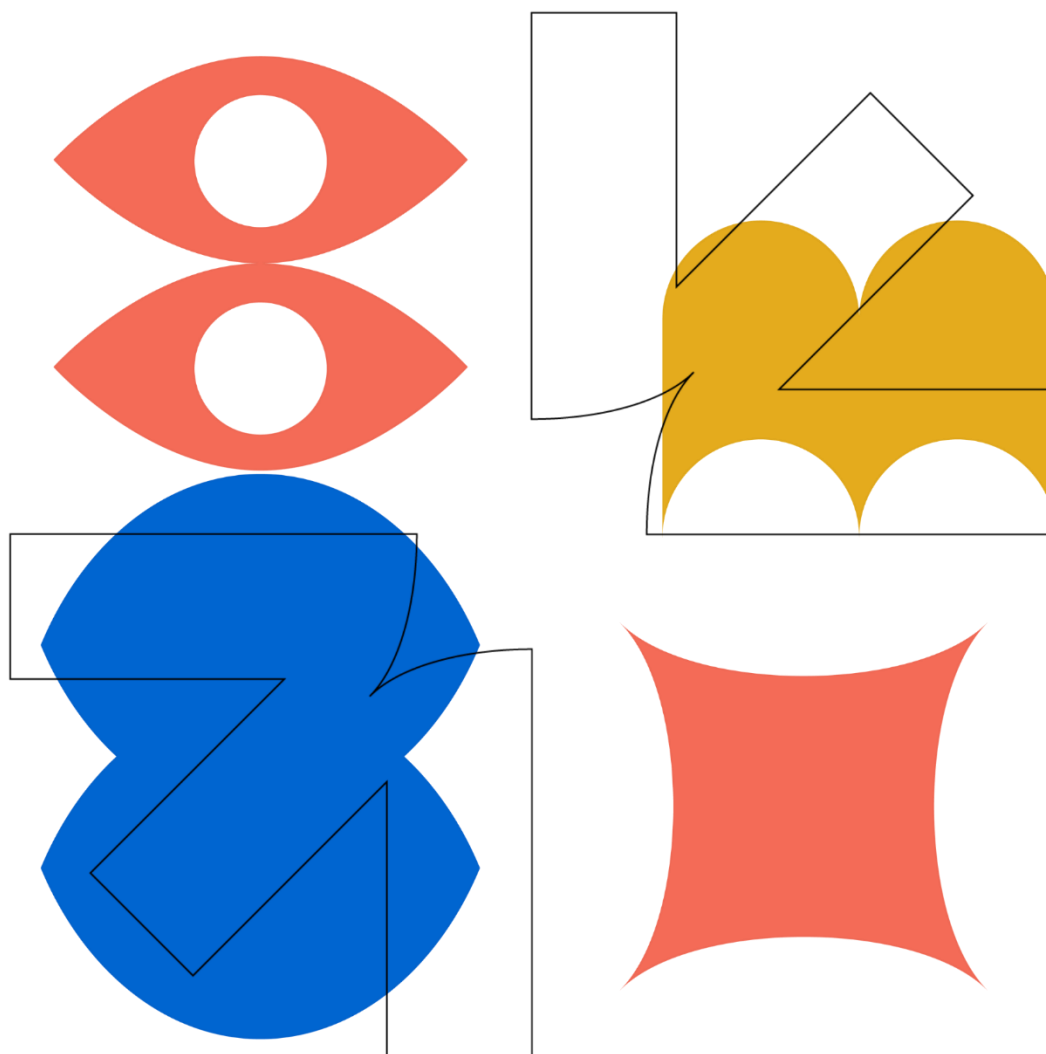


# ANALYSIS FOR MARKET INTEGRATION INITIATIVES BETWEEN THE WESTERN BALKANS AND THE EUROPEAN UNION, BEYOND THE GROWTH PLAN FOR THE WESTERN BALKANS

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## Abbreviations

AEO – Authorized Economic Operator  
BCSDN – Balkan Civil Society Development Network  
BiEPAG - Balkans in Europe Policy Advisory Group  
BiH – Bosnia and Herzegovina  
BP CSF – Berlin Process Civil Society Forum  
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  
EESC – European Economic and Social Committee  
EIP – Economic and Investment Plan  
EP – European Parliament  
ERTMS – European Rail Traffic Management System  
ETS – Emissions Trading System  
EU – European Union  
EU SM – EU Single Market  
EURES – European Employment Service  
FATF – Financial Action Task Force  
FDI – Foreign Direct Investment  
GP – Growth Plan  
IIA – International Investment Agreement  
IPA – Instrument for Pre-accession Assistance  
MoU – Memorandum of Understanding  
NCEU – National Convention on the EU (Serbia)  
NCEU-MK – National Convention on the EU Republic of North Macedonia  
NECP – National Energy and Climate Plan  
NTB – Non-Tariff Barrier  
RCC – Regional Cooperation Council  
SAA – Stabilization and Association Agreement  
SEPA – Single Euro Payments Area  
SM – Single Market (EU)  
SMP – Single Market Programme  
STEM – Science, Technology, Engineering and Mathematics  
SUMP – Sustainable Urban Mobility Plan  
TAIEX – Technical Assistance and Information Exchange  
TFEU – Treaty on the Functioning of the EU  
ToR – Terms of Reference  
WB – Western Balkans  
WB6 – Western Balkans Six (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia)  
WBIF – Western Balkans Investment Framework



## Executive Summary

The integration of the Western Balkans (WB) into the European Union (EU) Single Market (SM) is pivotal for regional socio-economic convergence and EU accession. The Growth Plan for the Western Balkans underpins this goal through four key pillars: alignment with the EU Single Market (SM), deepened regional integration via the Common Regional Market (CRM), fundamental reforms, and enhanced financial assistance (€6 billion, 2024–2027). These initiatives focus on the free movement of goods, services, and labour; expansion of digital and green transitions; and strengthening governance and the rule of law.

Progress in EU SM integration varies across WB economies, and is influenced by specific national challenges, political dynamics, and institutional capacities. While Albania and North Macedonia exhibit moderate alignment with EU standards in trade and energy, political instability and fragmented governance hinder Bosnia and Herzegovina's reforms. Kosovo faces structural constraints in regulatory compliance, Montenegro demonstrates leadership in policy alignment, and Serbia shows notable advances in digitalization and renewable energy reforms. However, Serbia still struggles with regional disparities, rule of law deficiencies, and geopolitical balancing.

Despite regional frameworks like CRM and CEFTA, facilitating connectivity and trade liberalization, challenges persist in regulatory harmonization, institutional weaknesses, labour market inefficiencies, and green transition gaps. Key opportunities include expanding CRM initiatives for trade facilitation, investment reform, digital transformation, green financing, and regional connectivity. Emphasizing governance, labour mobility, and industrial competitiveness, coupled with synergies between regional agreements and the EU accession framework, can accelerate WB economies' readiness for EU Single Market integration. Through robust reforms and regional cooperation, the Western Balkans can capitalize on transformative potentials, securing a path toward sustainable and inclusive EU integration. CSOs emerge as critical actors in the integration process, playing a key role in monitoring reforms, raising public awareness, and advocating for inclusive policies. Despite this, civil society organizations (CSOs) face challenges like limited institutional engagement, insufficient funding, and restricted capacity. Strengthening their involvement can improve the transparency, accountability, and legitimacy of regional initiatives.

The report identifies opportunities for deeper integration, including expanding CRM initiatives, leveraging regional investment frameworks, advancing digital and green transitions, and fostering labour mobility through targeted reforms. It also emphasizes the need for stronger governance and institutional capacity to address disparities and ensure alignment with EU accession priorities. By utilizing collaboration among national, regional, and EU-level initiatives, the Western Balkans can achieve sustainable progress toward Single Market integration.



Ultimately, the report highlights the critical role of CSOs in monitoring reforms, fostering inclusivity, and raising public awareness to ensure the legitimacy and transparency of the integration process.

## Introduction

Background - Growth Plan for the Western Balkans and EU Single Market Integration

The Growth Plan (GP) for the Western Balkans (WB) is a €6 billion initiative (2024–2027) aimed at accelerating socio-economic convergence with the European Union and supporting EU accession. Structured around four pillars (enhancing integration with the EU Single Market (SM), boosting regional economic integration through the Common Regional Market Agenda for the Western Balkans (CRM), accelerating fundamental reforms, and increasing financial assistance), it is focused on measures such as: facilitating the free movement of goods, services, and workers, expanding access to the Single Euro Payments Area (SEPA), advancing the Digital Single Market, advancing green and digital transitions, supporting governance and the rule of law, and enhancing regional cooperation.<sup>1</sup> By addressing these areas, GP also seeks to expand market access, attract investment, and build institutional capacities, delivering benefits even before full EU membership.

This integration effort is reinforced by bilateral and regional agreements, including Stabilization and Association Agreements (SAAs) and individual negotiation processes of the WB with the EU, regional initiatives such as CRM, CEFTA, alongside other multilateral frameworks like the Energy and Transport Communities, which harmonize policies, initiate projects on-ground, and foster cross-border cooperation within the Western Balkans. Together, they aim to reduce disparities, improve competitiveness, align the WB economies with SM standards, and ultimately support their EU accession.

However, the Growth Plan's ambitious goals require addressing structural challenges, including institutional weaknesses, political instability, and economic fragmentation. Inadequate governance, lack of transparency, weak rule of law, and insufficient administrative capacity remain as the main dangers hindering reforms and resource efficiency. Political instability, driven by frequent government changes, unresolved disputes, and ethno-nationalist tensions, further undermine policy predictability, while fragmented economies present additional barriers to sustainable growth and integration. The Plan's success hence depends on strong political commitment, good governance and the rule of law; robust legal frameworks; ambitious reforms; consistent and structured funding inclusive regional cooperation, performance and impact monitoring.

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<sup>1</sup> 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



## Objective of the Report

The report aims to empower civil society organizations (CSOs) in the Western Balkans in enhancing their role in supporting and monitoring the region's integration into the EU Single Market (SM). It provides a comprehensive analysis of progress and challenges in aligning with EU standards through individual negotiation processes and regional initiatives, while exploring opportunities and addressing obstacles to further integration and convergence. The report delivers actionable recommendations for aligning CSO efforts with regional and EU frameworks, enhancing their ability to foster inclusivity, advocate and advance reforms, engage stakeholders, and raise public awareness. In doing so, it aims to contribute meaningfully to the broader objectives of the EU-WB integration agenda.

### Scope of Work

This report, based on the Terms of Reference (ToR) under the project "Pathways to EU Integration: Advancing the dialogue on the Growth Plan for the Western Balkans," implemented by the European Policy Institute – Skopje and its partners, addresses key aspects of WB-EU integration. The analysis covers the following areas:

- State of Play in WB-EU Integration

The report surveys the WB progress in integrating with the EU SM, focusing on the implementation of SAAs and individual obligations stemming from the EU negotiation process (mirroring the four freedoms of the EU SM, but also other economic criteria important for SM approximation process), CRM, CEFTA, and other regional agreements, particularly on Transport and Energy. It highlights the policy gaps, socio-economic impacts of these initiatives, identifies gaps such as regulatory misalignments, institutional weaknesses, and challenges in regional cooperation frameworks that require further attention.

- Opportunities for Further Integration

Actionable opportunities beyond the Growth Plan are identified, including policy alignment with the EU acquis in key sectors. Attention is given to short-term benefits, such as trade facilitation, labour mobility, and investment reforms, while further strategies emphasize priority sectors like transport, energy, and digitalization, addressing regulatory harmonization, infrastructure connectivity, and investment climate improvement. The report also identifies synergies between the Growth Plan and other regional frameworks to maximize their collective impact. Without undermining the importance of bilateral and trilateral initiatives existing among the region that work in support of EU SM approximation, for the purpose of this report and due to its weight, all-inclusive regional initiatives are taken into consideration.

- Institutional Landscape and Participatory Methods

An analysis of institutional frameworks supporting WB-EU integration includes EU institutions, regional bodies, and national authorities. The report highlights opportunities to



build networks and participatory methods that encourage regular consultation and collaboration between CSOs, governments, and international stakeholders.

- Role of CSOs in the Integration Process

The report underscores the critical role of civil society organizations (CSOs) in ensuring transparency, accountability, and public engagement. It explores strategies to enhance CSO participation in policy design, monitoring, and advocacy through technical training, funding mechanisms, and institutionalized public-private dialogue. Addressing enabling and blocking factors, the report highlights CSOs' potential to promote inclusiveness and transparency. The report recommends strategies to improve public understanding of SM integration benefits, fostering inclusive dialogue among governments, businesses, and CSOs. These efforts aim to build trust and ensure collective ownership of integration initiatives.

- Recommendations and Outputs

Tailored recommendations are provided for both the EU and WB governments, as well as the CSO and donor community, to support the process of WB integration into the EU SM.

## Methodology and Deliverables

The analysis and recommendations presented in this report are informed by an in-depth review of existing policies, regional and EU frameworks, and CSO dynamics in the WB. The methodology for this report draws on official EU documents like European Commission Progress Reports for the Western Balkans, with a primary focus on Cluster 2: Chapters 1-4, addressing the EU Single Market's four freedoms: free movement of goods, workers, services, and capital. While other chapters enable these freedoms (Chapters 6, 7, 8, 9, and 28) the emphasis remains on Chapters 1-4, alongside a brief consideration of EU economic criteria. The analysis also incorporates insights from initiatives like the Growth Plan, and CRM 2.0 (2025-2028) Acti-on Plan and CRM 2020-2024 Reports, and Energy and Transport Community Treaties and Reports. Analysis on the state of play in the civic sector is also taken into consideration from formal EU-initiated reports and from independent civic analysis. Additionally, the report benefits from the author's<sup>2</sup> direct engagement in conferences and workshops on regional cooperation and Single Market integration.

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<sup>2</sup> Events author has attended, addressed, presented at and participated in discussion in series of EU negotiations process (EC Progress Report), GP, CRM and Connectivity (Infrastructure and Energy) debates, presentations, workshops, and other events, some notably include (list is not exhaustive, only those with active role indicated):

- National Convention on the EU (Serbia). (April 2024). Cluster 6 – Foreign Relations 10 Years After Negotiations Commencement. Belgrade, Serbia.
- European Economic and Social Committee. (May 2024). Continuing the success story of EU enlargement – Bringing benefits to the Western Balkans in advance of accession. Ljubljana, Slovenia.
- Italian International Affairs Institute. (May 2024). Preparing for Enlargement: The EU and Western Balkans' Contributions. Italian Ministry of Foreign Affairs and International Cooperation, Rome, Italy.
- European Economic and Social Committee. (July 2024). 589th Plenary Session. European Parliament, Brussels, Belgium.
- Committee for European Integrations of National Parliament of the Republic of Serbia. (July 2024). Debate with parliamentary groups and CSOs on Growth Plan and Serbia's Reform Agenda. National Parliament of the Republic of Serbia, Belgrade, Serbia.
- Cooperation and Development Institute. (September 2024). Tirana Connectivity Forum 2024. Tirana, Albania.





The methodology involves mapping policy areas where WB EU SM integration is already underway, analysing further opportunities, and identifying best practices for CSO engagement. Key deliverables include:

- A draft of comprehensive assessment of WB EU integration and SM alignment progress, including recommendations for policy alignment, institutional reforms, and enhanced CSO participation.
- A final report integrating feedback from workshop and consultations with a network of partner CSOs and researchers at the workshop on Growth Plan organized by European Policy Institute in Skopje on 11-12 December 2024, aimed at fostering dialogue among stakeholders.

This report positions itself as a resource for advancing the integration of the Western Balkans into the EU Single Market. By providing a comprehensive analysis of the current state, opportunities, and challenges, it aims to empower CSOs and other stakeholders to play an active and informed role in the process. Through collaboration, capacity building, and strategic reforms, the WB can leverage the transformative potential of the Growth Plan and related initiatives to secure a sustainable and inclusive path toward EU integration.

## **The Current State of Western Balkans Integration with the EU Single Market**

### **Status by each WB Economy**

The process of integrating the Western Balkans (WB) into the European Union's (EU) Single Market (SM) is complex, challenging, and a critical aspect of their EU accession journey. Progress varies among the six WB economies - Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia - each advancing at its own pace and facing some common and some unique challenges, yet with plenty of reforms across negotiation process chapters still pending.

The road to full EU integration involves aligning economic policies, regulatory frameworks, and market structures with EU standards, a process guided by the Stabilisation and Association Agreements (SAAs) as foundational instruments for reform and accession. The alignment with the SM is guided by the EU negotiation process in each of the WB economy chapters related to the four freedoms of the EU Single Market – Cluster 2: Chapters 1-4, which directly address the four freedoms of the EU Single Market: free movement of goods, freedom of movement for workers, right of establishment and freedom to provide services, and free movement of capital, respectively. They are further supported by the following

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- European Economic and Social Committee. (October 2024). Working Group on EU Single Market – The Future of Enlargement. Brussels, Belgium.
  - Cooperation and Development Institute. (October 2024). Enhancing Regional Cooperation: Path to CRM and EU Integration. Europe House, Belgrade, Serbia.
  - European Economic and Social Committee. (October 2024). Enlargement High-Level Forum: Towards Successful EU Enlargement. Brussels, Belgium.
  - European Delegation in Serbia. (November 2024). Presentation of the EU's Progress Report. Europe House, Belgrade, Serbia.
  - Albanian Institute for International Studies. (December 2024). EU Academy. Albania, Tirana.





chapters from the same cluster: Chapter 6 (Company law) for legal certainty and corporate governance, Chapter 7 (Intellectual property law) for innovation and market fairness, Chapter 8 (Competition policy) to ensure fair market practices, Chapter 9 (Financial services) for robust financial markets, and Chapter 28 (Consumer and health protection) to safeguard consumer rights and public health. Additionally, the EU Growth Plan for the Western Balkans (GP) and regional initiatives like the Common Regional Market (CRM), CEFTA, and the Transport Community and Energy Community are important platforms for further support to this process. This chapter examines the current state of each WB economy's integration with the EU Single Market, focusing on their progress in key areas identified by the negotiating chapters directly linked to the SM four freedoms, along with the EU economic criteria, EU's Growth Plan, and participation in regional initiatives.

### *Albania: Progress Amidst Political and Economic Challenges*

In October 2024, Albania opened EU negotiations on the first chapters. The Stabilization and Association Agreement (SAA) serves as a vital framework, though Albania faces challenges in addressing deep-rooted political and economic reforms. While progress continues, the pace of reforms and political stability will remain pivotal in determining the country's path to EU integration and full alignment with the Single Market.

The EU has consistently been Albania's main economic partner, with its share of Albania's total trade in goods reaching 57.9% in 2023, including 71.8% of exports and 50.9% of imports. EU Foreign Direct Investment in Albania also showed an upward trend, rising to 55.4% of total FDI inflows in 2023, compared to an average of 51% between 2019 and 2022.<sup>3</sup> Albania's progress toward Single Market approximation reflects important advancements, particularly in digital transformation, trade facilitation, and energy sector reforms. However, uneven implementation of legislative measures, regulatory gaps, and structural economic challenges, such as high informality and limited market surveillance, continue to hinder deeper integration. While regional initiatives like CEFTA and CRM have facilitated progress, sustained efforts in harmonizing standards, strengthening institutional capacity, and ensuring consistent policy enforcement are essential for Albania to achieve comprehensive alignment with EU Single Market requirements.

According to the 2024 EC Progress Report<sup>4</sup>, Albania shows good preparation for a functioning market economy, driven by growth in tourism and investments, but faces challenges like high unemployment and a large informal economy. It is moderately prepared for EU competition, with progress in infrastructure and digitalization, though gaps remain in connectivity, exports, and digital inclusion. Despite strides in economic reforms, progress in aligning with

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<sup>3</sup> European Commission, EU-Albania Factsheet 2024, October 2024. [ec.europa.eu/neighbourhood-enlargement](https://ec.europa.eu/neighbourhood-enlargement).

<sup>4</sup> European Commission, Commission Staff Working Document Albania 2024 Report Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2024 Communication on EU Enlargement Policy, Brussels, 30.10.2024 SWD(2024) 690 final.



EU Single Market rules is mixed, and regulatory gaps, weak infrastructure, and high informality remain barriers. Albania's progress in aligning with EU criteria is described as partially implemented across most sectors, requiring sustained legislative alignment, institutional capacity building, and policy implementation. Advances were made in free movement of goods (Chapter 1), where the country is between having some level of preparation and a moderate level of progress, particularly on alignment with EU acquis on medical devices, but significant gaps in market surveillance and mutual recognition. For freedom of movement for workers (Chapter 2), Albania has some level of preparation, marked by progress in social security agreements and employment system modernization but needing further enforcement of migration laws and new bilateral agreements. In right of establishment and freedom to provide services (Chapter 3), Albania is moderately prepared but made no progress in addressing legislative barriers or mutual recognition of professional qualifications and needs to comply with Art.34-36 TFEU. In free movement of capital (Chapter 4), the country is moderately prepared, showing improvement with alignment on cross-border payments and being delisted from the FATF "grey list," though issues like equal treatment in land acquisition remain to be addressed.

Participation in regional platforms like CEFTA and the Common Regional Market (CRM)<sup>5</sup> has facilitated trade liberalization measures, extension of Green Lanes and introduction of Blue Lanes (MoU with Italy), reinforced mutual recognition agreements, and with most of the results for Albania noted in the digital sector through 2022-2026 Digital Agenda's that advanced AI, cybersecurity, and digital skills, enabling 95% of public services being available online via the e-Albania platform. Progress also includes broadband development, 5G readiness, and streamlined policies to enhance connectivity and digital transformation. In investment, Albania has worked with under CRM to implement an Investor Lead Generation Campaign targeting sectors like automotive, food processing, and metal processing. This initiative aims to attract foreign direct investment (FDI) by promoting Albania as part of a unified regional market.

Albania is also actively engaged in the Energy Community and the Transport Community, prioritizing renewable energy and infrastructure connectivity, though implementation is uneven. Albania has advanced in promoting zero-emission vehicles, renewable energy, and digital mobility solutions like ITS. However, challenges remain in aligning with EU directives on alternative fuels, emission standards, and freight transport, with insufficient charging infrastructure being a key obstacle.<sup>6</sup> On energy front, progress has been notably made<sup>7</sup> in

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<sup>5</sup> 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>

<sup>6</sup> 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>

<sup>7</sup> 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](https://www.energy-community.org/dam/jcr:2229718d-018e-4643-858f-3765129f8c04/ECS_Report_on_Declaration_WB6.pdf)



integrating renewable energy and improving energy efficiency, with actions like launching its electricity day-ahead market and working on broadband and digital inclusion. However, challenges persist, including vulnerabilities in energy systems, slow implementation of Clean Energy Package directives, insufficient energy project permitting, and gaps in environmental assessment frameworks.

### *Bosnia and Herzegovina: Stalled Progress Due to Political Fragmentation*

Bosnia and Herzegovina is the most complex case in the Western Balkans, lagging behind its peers due to political fragmentation and slow reforms. Despite achieving EU candidate status in December 2022, the country has struggled to capitalize on this important milestone and faces significant challenges in addressing EU Single Market (SM) alignment and facilitating its EU membership path. Political tensions, fragmented institutions, and limited intergovernmental cooperation entity-level obstructions and disagreements on constitutional and electoral reforms, all hinder efficient implementation of EU-aligned policies and remain as main constraints to SM integration and economic and overall governance. Structural reforms are delayed, with inefficiencies in public enterprises, outflow of labour force, fragmented internal markets, and a weak rule of law. While regional initiatives like CRM and advancements in digital and trade measures offer some progress (yet with trade potential remaining far below its potential due to slow overall EU economic integration), fragmented implementation and delayed structural changes in key areas, such as transport, energy, and the four freedoms, continue to hinder alignment with EU standards. Accelerated reforms and institutional cohesion are essential to move beyond partial and uneven progress.

Despite strong economic ties, with EU accounting for 64.2% of BiH total trade in goods in 2023 (73% of exports and 59% of imports) and EU FDI reaching €754.3 million in 2022<sup>8</sup>, integration into the EU SM remains challenged by structural and institutional hurdles and BiH's progress on the four freedoms remains limited. For Chapter 1 (Free Movement of Goods), the country is at an early stage, with no progress on aligning legislation or adopting a strategy for quality infrastructure. In Chapter 2 (Freedom of Movement for Workers), some preparation is evident, but fragmentation in social security systems and lack of administrative cooperation persist. Chapter 3 (Right of Establishment and Freedom to Provide Services) shows no progress, with legislation still misaligned with the EU Services Directive and no mutual recognition of professional qualifications. In Chapter 4 (Free Movement of Capital), moderate preparation and limited progress are noted, particularly in anti-money laundering, but alignment with EU financial regulations remains incomplete. Overall, BiH's integration into the EU single market is hindered by fragmented governance, legislative gaps, and insufficient institutional capacity. Economic ties with the EU remain below potential due

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<sup>8</sup> European Commission, EU-Bosnia and Herzegovina Factsheet 2024, October 2024. [ec.europa.eu/neighbourhood-enlargement](https://ec.europa.eu/neighbourhood-enlargement).



to these challenges, along with slow reforms and administrative inefficiencies. Accelerated alignment and better coordination are critical for meaningful progress.<sup>9</sup>

Although BiH's progress toward EU SM under regional platforms suffers from the same above indicated challenges, the country has shown some progress in regional cooperation under the Common Regional Market (CRM) agenda<sup>10</sup>, in the areas contributing to EU SM approximation. In the Regional Trade Area, the BiH supported the expansion of Green Lanes with EU Member States (MoU with Croatia), enhancing customs cooperation and data exchange. Bosnia and Herzegovina has completed internal procedures for adopting decisions on e-commerce, geo-blocking, and parcel delivery, aligning with EU standards. Agreements for the recognition of professional qualifications for doctors, dentists, and architects were also finalized, reflecting alignment with EU principles – although there was no recorded progress on further harmonization upon the agreements. In investment, BiH participates in discussions on creating FDI screening mechanism aligned with EU standards, aiming to enhance transparency and investor confidence. It has also participated in capacity-building initiatives for dispute resolution and legal reforms to address investor-state disputes. However, while steps have been taken to align with regional and EU frameworks, the country still needs to accelerate reforms in infrastructure and administrative efficiency to attract significant FDI inflows. In the Digital Area, BiH has advanced efforts in data interoperability and digital transformation, including the establishment of electronic identification capabilities and ongoing work on a broadband development framework. In the industrial and innovation domain, preliminary strategies and grant funding have been mobilized to align with CRM and EU goals, focusing on scientific research infrastructure and digital transformation initiatives.

Despite progress in regional transport infrastructure, such as Pan-European Corridor projects, institutional inefficiencies continue to impede full implementation of transport connectivity agreements. Namely, it has made limited progress in transport connectivity under the Sustainable and Smart Mobility Strategy. The country lags in adopting EU directives on alternative fuels and clean vehicles, with no significant EV infrastructure or incentives in place. Efforts to deploy Intelligent Transport Systems (ITS) and the European Rail Traffic Management System (ERTMS) are minimal, and only partial transposition of rail interoperability directives has been achieved. In urban mobility, Sarajevo and Bijeljina have adopted Sustainable Urban Mobility Plans (SUMP), but implementation across other municipalities remains uneven. On regional connectivity, Bosnia and Herzegovina is part of the Western Balkans–Eastern Mediterranean Corridor and Rail Freight Corridor initiatives, yet

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<sup>9</sup> European Commission, Commission Staff Working Document Bosnia and Herzegovina 2024 Report Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2024 Communication on EU Enlargement Policy, Brussels, 30.10.2024 SWD(2024) 691 final.

<sup>10</sup> Regional Cooperation Council (n.5)



infrastructure bottlenecks and regulatory gaps hinder progress.<sup>11</sup> Quite limited progress is also recorded in energy security and the green transition; Although efforts to integrate with the EU electricity market are ongoing, transposition of the Clean Energy Package is incomplete, delaying renewable energy projects and emissions trading system (ETS) development. Energy efficiency measures, including building renovations, remain slow<sup>12</sup>, while bottlenecks in permitting and grid connections hinder renewable investments. The country also struggles with coal dependency and limited gas supply diversification, leaving energy poverty a critical issue for the citizens as much as EU-alignment, alarming for an urgent need to align with EU goals and accelerate the green transition.

### *Kosovo: Building Connections with the EU and Regional Markets*

Kosovo has signed an SAA and is a member of CEFTA, but its progress is hindered by non-recognition of independence by some WB and EU member states, complicating the integration process. Despite notable economic engagement with the EU (41.1% of total trade in goods in 2023, 31.7% of exports, 42.5% of imports, and €388.9 million in FDI in 2022<sup>13</sup>) and steady economic growth driven by a strong banking sector and efforts to improve the business environment, Kosovo continues to face structural weaknesses and limited institutional capacities. These challenges, along with underdeveloped competition policy and state aid frameworks, hinder further alignment with EU Single Market standards, as progress remains limited in establishing an operational state aid commission.

Despite this, Kosovo has made efforts to improve alignment with the EU SM, and the EU notes Kosovo has mixed results ess under Cluster 2. For Chapter 1 (Free Movement of Goods), Kosovo is moderately prepared but has made limited progress in implementing laws on product safety and inspections, with significant gaps in market surveillance and mutual recognition of standards. Chapter 2 (Freedom of Movement for Workers) remains at an early stage, with ongoing but rather slow negotiations for bilateral social security agreements and no significant steps toward joining EURES. In Chapter 3 (Right of Establishment and Freedom to Provide Services), Kosovo has liberalized its postal market but the framework for mutual recognition of professional qualifications needs improvement. In Chapter 4 (Free Movement of Capital), Kosovo is moderately prepared, but progress remains rather limited, as it still lacks compliance with the EU Payment Services Directive, and still has significant work to do in combating financial crime (anti-money laundering measures). Economically, Kosovo shows some ability to meet the competitive pressures of the EU market, with robust growth and improved business formalization. However, the economy remains constrained by weak public investment management, a reliance on small firms, and an education system

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<sup>11</sup> Transport Community (n.6)

<sup>12</sup> Energy Community (n.7)

<sup>13</sup> European Commission, EU-Kosovo Factsheet 2024, October 2024. [ec.europa.eu/neighbourhood-enlargement](https://ec.europa.eu/neighbourhood-enlargement).



misaligned with labour market needs. While trade openness has increased, Kosovo's overall alignment with EU single market rules is partial, reflecting delays in reforms and limited institutional capacity. Accelerated efforts are needed to address these gaps and improve market readiness.<sup>14</sup>

Involvement in CEFTA and the CRM has facilitated trade relations with its neighbours, notably through the establishment of one-stop-shop facilities at Hani Elezit and infrastructure improvements at border crossings like Merdare and Vermica. These efforts have significantly reduced customs clearance times, while issuance of Authorized Economic Operator (AEO) certificates benefited trade operators by minimizing delays and reducing costs. Progress was made in aligning with EU standards in product safety and market surveillance, adopting regulations such as the Law on General Product Safety and a comprehensive action plan for market conformity. While Kosovo is preparing to align its payment systems with SEPA requirements, its investment efforts remain nascent, focusing primarily on trade facilitation rather than direct investment promotion.<sup>15</sup> Even though, challenges remain in terms of market access, regulatory alignment, and also in the resolution of trade disputes (as the most recent trade dispute with Serbia seems to be resolved, the reality on administrative border crossing shows continuous delays on ground<sup>16</sup>).

On physical connectivity side, Kosovo has made progress in urban and multimodal transport systems, through adoption of the Sustainable Urban Mobility Plan (SUMP) for Pristina, Gračanica and Ferizaj. The Multimodal Transport Strategy 2023–2030, adopted with an action plan in 2024, aims to enhance green and intermodal transport solutions. However, the deployment of e-charging infrastructure remains limited, and transposition of key EU transport directives is still pending. Kosovo is also working to improve its rail infrastructure, but significant gaps remain in interoperability and integration with regional networks.<sup>17</sup>

Kosovo is implementing its National Energy and Climate Plan (NECP), focusing on increasing the share of renewables in its energy mix, particularly solar and wind, with initiation of measures to streamline permitting for renewable energy projects and improve grid connection efficiency, but still, challenges in balancing resources persist. Efforts are underway to develop a robust system for guarantees of origin to attract corporate investments in renewable energy. However, Kosovo remains reliant on coal for electricity generation, and strategies for phasing out coal plants are still in early stages, with a strong

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<sup>14</sup> European Commission, Commission Staff Working Document Kosovo\* 2024 Report Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2024 Communication on EU Enlargement Policy, Brussels, 30.10.2024 SWD(2024) 692 final.

<sup>15</sup> Regional Cooperation Council (n.5)

<sup>16</sup> Events (n.2). This information was very vocally expressed by the representatives of business community during the presentation and subsequent discussion of the European Commission's 2024 Annual Report on Serbia to the business community in Europe House in Belgrade, organized by the European Delegation in Serbia in November 2024.

<sup>17</sup> Transport Community (n.6)





need for further acceleration.<sup>18</sup> The Energy Community plays an important role in Kosovo's efforts to reform its energy sector, but limited infrastructure and challenges in governance pose significant barriers to full integration with the EU Single Market.

### *Montenegro: A Leader in EU Accession with Mixed Results*

Montenegro is the frontrunner among Western Balkans countries in EU accession, with 33 of 35 chapters opened and three provisionally closed. Reforms under the Stabilization and Association Agreements (SAAs) have strengthened alignment with the EU Single Market (SM), particularly in trade and competition policy. Economic cooperation between Montenegro and the EU remains strong, with the EU accounting for 47.5% of Montenegro's total trade in goods in 2023 (34.9% of exports and 44.1% of imports). EU Foreign Direct Investment reached €223.6 million in 2022, reinforcing the EU's role as Montenegro's primary economic partner.<sup>19</sup> However, Montenegro's progress toward EU SM integration reflects notable achievements alongside ongoing structural and policy challenges, which need to be addressed so that the country could preserve the positive momentum.

In regards to SM-related freedoms, for Chapter 1 (Free Movement of Goods), Montenegro is moderately prepared, with some progress in aligning laws on chemicals, medical devices, and construction products, though gaps remain for medicines, motor vehicles, and market surveillance. Strengthened institutional capacity and EU standardization body membership are priority areas that need to be addressed. Under Chapter 2 (Freedom of Movement for Workers), the country is at an early stage, with limited progress in social security agreements and employment policy alignment. Administrative upgrades to the Employment Agency are needed to support active labour market policies effectively. For Chapter 3 (Right of Establishment and Freedom to Provide Services), moderate preparation is evident, with minimal progress in developing the Point of Single Contact portal and postal services strategies. Further alignment with the EU Services Directive and recognition of professional qualifications for seven regulated professions still remain critical. Under Chapter 4 (Free Movement of Capital), Montenegro is moderately prepared, with some progress in anti-money laundering measures and payment systems. Alignment with EU rules on capital movements and better oversight of high-risk sectors like gaming are required.<sup>20</sup>

In other related areas, progress in alignment with the EU SM is still shadowed by some obstacles, as an example where advancement of electronic procurement is coupled with issues of transparency that results in overall slow progress in public procurement. Furthermore, sectors such as competition policy and consumer protection require stronger

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<sup>18</sup> Energy Community (n.7)

<sup>19</sup> European Commission, EU-Montenegro Factsheet 2024, October 2024. [ec.europa.eu/neighbourhood-enlargement](https://ec.europa.eu/neighbourhood-enlargement).

<sup>20</sup> European Commission, Commission Staff Working Document Montenegro 2024 Report Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2024 Communication on EU Enlargement Policy, Brussels, 30.10.2024 SWD(2024) 694 final.





institutional capacity and regulatory alignment. Critical reforms in compliance with the Services Directive and the Professional Qualifications Directive are still ongoing, essential to ensuring the free movement of goods, services, capital, and labour within the SM. Efforts to diversify Montenegro's narrow production base and enhance competitiveness remain limited. Although the business environment has slightly improved, obstacles like the low value of domestic products and limited export participation hinder growth. Underdeveloped education and vocational training systems further constrain the workforce's readiness for a competitive EU market. Addressing these structural constraints is essential for building a more resilient economy. Furthermore, transparent fiscal management, improved vocational training, and stronger academia-industry partnerships are needed for enhancing economic resilience and readiness for full EU SM integration.<sup>21</sup>

Montenegro actively participates in CEFTA and the Common Regional Market (CRM), fostering regional trade and cooperation, particularly in expanding Green Lanes for seamless cross-border trade through multiple MoUs with neighbouring EU Member States (Italy, Croatia). However, deeper reforms in aligning customs procedures and liberalizing services are still necessary for further integration. Significant advancements have been made in the recognition of professional qualifications for doctors, dentists, and architects. Progress in the digital market is visible through adoption of EU principles in e-commerce, geo-blocking, and parcel delivery services. On the investment front, Montenegro has focused on improving the business climate by mirroring EU standards for FDI screening mechanisms and promoting regional cooperation on dispute settlement mechanisms, which to enhance transparency and attractiveness of investment environment.<sup>22</sup>

Montenegro has focused on improving green transport, particularly in urban mobility. SUMP's have been implemented in Podgorica, Rožaje, and Kolašin, with plans to further align with EU standards. Efforts to enhance rail connectivity include plans for deploying the European Rail Traffic Management System (ERTMS) and modernizing infrastructure to meet TEN-T standards. However, progress in multimodal freight transport and rail interoperability remains limited.<sup>23</sup>

Montenegro has made progress in aligning with the Clean Energy Package, achieving milestones in electricity market integration. The country launched its day-ahead electricity market in 2023, facilitating integration into the EU's Single Day-Ahead and Intraday Coupling mechanisms. Montenegro has also advanced in implementing guarantees of origin, boosting transparency in renewable energy generation. Hydropower remains a cornerstone of Montenegro's energy sector, and the country is exploring additional projects with sensitivity to biodiversity concerns. Plans for energy efficiency include implementing building

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<sup>21</sup> Ibid.

<sup>22</sup> Regional Cooperation Council (n.5)

<sup>23</sup> Transport Community (n.6)



renovation strategies and improving energy performance in public buildings. However, diversification of energy sources, particularly gas infrastructure, remains a challenge.<sup>24</sup> Moreover, delays such as the overdue adoption of the National Energy and Climate Plan, underscore the need for urgency, especially in accelerating renewable energy projects and implementing energy efficiency legislation that are crucial for alignment with EU environmental goals.

### *North Macedonia: Steady Progress, But Structural Challenges Persist*

North Macedonia began EU accession negotiations in 2022 and has made progress in aligning its policies with the EU Single Market (SM), particularly in trade and digital economy reforms, and some in energy. Economic cooperation between North Macedonia and the EU remains strong, with the EU accounting for 60.4% of North Macedonia's total trade in goods in 2023 (77.3% of exports and 47.7% of imports)<sup>25</sup>. EU Foreign Direct Investment reached €519.6 million in 2022, reinforcing the EU's role as the country's largest economic partner and key driver of its economic modernization. However, challenges such as delayed reforms, structural economic weaknesses, and underdeveloped infrastructure continue to impede deeper integration with the EU SM. While regional cooperation and investments in connectivity and renewable energy highlight its commitment to alignment, sustained efforts are needed to address regulatory gaps, improve institutional capacity, and build a more resilient economy to meet EU standards effectively. Moreover, constitutional and electoral reforms, strengthening the rule of law, and combating corruption remain significant challenges that will determine the pace of its EU integration.

On SM freedoms, under Cluster 2: Internal Market, for Chapter 1 (Free Movement of Goods), the country is moderately prepared but has not made significant progress. Legislative gaps persist, including the need to adopt a market surveillance law and complete alignment with the EU's General Product Safety Directive. Efforts to reduce non-tariff barriers and enhance compliance with EU trade regulations are ongoing but require acceleration. In Chapter 2 (Freedom of Movement for Workers), the country remains at an early stage with no progress. Strengthening the Employment Service Agency and negotiating bilateral social security agreements with EU Member States are key areas for improvement. Legislative alignment on labour market access and non-discrimination is still pending. For Chapter 3 (Right of Establishment and Freedom to Provide Services), North Macedonia is moderately prepared, with limited progress in aligning sectoral laws with the EU Services Directive. The country must finalize legislation on postal services and professional qualifications to facilitate mutual recognition within the EU framework. In Chapter 4 (Free Movement of Capital), moderate preparation is evident, with limited progress in improving payment systems and combating

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<sup>24</sup> Energy Community (n.7)

<sup>25</sup> European Commission, EU-North Macedonia Factsheet 2024, October 2024. [ec.europa.eu/neighbourhood-enlargement](https://ec.europa.eu/neighbourhood-enlargement).



money laundering. Implementation of the Law on Payment Systems and further alignment with EU anti-money laundering rules remain critical priorities.<sup>26</sup>

On the economic criteria, North Macedonia has made notable progress toward developing a functioning market economy, driven by its commitment to trade openness, financial stability, and fiscal reforms. Improvements in the current account balance, supported by declining energy and food import prices, prudent monetary policy, and a resilient banking sector, reflect positive steps. Efforts to enhance renewable energy use, digitalization, and education modernization are ongoing, alongside measures to strengthen fiscal governance, such as public investment management and fiscal transparency. However, significant structural challenges persist, including a large informal economy, low labour participation, emigration, skills mismatches, lack of progress in competition policy, and infrastructure deficiencies. Delays in implementing the Organic Budget Law and modernizing financial systems also highlight inefficiencies. While progress toward EU alignment is evident, substantial reforms remain necessary to boost market readiness, institutional capacity, and sustainable growth.<sup>27</sup>

On the regional cooperation side, North Macedonia has demonstrated progress in regional trade facilitation, particularly by extending Green Corridors, which reduced average waiting times at borders and improved efficiency for veterinary and phytosanitary services. The country has worked to align its product safety and market surveillance frameworks with EU directives, including steps to implement transitional rules of origin and mutual recognition of goods under CEFTA protocols. While North Macedonia has invested in broadband expansion and digital tools like e-signatures, its trade facilitation efforts outpace its investment promotion activities. Limited progress has been made in creating a conducive environment for foreign direct investment (FDI), though the country remains active in promoting professional mobility through recognition of qualifications.<sup>28</sup> Trade and investment ties with the EU remain strong, but low workforce productivity and skill shortages impede broader economic integration.

North Macedonia has taken proactive steps in energy transition, focusing on renewable energy expansion and grid modernization. The country has established a functional day-ahead market and has begun coupling its electricity market with Bulgaria, improving cross-border trading efficiency. Investments in wind and solar projects are underway, supported by streamlined permitting processes and financial incentives. North Macedonia has also prioritized gas diversification, purchasing from Bulgaria's gas hub and planning new

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<sup>26</sup> European Commission, Commission Staff Working Document North Macedonia 2024 Report Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2024 Communication on EU Enlargement Policy, Brussels, 30.10.2024 SWD(2024) 693 final.

<sup>27</sup> European Commission (n.26)

<sup>28</sup> Regional Cooperation Council (n.5)



interconnections. Efforts to combat energy poverty include implementing district heating modernization and energy efficiency measures for vulnerable households. However, delays in fully transposing the Clean Energy Package remain a concern.<sup>29</sup> While progress in renewable energy and energy efficiency legislation signals steps toward a green transition, dependency on non-renewable energy and underdeveloped transport networks require urgent attention.

The country's involvement in the Transport Community is improving infrastructure, including along Pan-European Corridor VIII. North Macedonia has also shown significant progress in urban mobility with ongoing SUMP development for multiple municipalities, supported by international donors. Skopje's urban transport system continues to expand, with efforts to integrate rail and road networks under the revised TEN-T regulation. Plans for e-charging infrastructure along major corridors are underway, and rail improvements include steps toward interoperability and safety alignment with EU directives. However, North Macedonia needs to accelerate the deployment of ERTMS and multimodal terminals to enhance its connectivity.<sup>30</sup>

### *Serbia: Navigating Between Regional Cooperation, EU Alignment, and Geo-political Balancing*

Serbia's path to EU membership has seen progress in economic reforms and regional cooperation but overall, it remains hampered by structural inefficiencies and geopolitical challenges. Since beginning accession talks in 2014, Serbia has opened 22 negotiating chapters, including clusters on fundamentals and the Green Agenda, with two provisionally closed. Serbia has made notable progress in its approximation to the EU Single Market, particularly in trade facilitation, infrastructure development, and renewable energy reforms, supported by regional cooperation through initiatives like CEFTA and CRM. However, this progress is hindered by governance inefficiencies, rule of law deficiencies, structural economic challenges, and persistent tensions with Kosovo. Additionally, Serbia's geopolitical balancing between EU aspirations and partnerships with Russia and China further complicates its EU integration process, and raises concerns on transparency, debt sustainability, and (non)alignment with EU foreign policy.

Serbia has made varied progress across the freedoms chapters under Cluster 2: Internal Market. For Chapter 1 (Free Movement of Goods), Serbia is moderately prepared, but has made limited progress. Strategic documents for alignment with EU rules have been adopted, but implementation and compliance with market surveillance and product safety directives remain insufficient. In Chapter 2 (Freedom of Movement for Workers), Serbia is moderately prepared, with some progress made through amendments to legislation on foreign

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<sup>29</sup> Energy Community (n.7)

<sup>30</sup> Transport Community (n.6)



employment and preparations to join the European Network of Employment Services (EURES). However, social security coordination with EU Member States requires acceleration. For Chapter 3 (Right of Establishment and Freedom to Provide Services), Serbia is moderately prepared but has shown no progress. Key gaps include the absence of a horizontal Law on Services, alignment of sectoral laws, and the lack of a fully operational Point of Single Contact portal for service providers. In Chapter 4 (Free Movement of Capital), Serbia is moderately prepared, with limited progress seen in aligning with the Payment Services Directive (PSD2). Further reforms are needed to remove restrictions on capital movement, including the acquisition of agricultural land by EU nationals, and to improve monitoring and financial intelligence capacities. On economic readiness, Serbia is moderately prepared and has made some progress in developing a functioning market economy. Fiscal reforms and high public investment levels support growth, but structural challenges persist, including a large state-owned enterprise (SOE) sector and limited competitiveness. Skills mismatches, weak rule of law, and a slow green transition also constrain Serbia's ability to cope with EU market pressures.<sup>31</sup>

Serbia's integration into the EU SM is driven by strong economic ties, with the EU accounting for 59.7% of its total trade in goods in 2023 and €1.39 billion in FDI in 2022. The EU remains Serbia's largest trading partner, comprising 57% of exports and 63.2% of imports.<sup>32</sup> Tight fiscal and monetary policies have fostered economic stability, though inefficiencies in public investment and non-transparent procurement practices hinder optimal resource use. State-owned enterprises (SOEs) remain a significant challenge, distorting competition and posing fiscal risks. Additionally, labour market issues like skills mismatches and inadequate vocational training limit workforce adaptability, while SMEs face structural disadvantages impacting their competitiveness. Persistent challenges include the need for rule of law reforms, anti-corruption measures, and judicial independence. Governance inefficiencies and a lack of transparency complicate the business environment, while environmental policies and decarbonization efforts require acceleration to meet EU climate goals. Similarly, significant investment in digital transformation is needed to build a competitive digital economy.<sup>33</sup>

Serbia continues to lead in trade facilitation within the region, particularly through its proactive role in Green Lanes expansion and enhanced customs interoperability via SEED+. These initiatives have reduced waiting times and improved the efficiency of cross-border trade. Serbia has also advanced its alignment with EU digital standards by adopting decisions

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<sup>31</sup> European Commission, Commission Staff Working Document Serbia 2024 Report Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2024 Communication on EU Enlargement Policy, Brussels, 30.10.2024 SWD(2024) 695 final.

<sup>32</sup> European Commission, EU-Serbia Factsheet 2024, October 2024, p. X. [ec.europa.eu/neighbourhood-enlargement](https://ec.europa.eu/neighbourhood-enlargement).

<sup>33</sup> European Commission (n.31)



on e-commerce, geo-blocking, and parcel delivery services, which enhance its regional digital market integration. In investment, Serbia has focused on creating a favourable regulatory environment by endorsing regional standards for FDI screening and promoting targeted investment campaigns in key sectors like automotive and agriculture. These measures, coupled with Serbia's robust infrastructure development, position it as a leader in regional trade and investment alignment.<sup>34</sup>

Serbia leads the region in sustainable mobility, with significant progress in e-mobility infrastructure. By the end of 2024, 16 new EV charging stations along highways will be operational, supporting the broader transition to alternative fuels. Serbia has deployed ERTMS on key rail lines and is on track to extend this system to additional sections. The adoption of SUMP in cities like Belgrade and Kruševac demonstrates its commitment to urban mobility improvements. Serbia also excels in enhancing customs efficiency through the Green Lanes initiative and interoperability efforts, including e-tolling systems with North Macedonia and Montenegro.<sup>35</sup>

Serbia leads the region in electricity market reforms and renewable energy adoption. The country is implementing a comprehensive NECP and has successfully launched a day-ahead market, with plans to integrate into the EU's Single Day-Ahead Coupling by 2025. Serbia has advanced in energy efficiency, with large-scale building renovation programs and public lighting modernization. The country has also made strides in diversifying gas supplies, participating in the EU joint gas purchasing mechanism, and planning infrastructure improvements such as the Serbia-Bulgaria interconnector. Challenges remain in phasing out coal and implementing a robust emissions trading system (ETS) by 2030 to meet EU decarbonization goals.<sup>36</sup>

## **Institutional Frameworks Supporting SM Integration**

**Stabilization and Association Agreements (SAAs)** are the foundation of the EU's SAP, establishing contractual relationships between the EU and WB countries to promote reforms in governance, market economies, and regional cooperation—prerequisites for EU membership. Albania, BiH, Kosovo, Montenegro, North Macedonia, and Serbia have all entered SAAs at different stages. For instance, Albania's SAA has been effective since 2009, while Kosovo's began in 2016.

Within the accession process, the EU employs a cluster and chapter approach to negotiate reforms across various policy areas. Cluster 1: Fundamentals and Cluster 2: Internal Market are particularly significant for Single Market alignment, as they encompass critical chapters like the free movement of goods, services, capital, and persons, as well as others supporting

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<sup>34</sup> Regional Cooperation Council (n.5)

<sup>35</sup> Transport Community (n.6)

<sup>36</sup> Energy Community (n.7)





the SM alignment (company law, intellectual property, competition and state aid, financial services, consumer protection). While progress varies among countries, this structured negotiation enables the Western Balkans to gradually adopt the regulatory and institutional frameworks of the EU.

**Instrument for Pre-Accession Assistance (IPA):** The Instrument for Pre-Accession Assistance (IPA) is the EU's primary financial mechanism supporting candidate and potential candidate countries, including the Western Balkans, in their journey toward EU membership. IPA focuses on building institutional capacity, implementing reforms, and aligning national policies with EU standards across key areas, such as governance, rule of law, economic development, and environmental protection. It also supports projects that prepare the region for integration into the EU single market by fostering competitiveness, infrastructure development, and trade facilitation. Through its targeted funding and technical assistance, IPA helps address structural weaknesses, strengthen regional cooperation, and promote sustainable growth while laying the groundwork for successful EU accession

The **Reform Agendas** under the Growth Plan for the Western Balkans target key areas essential for EU Single Market integration. These include facilitating the free movement of goods, services, and workers, fostering alignment with EU regulations to reduce trade barriers and enhance employment opportunities. The Plan also prioritizes access to the Single Euro Payments Area (SEPA) to streamline euro transactions, alongside efforts to improve road transport, reduce border delays, and integrate energy markets with a focus on sustainability and decarbonization. Enhancing digital infrastructure to align with the EU's Digital Single Market and strengthening the region's role in European industrial supply chains are also key aspects of the plan, all aimed at fostering economic growth, boosting regional competitiveness, and accelerating the path toward EU membership. They focus on governance and rule of law, strengthening democratic institutions and anti-corruption measures; economic reforms to enhance competitiveness and sustainable growth; and public administration modernization for efficient and transparent service delivery. Environmental protection, digital transformation, and social inclusion also feature prominently, aligning with the EU's Green and Digital Agendas while addressing regional disparities. WB countries have submitted their Reform Agendas, receiving approval from the European Commission, except Bosnia and Herzegovina whose RA is pending and delayed due to internal disruptions.

**Common Regional Market (CRM),** launched at the WB6 Sofia Summit in 2020, aims to enhance the economic integration of the WB by mirroring the EU SM four freedoms. Besides CEFTA agreements and protocols facilitating free movement of goods and services, key existing agreements of CRM support freedom of movement of people through agreements on the Movement with Identity Cards, signed in November 2022, allowing travel within the region without passports, the Mutual Recognition of Higher Education and Professional Qualifications for professions such as doctors, dentists, and architects, later expanded in





October 2023 to include nurses, veterinary surgeons, pharmacists, and midwives, along with Agreement on Access to Higher Education and Admission to Study from 2024 and Declaration on Access to Research and Innovation Infrastructure. Additionally, the Regional Roaming Agreement, which eliminated roaming charges in the WB by 2021 and reduced charges with the EU in 2023, has enhanced connectivity. Agreements. Notably, deliberations on free movement of capital through accessing the Single Euro Payments Area (SEPA) prioritized by the GP have also commenced under the CRM. While these agreements mark substantial progress, their implementation must be upscaled to fully integrate into the EU SM, including further harmonization of standards and expanding recognition to more sectors to strengthen regional cohesion and competitiveness. The Regional Cooperation Council (RCC) plays a central role in coordinating the CRM, working closely with national governments and regional stakeholders.

CEFTA complements/completes the CRM by facilitating trade liberalization and economic cooperation among Western Balkan countries. Established in 2006, it has evolved to include services, public procurement, and non-tariff barrier reduction, and recent efforts have focused on digital trade facilitation, dispute resolution mechanisms, and harmonizing customs procedures aim to align regional trade practices with EU norms. Regional integration under CEFTA has been underpinned with existing agreements on trade facilitation, including Green Lanes to streamline border procedures, mutual recognition of sanitary and phytosanitary (SPS) standards, and technical barriers to trade (TBT). As of October 2024, new agreements under CEFTA aim to expand digital trade facilitation, harmonize e-commerce standards, and enhance dispute resolution mechanisms. These developments are critical for deepening market integration, reducing non-tariff barriers, and aligning the region with EU SM standards, underscoring the need for rigorous implementation and further upscaling of these initiatives.

**Transport Community**, established in 2017, integrates WB transport networks with the EU, focusing on infrastructure improvements, regulatory harmonization, and sustainable transport. These efforts, often dovetailing with EU-funded projects, support regional connectivity and economic growth. **Energy Community**, active since 2005, extends the EU's energy market to the WB. Its objectives include market integration, energy security, and environmental sustainability. Aligning energy policies with EU standards facilitates investments in renewables and efficiency, bolstering sustainable development and readiness for EU membership

Additionally, programs like **Horizon Europe and Erasmus+ complement these initiatives** by fostering innovation, research, and human capital development., which is in line with mobility schemes under the regional agreement on diplomas and qualifications recognition. Horizon Europe enables WB countries to collaborate on equal terms with EU Member States, enhancing research capabilities crucial for economic development. Erasmus+ strengthens academic and youth mobility, promoting European values and equipping the workforce for



the EU market. Financial and technical support under the Instrument for Pre-Accession Assistance (IPA) is vital for implementing reforms necessary for SM readiness.

The **EU Single Market Programme (SMP) for SMEs** further aids WB SMEs by enhancing competitiveness and easing market access. With a budget of €4.2 billion (2021–2027), the SMP supports regulatory alignment, capacity building, and financial access, enabling WB SMEs to integrate into the SM, which are an important component of CRM, RA, and accession process, as the EC Progress report indicates in many cases support to domestic SMEs.

**Western Balkans Investment Framework (WBIF):** The WBIF is a crucial tool for supporting infrastructure development and economic convergence in the Western Balkans. It blends grants, loans, and technical assistance from the EU, international financial institutions, and bilateral donors to fund large-scale projects in energy, transport, digital connectivity, and environmental protection. By fostering regional integration and supporting projects aligned with EU standards, WBIF enhances the region's readiness for the EU single market. Key initiatives like transport corridors, renewable energy projects, and digital infrastructure upgrades are essential for linking the Western Balkans with the EU's internal market.

**Economic and Investment Plan (EIP):** The EIP is the EU's flagship initiative to stimulate economic development in the Western Balkans. It aims to mobilize up to €30 billion in investments over the next decade through grants, loans, and guarantees. The EIP prioritizes connectivity, green and digital transitions, private sector growth, and human capital development. By addressing critical economic bottlenecks and fostering sustainable development, the EIP aligns the region's economies with EU priorities and accelerates their integration into the single market. Its focus on improving infrastructure and competitiveness is central to reducing disparities and strengthening the foundations for SM approximation and eventual EU membership.

**Connecting Europe Facility (CEF):** CEF enhances the Western Balkans' integration into the EU single market by funding cross-border infrastructure in transport, energy, and digital sectors. It improves regional connectivity, ensuring alignment with EU standards and enabling smoother trade and mobility.

**Customs and Fiscalis Programmes:** These programs support the modernization of customs and tax systems in the Western Balkans, aligning them with EU single-market rules. They reduce trade barriers, streamline procedures, and strengthen regulatory compliance.

**Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME):** COSME helps Western Balkans SMEs integrate into the EU single market by providing access to finance, fostering innovation, and supporting compliance with EU standards, enhancing their competitiveness.

**European Green Deal and Related Funds:** These funds aid the Western Balkans in adopting EU climate policies, promoting sustainable practices and renewable energy to align regional economies with the green transition goals of the single market.



**Digital Europe Programme:** This program builds digital infrastructure and capabilities in the Western Balkans, aligning them with EU digital standards. It fosters integration into the single market's digital economy and boosts regional innovation.

**Technical Assistance and Information Exchange (TAIEX):** TAIEX provides expertise to help the Western Balkans adopt EU single-market legislation, strengthening institutions and ensuring compliance with regulatory frameworks.

**EESC's Enlargement Candidates Initiative (ECM),** launched in 2024, engages WB CSOs (except Kosovo, but with prospects to be considered for invitation to join the initiative), fostering dialogue and alignment with EU policies. It includes civil society representatives in EU advisory processes, ensuring societal perspectives inform the enlargement strategy. The EESC also involves WB representatives as observers in Single Market Opinion (among other priority areas, such as Rule of Law) in the context of EU enlargement discussions, promoting gradual integration and regulatory familiarity. This inclusive approach aligns with the EU's strategy of socio-economic convergence, ensuring that enlargement is participatory and fosters shared values.

## **Challenges for Integration of Western Balkans into the EU Single Market**

Numerous challenges and gaps impede the process of Western Balkans' integration into the EU Single Market, particularly in structural, institutional, regulatory, political and regional cooperation frameworks. Based on the above analysis of status of each WB economy in SM approximation, one of the most persistent challenges lies in **structural and institutional weaknesses**. The **rule of law** is a cornerstone for any functioning market economy and regulatory framework, but it remains fragile across much of the Western Balkans. Weak judicial independence, political interference, and corruption undermine institutional credibility and create an unpredictable business environment. Serbia and Bosnia and Herzegovina illustrate these challenges, where incomplete judicial reforms erode transparency and deter foreign direct investment (FDI). Such systemic issues are not only a hindrance to attracting capital but also a fundamental barrier to aligning with the EU *acquis Communautaire*.

**Economic disparities** exacerbate these institutional weaknesses. High unemployment rates, particularly among youth and women, low productivity levels, and a lack of economic diversification constrain growth and integration potential. Countries like North Macedonia and Albania remain heavily reliant on traditional industries, which stifles innovation and limits competitiveness, while Serbia suffers with high regional disparities (ranging almost 4:1 between Belgrade and least developed regions) causing serious socio-economic divides. Economic convergence with the EU requires significant structural reforms to address these disparities, including investments in education, skills development, regional development through implementation of cohesion policies and instruments and industrial modernization.



**Governance fragmentation** further complicates integration efforts. Political instability and insufficient coordination among government agencies, such as in the example of Bosnia and Herzegovina, delay the adoption and implementation of EU-compatible reforms. For instance, inefficiencies in adopting uniform customs procedures across the region stall trade facilitation efforts. The lack of synchronized governance mechanisms also hinders the ability of the rest of the Western Balkans to collectively address shared challenges, diminishing the effectiveness of regional cooperation initiatives.

**Regulatory and policy** gaps are equally significant impediments, due to uneven progress across key policy areas. Regulatory gaps persist in the free movement of goods, including inconsistent product standards, non-harmonized legislation, inefficient border and customs operations (NTBs), weak market surveillance, incomplete adoption of EU product safety laws, and limited mutual recognition of standards. Labor market integration remains constrained by insufficient bilateral social security agreements, lack of administrative cooperation, and misaligned migration laws. The services sector struggles with poor implementation of the EU Services Directive, inadequate frameworks for mutual recognition of professional qualifications (also applicable to the free movement), and underdeveloped infrastructure for service providers. In free movement of capital, gaps in financial regulation compliance, including anti-money laundering measures and restrictions on foreign investments, hinder progress. The region also lags in digital integration, energy transition, and transport connectivity, with delays in implementing EU directives on broadband, renewable energy, and alternative fuels. Broader issues such as weak institutional capacities, fragmented governance and rule of law, and underdeveloped public procurement and competition policies further exacerbate challenges to EU SM integration

**Digital and green transition**, critical for the EU's broader policy agenda, also lag in the Western Balkans. While Serbia and Montenegro have made progress in renewable energy adoption, the region as a whole falls short of the EU average in meeting energy transition targets. Insufficient investment in digital infrastructure further reduces regional competitiveness, preventing the Western Balkans from capitalizing on the opportunities offered by the EU's Digital Single Market. These delays not only limit immediate economic benefits, but also risk marginalizing the region within the EU's future strategic priorities.

**Inefficient labour markets** in Western Balkan countries pose significant challenges to their full and effective integration into the European Single Market. These issues contribute to increased outward migration from the region, primarily to EU member states. Without meaningful improvements during the EU accession process, these challenges risk exacerbating similar issues within the EU itself. In this context, social policy and inclusion represent another significant gap. The lack of robust social policies exacerbates socio-economic inequalities and hampers labour market integration. Vulnerable groups face limited access to social protection and employment opportunities. The absence of a cohesive approach to labour market inclusivity undermines the region's ability to align with EU



standards in areas such as worker mobility and social cohesion, which are essential for Single Market participation.

**Regional cooperation deficits** compound these challenges. Ethno-nationalist politics and unresolved bilateral disputes, such as the ongoing tensions between Serbia and Kosovo, obstruct collective progress. These divisions delay the implementation of key regional agreements, including those under the Common Regional Market (CRM) and the Central European Free Trade Agreement (CEFTA) where in case of the latter regional efforts were hindered in the past 2 years and caused significant financial losses for the private sector. Moreover, the **incomplete implementation of regional agreements** weakens the collective progress of the Western Balkans. Delays in operationalizing CEFTA protocols and CRM initiatives result in fragmented markets and reduced economic efficiency. These inefficiencies undermine the region's ability to present a unified and competitive front to the EU, further slowing the pace of integration.

**Public awareness and civil society engagement** are underdeveloped dimensions of the integration process. Many citizens in the Western Balkans perceive EU integration as a bureaucratic endeavour, rather than a pathway to economic and social advancement. This limited understanding is compounded by weak communication strategies from both regional governments and EU institutions. Civil society organizations (CSOs), despite their potential to enhance transparency, accountability, and public engagement, remain underutilized. While some CSOs and their networks actively advocate for EU-related reforms, their impact is constrained by limited funding and lack of acknowledgment by the governments and limited institutional support.

## **Opportunities for Further Integration with the EU Single Market: Potential Areas for Market Integration that have not yet been addressed**

While full EU integration remains a long-term goal, targeted reforms in some existing key policy areas along with some novelties can yield immediate and substantial benefits in terms of approximation to the EU SM. Building on CRM 2.0, the CEFTA agreements of October 2024, and the EU GP, the WB can focus on trade facilitation, labour mobility, financial ecosystem advancements and digital transitions, strengthening institutional frameworks and raising awareness and soliciting public engagement to achieve significant short-term gains.

This section prioritizes actionable opportunities beyond the Growth Plan, namely within the CRM, as well as transport and energy, which are in line with GP and SM integration priorities and hold potential for short-term benefits and impact. Furthermore, this section presents how CRM and other regional initiatives in transport and energy, along with Growth Plan, and EU negotiating processes are interconnected frameworks that mutually reinforce the Western Balkans' path toward EU accession, fostering alignment with the Single Market (SM) while driving regional competitiveness, sustainability, and innovation. The EU accession



process provides a structured framework for advancing integration with the Single Market through negotiating clusters and chapters. These clusters align closely with the priorities of the CRM and the EU Growth Plan, offering clear entry points for the Western Balkans economies to deepen alignment with EU standards.

## **Trade Facilitation and Regulatory Convergence**

While trade integration has advanced with ambition of further liberalization, gaps remain in reducing non-tariff barriers and harmonizing standards. The CRM's efforts to simplify customs procedures and align technical regulations with EU norms are supported by GP. CRM's **Regional Trade Facilitation Framework** that focuses on harmonizing trade procedures, mutual recognition of conformity assessments, and digitalization of trade (paperless trade through CEFTA SEED) is included in the CRM 2.0. However, due to persisting challenges, these efforts need accelerated implementation across the region. As a novelty that would add value beyond CRM's existing measures focused on general industrial goods and regulatory compliance, the scope of mutual recognition agreements could be expanded to include conformity assessments and certification for niche sectors like pharmaceuticals and IT, given their critical role in driving economic growth, innovation, and integration into the EU Single Market. In particular, IT (as one of the fastest growing industries) and pharmaceuticals (being a lucrative sector for trade and of great importance for public health).

These initiatives directly support the negotiations process with the EU, specifically Cluster 3: Competitiveness and Inclusive Growth. This cluster encompasses internal market policies, where reducing non-tariff barriers and mutual recognition agreements strengthen the region's ability to integrate into the SM. The Growth Plan complements these efforts by addressing technical and institutional gaps, ensuring that trade facilitation measures align with EU standards and bolster SM readiness.

## **Investment Reform Agenda**

Investment reform has been a neglected component in the past years, despite its essential role in fostering economic growth and aligning WB economies with EU standards. The CRM offers a platform to coordinate some reforms in this area and align them with the EU SM, but the most critical ones that are existing within the Investment Dimension of the CRM have not been properly addressed, particularly **Foreign Direct Investment (FDI) screening mechanisms and improvement of IIAs** in alignment with the EU standards, which would enhance transparency, predictability, and investor confidence. Although the region has adopted an Agreement on Regionally Accepted Standards for Negotiating IIAs in 2020 and Agreement on Regional FDI Screening Standards in 2024, there has not been significant advancement recorded in these areas yet, and the integration into the SM will require them, particularly the latter. This is due to existing third-country investments in the region that are not in line with the EU standards. Another untapped area on the agenda that needs





immediate attention is developing a **regional investment readiness program** and supporting **SME access to finance** are crucial for enabling businesses to scale operations and compete effectively in the EU Single Market (SM), particularly given the non-competitive position of the local SMEs in the region. Strengthening this agenda also ties closely to trade facilitation, and can also boost export potential, strengthen regional supply chains, and enhance the WB's role in EU value chains, which is the priority of GP in its endeavour of bringing WB closer to the EU SM.

Investment reform under the CRM aligns closely with Cluster 3's focus on enterprise and industrial policy, as well as it complements the Growth's plan initiative for business-conducive environment. These measures are essential for creating a transparent investment framework and ensuring that investments align with EU norms, a key requirement for SM integration. Strengthening regional investment readiness serves to reduce the region's capacity to attract sustainable investments and integrate into EU value chains, which is an important segment of SM integration.

### **Digital Transformation and Innovation**

The CRM emphasizes creating a regional digital market with interoperable digital identities, cross-border e-services, and enhanced broadband infrastructure, supported by GP funding for digital infrastructure and capacity-building programs. Planned **5G infrastructure development** and fostering partnerships for regional innovation hubs, development of AI policy frameworks, aligned with the EU Digital Compass, could position the WB as a hub for digital transformation. Further enhancing this agenda, initiative of developing cheaper and faster payments between the WB and the EU could lead to a **regional digital payment ecosystem or a regional payment platform interoperable with SEPA**, as a welcome novelty both in digital transformation, and in supporting the CRM and GP's priority on SEPA integration by smoother streamlining of transactions.

The CRM's initiatives in creating a regional digital market, such as interoperable digital identities and e-services, directly support SM integration by aligning with Cluster 2 (Internal Market) and Cluster 3. The Growth Plan provides financial and technical support for the efforts on bridging the digital divide and accelerating the region's ability to meet EU digital standards. By fostering innovation and developing digital payment systems interoperable with SEPA, the CRM lays the groundwork for smoother integration into the SM.

### **Sustainable Development and the Green Agenda**

The CRM and GP emphasize environmental sustainability, where an initiative for a **regional green financing framework** (including green bonds and incentives for sustainable business practices) would be an essential initiative to prioritize. In addition, along with the initiative for developing the infrastructure to harmonize with the EU's Carbon Border Adjustment Mechanism (CBAM) and Emissions Trading System (ETS), would enhance the region's integration with EU energy and climate strategies as well. A novelty that would bring





beneficial value added in this area and would be the development of a certification scheme for carbon-neutral products and supply chains to facilitate their integration into the EU market under the Carbon Border Adjustment Mechanism (CBAM).

The CRM's Green Agenda, supported by the Growth Plan, aligns with Cluster 4's energy and environmental chapters, enabling the region to meet EU climate and sustainability standards. Initiatives like regional green financing frameworks and CBAM-aligned infrastructure prepare the region for deeper integration into the EU's energy and environmental policies. These efforts ensure that sustainable development contributes to the broader goals of SM approximation.

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### **Regional Connectivity and Mobility**

While the CRM, Transport and Energy Community focuses on actions that support transport and energy networks, the GP provides financial backing for infrastructure modernization, such as upgrading transport corridors and integrating regional energy grids. Regional initiatives such as digital queue management at border crossings (CRM) and multimodal transport systems (Transport Community) would bring significant benefits both to trade and connectivity, while expanding the **Green Lanes initiative** to cover pharmaceuticals, high-tech goods under the CRM, and other critical sectors would enhance trade efficiency. Additionally, fostering **regional energy storage and smart grid systems** would improve energy resilience and integration with EU markets.

CRM initiatives in transport and energy connectivity align with the infrastructure and regulatory priorities of Cluster 4. By modernizing transport corridors, integrating energy grids, and expanding Green Lanes, the region strengthens its physical and institutional readiness for SM integration. The Growth Plan's financial support further accelerates these projects, ensuring that regional connectivity serves as a bridge to the EU market.

### **Rule of Law and Institutional Strengthening**

The GP addresses governance challenges through judicial independence and anti-corruption measures, fostering a stable business environment. Although regional initiatives recognize the importance of the rule of law and governance, this (the most) important segment, representing the base for reforms across all priority areas, is not accentuated well enough. Establishing a **Regional Good Governance Index** to benchmark progress would be needed as a novelty, while creating a **Regional Centre for Dispute Settlement or Mediation Mechanism** could enhance resolution of bilateral disputes hindering regional initiatives



beyond just trade and investments as initially planned in the protocol 7 of CEFTA that is in the pipeline under CRM.

Governance reforms under the Growth Plan reinforce the institutional stability required for SM integration. By addressing the rule of law and governance challenges, the CRM would support alignment with EU negotiating clusters, particularly in creating a predictable and transparent business environment. Proposals like a Regional Good Governance Index would institutionalize these reforms, ensuring comprehensive monitoring of the progress toward SM alignment.

### **Social Inclusion and Workforce Development**

CRM facilitates labour mobility and mutual recognition of professional qualifications, while the GP invests in education and skills training. Planned coordination of social protection policies and facilitating the portability of social rights and health insurance across the WB6 would need immediate attention and would bring much needed short-term benefits that would reinforce existing agreements under recognition of diplomas and qualifications and improvements in work permits procedures. It would also further encourage labour movements and reduce barriers to workforce integration. The priority of expanding vocational training to include **green and digital skills** and creating a **Regional Science, Technology, Engineering and Mathematics (STEM) Education Strategy** would be the second priority measure in this area to be undertaken to address skill gaps, particularly needed in fast-growing industries.

The CRM's focus on labour mobility and mutual recognition of professional qualifications directly supports SM integration by aligning with Cluster 5's objectives. The Growth Plan's investments in workforce development and social inclusion ensure that the region's labour force is equipped with the skills needed for participation in the EU market. These measures address the socio-economic convergence critical for successful EU SM integration.

### **Competitiveness and Industrial Policy**

Strengthening competitiveness through industrial modernization and SME development is a priority under the GP, while CRM supports this by fostering cluster formation and aligning regional policies with EU competitiveness benchmarks. Promoting **innovation hubs**, and enhancing **regional supply chains**, and establishing **regional industrial intelligence networks** are forward-looking but not yet realized ideas of the CRM that would improve productivity and market access, as well as SM approximation.

The CRM's efforts to enhance regional competitiveness align with Cluster 3's emphasis on innovation and SME development. By fostering industrial modernization and regional supply chains, the CRM supports the economic transformation required for SM integration. The Growth Plan complements this by funding initiatives that strengthen the region's capacity to meet EU competitiveness benchmarks.



## Public Awareness and Civil Society Engagement

Public support and civil society participation are critical for successful reforms. The CRM declaratory encourages regional dialogues and public-private partnerships, but this has not been the case in practice in the past (other than consulting with business through WB CIF), while the GP supports public awareness campaigns and civil society organizations (CSOs) in monitoring and advocating for reforms. Furthermore, CRM tends to be non-transparent in terms of its impact on economic development. Although CRM already foresees an initiative for transparency pack and statistical portal, launching a novel, overall CRM **Transparency Portal** (or a Scoreboard) would enhance inclusivity, transparency, and public trust in this overarching regional cooperation platform.

Public support and transparency are essential for advancing SM integration. The CRM and Growth Plan both emphasize the importance of civil society engagement and public awareness campaigns. By fostering inclusivity and trust, these initiatives ensure that reforms are both effective and widely supported, which is critical for sustaining progress toward EU accession.

## Institutional Landscape and Stakeholder Involvement

### EU Institutions and Their Roles

The European Commission (EC), particularly the Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR), spearheads the EU's engagement with WB countries. DG NEAR oversees the implementation of Stabilization and Association Agreements (SAAs) and accession negotiations, providing technical assistance and funding through instruments like the Instrument for Pre-Accession Assistance (IPA III). This support is crucial in aligning the WB countries' policies and regulations with EU standards. Other institutions include: DG GROW (Directorate-General for Internal Market, Industry, Entrepreneurship, and SMEs) focusing on legislative alignment with SM rules, including goods, services, capital, and labour, DG COMP (Directorate-General for Competition) supporting the adoption of competition policy and state aid frameworks, DG TRADE, promoting trade alignment and integration with EU trade and investment policies, DG CONNECT (Directorate-General for Communications Networks, Content, and Technology) that assists with digital market integration and alignment in areas like e-commerce and broadband development, DG EMPL (Directorate-General for Employment, Social Affairs, and Inclusion) that facilitates labour market reforms and alignment with EU labour and social policies, DG FISMA (Directorate-General for Financial Stability, Financial Services, and Capital Markets Union) that is responsible for regulatory initiatives related to SEPA, such as the Payment Services Directive (PSD) and promotes alignment of candidate countries' payment systems with SEPA requirements as part of broader Single Market integration efforts. In regard to the latter, it is important to mention the role of the European Central Bank (ECB) that oversees the operational framework and regulatory guidance for SEPA ensuring integration of payment systems within the EU, and



European Payments Council (EPC) - although not an institution, operates in close collaboration with the EC and ECB and manages SEPA schemes and ensures their consistency with EU regulatory frameworks.

The European Council and the (EP) establish the political priorities for WB integration, offering policy frameworks and endorsing agreements related to market access and regulatory alignment. Their roles are instrumental in guiding the strategic direction of the integration process.

European Economic and Social Committee (EESC) is important institution in facilitating dialogue with civil society and providing advisory opinions on legislative and policy alignment with the EU Single Market, and is the first EU institution that has piloted “phased accession” through its Enlargement Candidates Initiative through which it has included civil society representatives as observers in its work on official opinions on Single Market and other topics important for the enlargement context.

The Committee of the Regions (CoR) engages with regional and local authorities to promote decentralization and the adoption of EU standards, being an important segment of socio-economic convergence with the EU and SM approximation.

Other EU regulatory agencies, such as the European Medicines Agency (EMA) and the European Union Agency for Railways (ERA), European Chemicals Agency (ECHA), European Labor Authority (ELA), European Banking Authority (EBA), European Union Intellectual Property Office (EUIPO), European Food Safety Authority (EFSA), ensure compliance with EU standards across various sectors. Collaboration with these agencies serves to enable WB economies to align their domestic policies with EU benchmarks, facilitating smoother integration into the SM.

SAA councils and committees are joint bodies established between the EU and individual WB countries to monitor and guide the implementation of SAAs. They facilitate dialogue on trade liberalization, regulatory convergence, and institutional reforms, providing technical assistance and identifying areas requiring further alignment. These platforms are essential for discussing progress and addressing challenges in integrating into the SM.

## **WB Regional Bodies and Their Contributions**

The Central European Free Trade Agreement (CEFTA) is a cornerstone for harmonizing trade policies and removing barriers within the WB. Initiatives like Green Lanes and mutual recognition agreements enhance regional connectivity and prepare the WB for SM integration. CEFTA's structure includes committees, subcommittees and working groups focusing on its priority areas such as trade in services, customs, and technical barriers to trade, providing platforms for member countries to collaborate and align their policies with EU standards, with Joint Committee (ministerial level) as the highest structural level meeting annually for approvals and guidance. CEFTA also takes part in Prime Ministers’ annual WB6 Summits.



The Regional Cooperation Council (RCC) drives regional initiatives like the Common Regional Market (CRM), focusing on mobility, trade facilitation, and digital transformation, aligning regional practices with EU SM standards. The RCC operates through regional working groups on all priority areas consisting mostly of the WB government representatives and in very few cases representatives of the business sector. As an illustration, Working Group on Investments, which consists of government officers in charge of investment policies and promotion from SEE countries and sometimes the representatives of the business community (Foreign Investors Councils, WB Chamber Investment Forum), working in cooperation with CEFTA contact points, as well as working group on Financial Markets facilitating SEPA entry, and working groups on other topics. These groups facilitate coordination and implementation of regional projects, ensuring alignment with EU policies. The working groups meet at least bi-annually sometimes involving a ministerial meeting for strategic decision making and guidance, while main agreements and protocols are adopted at the Prime Ministers' annual WB6 Summit.

The Transport Community and the Energy Community are treaties aimed at integrating WB transport and energy networks with EU infrastructure, promoting sustainability and connectivity. The Transport Community's governance structure includes a Ministerial Council, a Regional Steering Committee, and technical committees focusing on areas like railways, road safety, and transport facilitation. These bodies consist of representatives from WB countries and the EU, working collaboratively to align regional transport policies with EU standards. Similarly, the Energy Community's institutional framework comprises a Ministerial Council, a Permanent High-Level Group, and various technical working groups, all dedicated to harmonizing energy policies and regulations between the WB and the EU.

## National Negotiation Structures

Each WB country has established national negotiation teams and structures to coordinate EU accession efforts, including SM integration. These bodies work closely with EU institutions to address specific negotiating clusters and chapters, ensuring that reforms align with EU requirements. For instance, Serbia's Coordination Body for EU Accession oversees the negotiation process, supported by working groups for each chapter, involving representatives from relevant ministries, agencies, and civil society. This inclusive approach ensures comprehensive preparation and implementation of necessary reforms.

National institutions are involved in the integration process:

- **Participation in SAA Councils and Committees:** Through established consultation mechanisms, EU and national governments' representatives can engage in discussions on trade liberalization, regulatory convergence, and institutional reforms.
- **Engagement in CEFTA technical and RCC Working Groups:** These groups focus on policy areas covered by CRM, providing platforms for stakeholders to contribute to the harmonization of regional practices with EU standards.



## Institutional-CSO Dynamics in the WB

CSOs in the Western Balkans have a vital role in the region's EU integration, acting as intermediaries between institutions, governments, and the public. They can ensure that the process remains transparent, inclusive, and aligned with democratic principles. Through regional networks, national platforms, and international partnerships, CSOs advocate for reforms, monitor policies, and provide grassroots perspectives critical for shaping EU-related strategies. Platforms such as the Berlin Process Civil Society Forum (BP CSF) were established as a part of the Berlin Process in 2015 to enable dialogue between civil society, policymakers, and regional leaders, but without much follow-up information on influencing decisions on governance, connectivity, and market alignment. The Regional Cooperation Council (RCC) and Central European Free Trade Agreement (CEFTA) have, after much criticism for not having a dialogue with the civil sector in the CRM 2020-2024, begun incorporating CSOs in consultations for CRM Action Plan 2025-2028.

The European Economic and Social Committee's (EESC) Enlargement Candidate Initiative connects WB CSOs with EU counterparts intensively, allowing them to participate in study groups and contribute to policies on labour mobility, environmental sustainability, and regional cohesion. Regional think tanks like the Balkans in Europe Policy Advisory Group (BiEPAG) also support CSOs by bridging the gap between research and policymaking, contributing valuable insights on democratization and EU accession challenges.

At the national level, platforms like Serbia's National Convention on the European Union (NCEU) exemplify CSO involvement in negotiating chapters. Similar initiatives exist across WB countries, such as the National Convention on the EU of the Republic of North Macedonia and Albania's National Council for Civil Society, which incorporate CSOs in reforms spanning digital transformation, governance, and environmental protection. Bosnia and Herzegovina's Directorate for European Integration and Montenegro's Office for European Integration engage CSOs in thematic working groups to ensure participatory policymaking, while Kosovo collaborates with CSOs on trade and public procurement reforms; official networks for monitoring EU integration process have not been established yet.

Sectoral coalitions focusing on specific policy areas, such as environmental protection and digitalization, align their advocacy with EU standards and contribute to sectoral reforms.

International partnerships with organizations like the European Movement International and Open Society Foundations enhance CSOs' capacities through technical assistance, funding, and platforms for advocacy.

Still, despite their contributions, WB CSOs face challenges which limit their effectiveness, including: political interference, shrinking civic space, and financial instability. Reports from the Balkan Civil Society Development Network (BCSDN) highlight these issues,





emphasizing the need for an enabling environment that protects CSOs' operational independence.<sup>37</sup>

## Role of CSOs in the Integration Process

CSOs play an indispensable role in the Western Balkans' journey toward integration into the EU Single Market. As advocates, watchdogs, facilitators, and educators, CSOs can ensure that the integration process is inclusive, transparent, and reflective of the diverse needs and aspirations of WB societies. Their contributions extend across a spectrum of activities, including independent monitoring of reforms, shaping policy design, supporting implementation, raising public awareness, and bridging the gap between institutions and citizens. In the context of regional initiatives like the Common Regional Market (CRM), the Growth Plan (GP), and regional connectivity initiatives such as the Energy and Transport Communities, CSOs have to be integrated as vital partners in aligning national and regional efforts with EU-accession and Single Market approximation priorities.

One key role of CSOs is **independent monitoring of** the reforms' effectiveness and impact, both in qualitative and quantitative terms (especially since the latter is missing in the CRM and GP). By overseeing reforms under frameworks like the CRM, Stabilization and Association Agreements (SAAs), and the GP, CSOs ensure adherence to EU standards, transparency in governance, and accountability among institutions. Their evaluations of judicial reforms, anti-corruption measures, and regional trade initiatives can highlight progress and pinpoint areas needing improvement, guiding policy decisions at both national and regional levels.

CSOs can also influence **policy design and advocacy**, ensuring reforms align with EU standards while addressing societal inclusivity. They should be engaged more in public-private dialogues and provide input on cross-border initiatives like investment reform, environmental policies, and labour mobility, with adequate follow-up in terms of recognizing their input publicly. By connecting grassroots insights with institutional processes, CSOs help shape coherent and impactful policies that advance integration and reflect local realities.

**Implementation support** is another critical area where CSOs can help. They can provide capacity-building programs for the citizens whose lives and work are tackled by these reforms, whilst ensuring alignment with EU standards in public procurement, trade facilitation, and regional e-governance. Grassroots programs can further address the needs of marginalized groups, fostering community ownership of initiatives like energy efficiency campaigns and cross-border digital services. Pilot projects led by CSOs often serve as innovative models for governments to adopt and scale up.

**Public awareness and outreach** should be central to CSOs' efforts, bridging the knowledge gap between complex EU policies and citizens. Through educational campaigns, media engagement, and community workshops, they can demystify integration processes and

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<sup>37</sup> Balkan Civil Society Network, Civic Space Report 2024, Skopje, May 2024.





combat existing euroscepticism in the region and emphasize tangible benefits of integrations. They can also implement targeted outreach to marginalized groups, which would ensure broader participation and equity in the integration process.

Finally, CSOs can **bridge institutions and citizens** and help facilitate trust and dialogue towards a continually challenging topic in the WB . By channelling public concerns into institutional decision-making through structured platforms, CSOs can ensure that policies resonate with societal priorities. Their participation in consultations and public forums strengthens accountability and fosters inclusive discussions on regional trade, labour mobility, and governance reforms.

CSOs can also align closely with the priorities of the CRM, GP, and regional connectivity initiatives, ensuring that these efforts **maximize social and economic benefits** while adhering to EU standards. Their advocacy and grassroots programs on green growth, digital transformation, and governance reform can enhance the region's readiness for integration, demonstrating their critical role in the Western Balkans' path toward the EU.

## **Analysis of CSO Involvement in the Integration Process**

### Current and Potential Entry Points

Civil society organizations (CSOs) across the Western Balkans (WB) are critical to promoting transparency, inclusiveness, and public engagement in the EU integration process. They serve as both watchdogs and partners in reforms related to the Single Market (SM) alignment, but their effectiveness varies across the countries and sectors, widely due to enabling and blocking factors, as well as the availability of entry points for participation.

In Serbia, platforms like the National Convention on the EU (NCEU) provide structured opportunities for CSOs to participate in discussions on negotiating chapters and encompasses a wide network of CSOs structured into working groups dedicated to each negotiating chapter, resulting in a cumulative annual Book of recommendations per each. Similarly, North Macedonia's National Convention on the EU (NCEU-MK) involves citizens in consultations on EU-related reforms. However, the work and impact of these CSO platforms is often limited by the non-cooperative atmosphere from the governmental side. Furthermore, political and market fragmentation in Bosnia and Herzegovina constrains the CSOs with limited access to formal mechanisms for participation. Kosovo faces additional challenges, including limited resources and capacity, which hinder the effectiveness of its civil society sector.

At the regional level, initiatives like the BP CSF and networks such as the Balkans in Europe Policy Advisory Group (BiEPAG) provide platforms for CSOs to address cross-border issues in EU and SM integration. While these platforms enable advocacy on regional priorities like mobility, connectivity, and green transitions, their recommendations often lack formal follow-up mechanisms by the regional governments and regional platforms (RCC, CEFTA), limiting their influence on decision-making processes.



CSOs also contribute independently to monitoring and oversight. For example, organizations such as Transparency Serbia and the Balkan Investigative Reporting Network (BIRN) monitor governance reforms under Chapters 23 (Judiciary and Fundamental Rights) and 24 (Justice, Freedom, and Security). Similarly, there are attempts of regional CSOs to track the implementation of the Common Regional Market (CRM) other priority areas.

CSOs in the WB possess significant grassroots connections, making them valuable partners for governments and international organizations. Environmental CSOs, for example, can have a critical role in shaping policies under the EU Green Deal and monitoring progress in green energy projects. Similarly, labour-focused CSOs can contribute to discussions on workforce mobility and social policies under the CRM.

It is important to mention that the selected examples are by far not exhaustive—both for regional and national/local initiatives—but for the purpose of this report, they have been chosen to illustrate the entry points of CSOs in alignment with the priorities of EU Single Market integration, which by no means undermines the importance and impact of other existing regional, national and local civic organizations and initiatives.

### **Enabling and Blocking Factors**

Despite some existing supportive elements for the CSO involvement, there are still many barriers hindering the effective participation of CSOs in the EU integration process. These challenges limit their ability to influence policy, hold institutions accountable, and raise public awareness about the benefits and implications of SM alignment.

**Institutional Willingness vs. Institutional Detachment** – in some WB countries, governments have shown some willingness to involve CSOs in consultation processes, particularly on EU-related reforms. Platform example of Serbia’s National Convention on the EU (NCEU) offer structured opportunities for engagement through diverse formats (i.e. Plenary Session, direct consultations), allowing CSOs to provide input on negotiating chapters and policy reforms, although the effectiveness, consistency and quality of dialogue varies from chapter to chapter (namely from institution to institution in charge). Institutional willingness varies also across the whole region. While NCEU-MK offers a similar platform for CSO participation, other countries, such as Bosnia and Herzegovina for example , suffer from fragmented governmental structures that impede cohesive engagement with civil society. A significant common challenge is the lack of substantive follow-up on CSO recommendations<sup>38</sup>, may they originate from consolidated organized platforms or individual CSO initiatives. Forums like the Berlin Process Civil Society Forum often serve as public relations exercises rather than genuine participatory mechanisms. For example, while the BP CSF regularly submits detailed policy recommendations on regional cooperation and SM integration priorities, these proposals are rarely integrated into official Berlin Process

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<sup>38</sup> TACSO, DG NEAR Guidelines for EU Support to Civil Society in the Enlargement Region 2023 Assessment, Belgrade, June 2024.



outcomes and the follow-up by the institutional structures is missing. This detachment discourages active participation and undermines the perceived value of CSO input. Although regional initiatives like the Common Regional Market (CRM) and the Berlin Process should explicitly include civil society components, creating formal avenues for CSO involvement has been absent in the past (apart from some examples of business community involvement in the areas of trade and investments), with small improvement in 2024 when the Regional Cooperation Council invited civil society representatives to submit their comments to the CRM 2.0 draft.

**Donor Support vs. Resource Constraints** – International donors, including the EU, have been instrumental in funding capacity-building programs and integration-related projects that enable CSO participation. The Instrument for Pre-Accession Assistance (IPA) provides financial resources for initiatives that strengthen civil society's role in the integration process, as well as various lines of financing such as regional and local Civil society Facility, and other priority- or policy-oriented project financing lines. This funding helps CSOs develop the technical expertise needed to engage effectively in policy design, monitoring, and public awareness campaigns. However, many CSOs in the WB face significant financial resource limitations<sup>39</sup>, which hinder their ability to sustain long-term involvement in complex processes like SM alignment. Reliance on short-term, project-based funding creates uncertainty and limits their capacity to engage in strategic planning or retain skilled personnel. Furthermore, the notable “shrinking space” for civil society participation has resulted in competition over cooperative environments for the civil society in the region, hence undermining its effectiveness.

**Regulatory Framework – Enablers vs. Barriers** Legal and regulatory frameworks, although existing in most WB countries with initial purpose to enable environment for civic engagement, they remain inadequate in content and implementation<sup>40</sup>, creating additional hurdles for CSO engagement. As examples, in Albania, bureaucratic obstacles in the registration process and regulatory compliance divert resources away from programmatic work. In Serbia, increased state oversight of foreign-funded CSOs has been criticized as an attempt to stifle dissent and limit the operational space for independent organizations. Attempts to propose draft legislation on the Special Registry and Publicity of the Work of Non-Profit Organizations in Republika Srpska threatens the civic space by requiring CSOs to register as ‘foreign agents,’ potentially leading to discrimination and stigmatization.<sup>41</sup> Similar draft legislation has been proposed to the Serbia’s National Parliament at the end of 2024.

**Political Challenges** Restrictive political environments and scepticism toward civil society diminish CSO influence in some WB countries. In Kosovo\*, for example, internal political

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<sup>39</sup> Ibid

<sup>40</sup> Ibid.

<sup>41</sup> TACSO (n.38)



instability and limited international recognition constrain the capacity of CSOs to engage in regional initiatives or secure international funding. In Bosnia and Herzegovina, political fragmentation and ethno-nationalist divisions marginalize civil society voices in national policy-making processes. In North Macedonia, judicial interference and undermining freedom of expression weaken civil society's impact. In Albania and Serbia, environmental and minority rights defenders frequently face intimidation and violence.<sup>42</sup>

**Public Perception and Awareness** Limited public awareness of the SM alignment process weakens societal demand for CSO engagement, reducing their leverage in advocacy and monitoring roles.<sup>43</sup> Without widespread public support, CSOs struggle to mobilize communities around issues related to EU integration, further diminishing their influence.

### **Opportunities and Entry Points for CSOs**

The participation of CSOs in SM alignment is essential for ensuring the legitimacy, transparency, and inclusiveness of the integration process. Their involvement can bring accountability to the implementation of reforms, foster public trust in institutions, and bridge the gap between policymakers and citizens. By representing grassroots perspectives and expertise, CSOs can enrich policy design and ensure that reforms address societal needs where no one is left behind.

Examples from the EU underscore the transformative potential of civil society participation. The EESC's structured input into EU legislative processes ensures that diverse stakeholder perspectives are considered, enhancing the quality and legitimacy of policies. Similarly, environmental CSOs in the EU have played pivotal roles in shaping and monitoring Green Deal policies, demonstrating how targeted participation can enhance reform implementation and public buy-in.

To enhance the role of CSOs in SM alignment, governments and regional bodies must institutionalize their participation in policy design, implementation, monitoring, and public awareness initiatives. Future entry points include:

- Systematic Involvement in Policy Design:

CSOs should be integrated into the design of policies and programs related to SM alignment. Establishing multi-stakeholder working groups that include CSOs can ensure that strategies for competitiveness, digital transformation, and green transitions are inclusive and effective. Examples from the EU, such as the European Economic and Social Committee (EESC), demonstrate how formalized civil society involvement enriches policy outcomes.

- Implementation Partnerships:

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<sup>42</sup> Ibid.

<sup>43</sup> Ibid.



Governments can engage CSOs as implementation partners in pilot projects and community-based programs. Collaborations on renewable energy initiatives, digital skills training, and professional mobility under the CRM and Growth Plan can leverage the expertise and networks of CSOs to achieve tangible outcomes.

- Enhanced Monitoring Roles:

Institutionalizing the role of CSOs in monitoring SM-related reforms through formal agreements or memoranda of understanding (MOUs) between CSOs and CEFTA/RCC can strengthen accountability. For instance, independent CSO audits of CEFTA and CRM initiatives can provide valuable insights into progress and challenges.

- Structured Follow-Up Mechanisms:

Institutionalizing follow-up processes for CSO recommendations from forums like the BP CSF can bridge the gap between advocacy and implementation. Formal mechanisms for responding to CSO feedback can ensure that their contributions inform policy decisions.

- Expanded Public Awareness Initiatives:

Governments and the EU should fund larger-scale CSO-led campaigns to educate citizens about the benefits of SM alignment. These initiatives can align with public diplomacy efforts to build trust and support for integration.

## Recommendations

### Structural Recommendations

Based on the above analysis of the institutional landscape and stakeholder involvement in the Western Balkans' EU integration process, it is evident that a multi-stakeholder approach is essential to ensure inclusive, transparent, and effective reforms. The roles of the EU, Western Balkans governments, and civil society organizations (CSOs) are interconnected, requiring enhanced collaboration and institutionalized mechanisms for engagement.

#### *Recommendations for the EU:*

1. Incentivize and Strengthen Institutional Mechanisms for CSO Engagement

The EU should mandate formalized and consistent mechanisms for incorporating CSO input across all WB countries in EU-related processes, ensuring their recommendations inform policy decisions. For example, the European Commission and RCC can institutionalize follow-up mechanisms for CSO recommendations made during Berlin Process forums, and/or tie funding and technical assistance for WB governments to demonstrable inclusion of CSOs in policymaking and implementation processes, ensuring that their voices are systematically integrated into reforms

2. Enhance Funding for CSOs Expand Technical Assistance and Capacity Building



Enhance funding for programs to support CSO capacity-building in monitoring, advocacy, and public outreach related to Single Market (SM) alignment. The EU should ensure multi-year funding frameworks to provide stability for long-term projects and also consider establishing a dedicated **CSO Integration Fund** under IPA III to support CSO activities and cooperation related to EU SM alignment.

### 3. Promote Accountability in Regional Frameworks

Require RCC, CEFTA, and similar regional bodies to implement and report on the inclusion of CSO feedback in action plans like the CRM and continue assessing how CSO contributions are integrated. Further, the EU could pay attention to funding projects that formalize 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:*

#### 1. Institutionalize CSO Engagement

Formalize 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 critical areas like labour mobility, green transitions, and trade policy.

#### 2. Improve Legal and Regulatory Environments

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

#### 3. Improve Data Transparency

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

#### 4. 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 like environmental standards and digital transformation.

#### 5. Develop Follow-Up Mechanisms

Establish structured processes for tracking and implementing CSO recommendations from forums like the Berlin Process Civil Society Forum. Regular progress reports should detail how CSO inputs influence policymaking, building accountability and trust.





## 6. Promote Joint Public Awareness Campaigns

Collaborate with CSOs to launch campaigns that demystify EU integration benefits, targeting marginalized populations such as rural communities, youth, and minorities. Use digital platforms, workshops, and town hall meetings to foster understanding and support for reforms.

*Recommendations for CSOs (including donors as the part of the CSOs ecosystem):*

### 1. Enhance Technical Expertise

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

### 2. Monitor and Advocate for Reform Transparency

Establish independent CSO-led monitoring mechanisms for reforms under CRM, SAAs, and the Growth Plan. Publish findings in accessible formats to hold institutions accountable and inform the public.

### 3. Broaden Focus Beyond Analysis and Advocacy

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

### 4. Foster Regional and EU Collaboration

Promote stronger regional networks of CSOs in the region and with those of the EU should be fostered, enabling collective advocacy on cross-border issues like environmental sustainability and labour mobility, and by doing so amplify impact and share best practices.

### 5. Increase Grassroots Engagement

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

### 6. Focus on Public Diplomacy and Increase Public Outreach

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

### 7. Enable Sustainable Funding

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

## Conclusion

The Western Balkans' integration into the EU Single Market remains a complex yet attainable goal, contingent upon comprehensive reforms, sustained regional cooperation, and strong



political commitment. While the Growth Plan and CRM offer structured pathways, addressing institutional and structural weaknesses is crucial. Despite progress in trade facilitation, digitalization, and energy reforms, deep-rooted inefficiencies, governance deficits, and economic disparities continue to slow EU approximation. Political instability and fragmented institutions hinder regulatory convergence, while gaps in the rule of law, corruption, and judicial independence deter investment. Though initiatives like CEFTA and CRM have improved trade facilitation, non-tariff barriers persist. Similarly, while some economies have advanced digital and green transitions, efforts remain limited and require greater EU support.

However, the potential benefits of further engagement with EU-driven initiatives are substantial. Expanding CRM's trade facilitation through digitalization, streamlined customs procedures, and mutual recognition of regulatory standards would strengthen the region's role in the EU's economic ecosystem. Investment reforms, particularly in FDI screening and SME financing, would attract sustainable capital and integrate regional businesses into EU value chains. Enhancing governance frameworks through a regional good governance index and dispute resolution mechanisms would also boost institutional credibility and accelerate EU standards adoption. Other, more immediate opportunities lie in digital transformation. CRM's push for a regional digital market, coupled with EU support for infrastructure and financial technology, could drive innovation. Developing a regional digital payments system interoperable with SEPA would facilitate cross-border transactions and strengthen market integration. Similarly, aligning green transition efforts with the EU's Carbon Border Adjustment Mechanism and establishing a regional green financing framework would ensure competitiveness in an environmentally regulated market.

Beyond economic considerations, the role of civil society remains pivotal in the integration of the Western Balkans into the EU Single Market by ensuring transparency, accountability, and public engagement in the reform process. Their ability to monitor, advocate, and inform policymaking makes them indispensable in aligning regional economies with EU standards. However, their potential remains underutilized due to inconsistent institutional engagement, limited funding, and regulatory constraints. Strengthening the role of CSOs requires formalizing their participation in national and regional policymaking through structured mechanisms such as advisory councils, binding consultation processes, and mandated inclusion in reform implementation. Additionally, expanding EU and government-backed funding for CSO capacity-building—particularly in technical areas such as trade facilitation, environmental compliance, and digital governance—would enhance their ability to contribute meaningfully. Beyond monitoring and advocacy, CSOs should also take on more proactive roles as implementation partners in pilot projects, particularly in labour mobility, SME development, and sustainability initiatives. Regional and EU-level collaboration between CSOs should be deepened, facilitating knowledge exchange and collective advocacy on cross-border issues. Finally, efforts must be made to engage the public more effectively,



particularly marginalized communities, by designing targeted awareness campaigns that communicate the tangible benefits of EU integration. A well-supported and engaged civil society is crucial not only for sustaining democratic governance in the Western Balkans but also for ensuring that the region's Single Market integration is inclusive, transparent, and aligned with public interests.

If these opportunities are seized, the Western Balkans could significantly accelerate its path toward the EU Single Market, laying the foundation for future membership while reaping immediate economic and social benefits. However, success depends on sustained political commitment, stronger governance structures, and deeper engagement with EU regulatory frameworks. By prioritizing reform, enhancing regional cooperation, and leveraging EU support mechanisms, the region can transform its current challenges into stepping stones for long-term economic resilience and integration into the European economic space.

