

**Project Fiche – IPA centralised programmes**  
**Regional Programme on Trade Development in the Western Balkans**

**1. Basic information**

- 1.1 CRIS Number:** 2007/019-321
- 1.2 Title:** Regional Programme on Trade Development in the Western Balkans
- 1.3 ELARG Statistical code:** 06.01- Free Movement of goods
- 1.4 Location:** Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro and Serbia including Kosovo (as defined by UNSCR 1244)<sup>1</sup>

**Implementing arrangements:**

- 1.5 Contracting Authority (EC)** European Community represented by the Commission of the European Communities on behalf of the beneficiary countries<sup>2</sup> and the OECD under Joint Management with the European Commission.
- 1.6 Implementing Agency:** N.A.
- 1.7 Beneficiary:** Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro and Serbia including Kosovo.

**Financing:**

- 1.8 Overall cost (VAT excluded):** €1,197,222
- 1.9 EU contribution:** €1,000,000
- 1.10 Final date for contracting:** Two years following the date of conclusion of the Financing Agreements
- 1.11 Final date for execution of contracts:** Two years following the end date for contracting
- 1.12 Final date for disbursements:** Three years following the end date for contracting

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<sup>1</sup> Hereafter referred to as Kosovo.

<sup>2</sup> "Beneficiary countries" includes Kosovo in the whole document

## **2. Overall Objective and Project Purpose**

### **2.1 Overall Objective:**

The overall objective is to boost trade and investment in South Eastern Europe through facilitating implementation of regional trade policy in the framework of the newly enlarged and amended Central European Free Trade Agreement (CEFTA 2006).

The project should also strengthen the capacity of the CEFTA parties to meet their trade-related EU and WTO obligations through encouraging the adoption of the relevant EU acquis and international norms and standards.

As a regional initiative, it should also encourage better multi-lateral co-operation among the parties – an important pre-cursor to eventual EU membership.

### **2.2 Project purpose:**

The purpose of the project is to:

- Support the implementation of CEFTA 2006 through contributing to the establishment of adequate regional support structures (CEFTA Secretariat).
- Assist the CEFTA parties and the relevant sub-committees to identify priority areas for reform/improvement in order to meet their obligations under CEFTA;
- Provide technical advice and guidance on adoption of relevant trade-related EU acquis and international norms and standards;
- Facilitate agreement on common approaches to regional trade issues under CEFTA;
- Strengthen relevant government and private trade-related agencies and bodies;
- Improve dialogue between governments and the business community on trade issues;
- Provide analysis and recommendations on implementation of CEFTA; and
- Reinforce the connections between trade and investment through (amongst others) monitoring the implementation of investment related clauses e.g. national treatment and public procurement.

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

The European/Accession Partnerships identify the removal of obstacles to trade and investments as a main area for intervention and one where many challenges remain.

### **2.4 Link with MIPD**

The Trade Development activities are described in details in the Multi-Beneficiary MIPD under the priority "Internal Market and Trade".

### **2.5 Link with National Development Plan**

Several of the countries in the region have adopted specific plans for the implementation of the new CEFTA. The implementation of these plans will *indirectly* be supported by the project.

### 3. Description of project

#### 3.1 Background and justification:

The EU has supported the development of a regional framework for trade policy recognising that strengthening trade links between the economies of South Eastern Europe is an important part of the EU's wider strategy of growth and stability in the region.

As outlined in the Multi-Annual Indicative Programme, intra-regional trade is still lower than its potential and implementation of the bilateral free trade agreements has, in some cases, not been very satisfactory. Hence the European Commission has actively supported the evolution of the Central European Free Trade Agreement (CEFTA) to encompass all the countries and territories of the Western Balkans and its upgrading to a modern and ambitious trade agreement. The revised agreement (CEFTA 2006) was signed by all parties in Bucharest on 19 December 2006 and will enter into force in July 2007.

Successful implementation of this agreement will bring important benefits to the region as it will greatly simplify the trade regime throughout the region thereby stimulating increased trade and investment (both foreign and domestic). It will also facilitate implementation of SAA and WTO obligations and provide a useful pre-cursor to co-operating within the single European market.

Previous experience in developing and implementing regional trade-related programmes has highlighted the overall lack of administrative capacity and in some areas technical knowledge throughout the region (albeit that some countries are more advanced than others). Countries have more experience with and are more comfortable in bilateral relations and while committed to regional co-operation can often find it difficult in practice. This is of course exacerbated by the recent history of the region. Hence the importance of ensuring that there are regional structures whose sole responsibility is to a regional and not national structure. Providing technical assistance on a regional basis will also allow experts to jointly address common problems and train and work together to prepare common actions to implement the agreement.

#### 3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

Assessment of future projects:

This technical assistance project is expected to greatly facilitate implementation of CEFTA, which is the first and to date, only regional agreement among the countries of South Eastern Europe themselves.

The timely provision of expert advice and guidance should allow for better adherence to the obligations set out in the agreement and this in turn should have a catalytic effect on the ability of the different parties to meet their EU and WTO obligations.

Providing trade experts from the region with access to knowledge and expertise in specific areas should also improve overall administrative capacity.

A number of mechanisms can be used to assess progress. These include:

- analysis of attainment of specific targets (e.g. adoption /implementation of legislation, creation of necessary bodies) as set by the agreement;
- consultancy reports on individual assignments;
- formal review meeting(s) with CEFTA Chair in Office, CEFTA secretariat and CEFTA parties as appropriate;

### **3.3 Results and measurable indicators:**

#### Expected Results

- Establishment and initial operation of a small CEFTA secretariat that provides the necessary technical and administrative support to the Joint Committee and its sub-committees to implement the agreement;

- Identification of Priority Areas for Reform/Improvement

Expected results of this activity are agreed (i.e. approved by the CEFTA Joint Committee) work programmes for each sub-committee established under CEFTA including objectives, activities, schedule and resources required (including contributions from CEFTA parties) and progress in implementation of same.

- Provision of technical assistance on range of trade-related topics

Expected results include adoption or progress in adopting relevant legislation or creation of required bodies in the specific areas and/or agreement on a common approach to a particular area. Results should also include greater understanding by the business community of the implications of implementation of new/revised legislation and procedures.

- Monitoring of investment-related clauses of CEFTA

Expected results include increasing adherence to the investment-related clauses of the agreement and the development of a formal link between the CEFTA Joint Committee and the South Eastern European Investment Committee (SEEIC) which comprises deputy ministers of economy from all CEFTA parties.

#### Measurable Indicators

Indicators of progress of the above include:

- Number of work programmes approved;
- Adherence to agreed work programmes and schedules;
- Rate of attainment of targets set in the agreement for adoption of legislation etc
- Number of regional training programmes for trade experts
- Number of information/awareness raising meetings with business community

### **3.4 Activities:**

#### 1. Support to the CEFTA Secretariat:

As outlined in CEFTA 2006, a small secretariat will be established in Brussels consisting of approximately five persons – technical and administrative staff. Staff will be recruited on the basis of open competition and ideally should draw from CEFTA parties.

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

The Secretariat's general tasks will be as follows:

- Provide technical and administrative support to the Joint Committee and to any sub-committees, expert groups or other bodies established by the Joint Committee whenever requested;
- Organize and follow up all meetings of the Joint Committee and its appropriate organs, including, but not limited to, work involving research and preparation of background documents and/or technical papers, and the preparation of meetings;
- Prepare and keep minutes of meetings of the organisation;
- Monitor, as requested by the Joint Committee, implementation of CEFTA 2006, organize annual or other reviews stipulated by CEFTA 2006 and circulate notifications, information/updates to the Parties;
- Co-ordinate donor-funded assistance for regional trade policy activities including the development of requests for assistance and the monitoring of progress made.

It is envisaged that this assistance will be provided in the form of a grant to the CEFTA Secretariat, given that it will have the appropriate legal status.

## 2. Technical assistance:

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

Where specific technical assistance cannot be foreseen now, requests can be submitted by the CEFTA Secretariat and/or government or regional trade-related bodies but should be approved or endorsed by the CEFTA Chair in Office before proceeding, and after consulting the Commission. Flexibility should be maintained as to the exact topics to be covered by the technical assistance as the work programmes agreed by the sub-committees should provide the main source of requests.

### 2.1 Identification of Priority Areas for Reform/Improvement

This will comprise a small number of short-term consultancy assignments with the individual sub-committees (i) agriculture and sanitary and phytosanitary standards (ii) customs co-operation and rules of origin and (iii) non-tariff barriers including technical barriers to trade that is planned to be established by the CEFTA Joint Committee in September 2007.

The objective of each assignment will be to assist the newly established sub-committees to develop and agree a work programme to allow them address in a systematic and prioritised fashion the key areas that fall under their responsibility.

### 2.2 Provision of technical assistance on range of trade-related topics

It is envisaged that several of these short-term assignments will stem from the agreed work programmes of the individual sub-committees. Activities can include but are not limited to: research and analysis; drafting of legislation and procedures; training programmes and information/awareness raising seminars.

### -2.3 Monitoring of investment-related clauses of CEFTA

This will require a combination of desk and field research to monitor implementation of the various clauses. Progress and recommendations for further action should be discussed in both the format of the SEE Investment Committee and the CEFTA Joint Committee.

## *Implementation*

Activity 1 - For the implementation of the CEFTA Secretariat, the legal basis of the structure is required before proceeding with the signature of the contract. Following consultations with the Belgian Ministry of Foreign Affairs, a text for the Preamble Section of the Mandate and Article 5 Legal Status has been suggested. This text should be sufficient to proceed with a headquarters agreement between the Kingdom of Belgium and the CEFTA Secretariat, which should confer the legal personality to the organisation. It is envisaged that the Mandate can enter into effect upon signature of the CEFTA Parties at the Joint Committee Meeting in September 2007.

EFTA has offered its premises in Brussels for the offices of the future CEFTA Secretariat. A direct grant will be concluded with the CEFTA secretariat based on Article 168 (c) of the Implementing Rules, considering that the Secretariat has a de facto monopoly.

For activities 2.1 and 2.2 (identification of priority areas for reform and provision of technical assistance), it is foreseen that the CEFTA Secretariat and/or professional bodies can make requests for assistance to be first endorsed by the CEFTA Chair in Office and then the relevant EC Project Manager. These assignments would be subsequently contracted via the EC's Framework Contracts. One contract for each of the two activities is envisaged. For activity 2.3 (monitoring of investment related clauses) – a contribution agreement between the EC and the OECD (which manages the SEE Investment Committee) based on Article 53d (b) of the Financial Regulation is foreseen.

### **3.5 Conditionality and sequencing:**

#### - Conditions related to the support to the CEFTA Secretariat:

- The beneficiary parties (i.e. CEFTA Parties) will contribute to the costs of institutional structures – e.g. the CEFTA Secretariat. This contribution will increase over time as much as the EC contribution will diminish (see below).
- Other donors continue to provide trade related assistance.
- EC funding for the CEFTA Secretariat will phase out over the next three years. The EC contribution in the total amount of the costs is expected to decrease progressively as follows: 73% in 2008 (present financing proposal), 50% in 2009, and 20% in 2010 calculated on the basis of the annual cost of 650.000 €

#### - Conditions related to the technical assistance:

This project will be implemented on the assumption that all regional trade related issues are dealt within the framework of CEFTA. Activities 1 (identification of priorities) and 3 (monitoring of investment related clauses) should commence first. Approval/endorsement of the work programmes by the CEFTA Joint Committee of the work programmes for individual sub-committees will indicate support by all CEFTA parties for the specific objectives and activities.

Specific topics for activity 2 (trade related technical assistance) will be identified from the work programmes agreed under activity 1 and hence these should commence at a later stage.

### 3.6 Linked activities:

Trade related assistance exists in several of the national IPA programmes. For instance in the programme with Serbia a project supporting Enterprise Competitiveness and Export Promotion will raise the awareness and provide training for companies of the benefits of trading under CEFTA, to outline the benefits and means of utilising them, as well as to establish an association of Serbian exporters that would link with other associations in the CEFTA region, to provide its members with solid trade links. Close coordination is necessary to seek coherence and to avoid overlapping activities.

### 3.7 Lessons learned:

Previous experience has highlighted the overall lack of administrative capacity and in some areas technical knowledge throughout the region (albeit that some countries are more advanced than others). This will mean that the providers of technical assistance will have to cater for different levels of experience and expertise within the one assignment.

Countries have more experience with and more comfortable in bilateral relations and while committed to regional co-operation can often find it difficult in practice. Hence the importance of undertaking assignments (consultancy, training, seminars etc) with all CEFTA parties so as to identify practical mechanisms for co-operation and to develop better networks among and between both government experts and the business community.

A number of multilateral and bilateral organisations and governments provide trade related assistance, some on a regional basis. Constant communication and co-ordination with a central body such as the CEFTA Secretariat is vital to avoid (or at least minimise) duplication and overlapping activities.

## 4. Indicative Budget (amounts in €)

	TOTAL COST	SOURCES OF FUNDING											
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION					PRIVATE		
		Total	% *	IB	IN V	Total	% *	Central	Regional	IFIs	Total	% *	
<b>Activities</b>													
<b>Activity 1</b>													
CEFTA Secretariat	650,000	475,000	73	475,000							175,000	27	
<b>Activity 2.1:</b>													
identification of priorities	175,000	175,000	100	175,000									
<b>Activity 2.2:</b> trade related technical assistance	150,000	150,000	100	150,000									
<b>Activity 2.3:</b> monitoring of investment related clauses	222,222	200,000	90	200,000							22,222	10	
<b>TOTAL</b>	<b>1,197,222</b>	<b>1,000,000</b>		<b>1,000,000</b>							<b>197,222</b>		

Amounts net of VAT

\* expressed in % of the Total Cost

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

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract Activity 1 Direct Grant to CEFTA Secretariat	N.A	2008 Q1	2009
Contracts Activity 2.1 Framework Contracts	2008 Q1	2008 Q2	2009
Contracts Activity 2.2 Framework Contracts	2008 Q2	2008 Q4	2009
Contract Activity 2.3 Contribution Agreement with OECD	N.A.	2008 Q1	2009

### 6. Cross cutting issues

N.A.

### ANNEXES

- 1- Log frame in Standard Format for the technical assistance component<sup>3</sup>
- 2- Amounts contracted and disbursed per Quarter over the full duration of Programme

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<sup>3</sup> Considering that the support to the CEFTA Secretariat will consist in financing administrative costs of the structure, a logframe is not relevant for this project



**ANNEX 1: Logical framework matrix in standard format for the technical assistance component**

LOGFRAME PLANNING MATRIX FOR Project Fiche	<b>REGIONAL PROGRAMME FOR TRADE DEVELOPMENT</b>	
	Contracting period expires: two years following the date of conclusion of the Financing Agreements	Disbursement period expires: three years following the end date for contracting
	Total budget : <b>€525,000</b>	IPA budget: €525,000

Overall objective	Objectively verifiable indicators	Sources of Verification
<ul style="list-style-type: none"> <li>▪ to boost trade and investment in South Eastern Europe through facilitating implementation of regional trade policy in the framework of the newly enlarged and amended Central European Free Trade Agreement (CEFTA 2006).</li> <li>▪ to strengthen the capacity of the CEFTA parties to meet their trade-related EU and WTO obligations through encouraging the adoption of the relevant EU acquis and international norms and standards.</li> <li>▪ to encourage better multi-lateral co-operation among the parties – an important pre-cursor to eventual EU membership.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Improvement in trade statistics between the beneficiary countries in the Western Balkans</li> <li>▪ Adoption of Community acquis in the beneficiary countries in Western Balkans</li> <li>▪ Number of joint and sub-Committee meetings under CEFTA</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statistical offices of the region.</li> <li>▪ ESTAT</li> <li>▪ EC Annual progress reports of the countries in the region</li> <li>▪ CEFTA secretariat</li> </ul>

Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> <li>- Assist the CEFTA parties and the relevant sub-committees to identify priority areas for reform/improvement in order to meet their obligations under CEFTA;</li> <li>- Provide technical advice and guidance on adoption of relevant trade-related EU acquis and international norms and standards;</li> <li>- Facilitate agreement on common approaches to regional trade issues under CEFTA;</li> <li>- Strengthen relevant government and private trade-related agencies and bodies;</li> <li>- Improve dialogue between governments and the business community on trade issues;</li> <li>- Provide analysis and recommendations on implementation of CEFTA; and</li> <li>- Reinforce the connections between trade and investment through (amongst others) monitoring the implementation of investment related clauses e.g. national treatment and public procurement.</li> </ul>			
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> <li>- adoption or progress in adopting relevant legislation or creation of required bodies in the specific areas and/or agreement on a common approach to a particular area.</li> <li>- greater understanding by the business community of the implications of implementation of new/revised legislation and</li> </ul>	<ul style="list-style-type: none"> <li>▪ Number of work programmes approved;</li> </ul>	<ul style="list-style-type: none"> <li>▪ CEFTA secretariat</li> </ul>	

<p>procedures.</p> <ul style="list-style-type: none"> <li>- increasing adherence to the investment-related clauses of the agreement and the development of a formal link between the CEFTA Joint Committee and the South Eastern European Investment Committee (SEEIC) which comprises deputy ministers of economy from all CEFTA parties.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Adherence to agreed work programmes and schedules;</li> <li>▪ Rate of attainment of targets set in the agreement for adoption of legislation etc</li> <li>▪ Number of regional training programmes for trade experts</li> <li>▪ Number of information/awareness raising meetings with business community</li> </ul>		
Activities	Means	Costs	Assumptions
<ul style="list-style-type: none"> <li>▪ drafting of legislation and procedures;</li> <li>▪ research and analysis</li> <li>▪ training programmes and information/awareness raising seminars</li> </ul>	<p>Framework contracts Contribution Agreement (OECD)</p>	<p><b>€25,000.00</b></p>	

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

<b>Contracted</b>	<b>4<sup>th</sup> 2007</b>	<b>1<sup>st</sup> 2008</b>	<b>2<sup>nd</sup> 2008</b>	<b>3<sup>rd</sup> 2008</b>	<b>4<sup>th</sup> 2008</b>
Activity 1		475,000			
Activity 2.1	0		175,000		
Activity 2.2	0				150,000
Activity 2.3	0	200,000			
<b>Cumulated</b>	<b>0</b>	<b>675,000</b>	<b>850,000</b>		<b>1,000,000</b>
<b>Disbursed</b>	<b>2<sup>nd</sup> 2008</b>	<b>3<sup>rd</sup> 2008</b>	<b>4<sup>th</sup> 2008</b>	<b>2009</b>	<b>2010</b>
Activity 1	380,000			95,000	
Activity 2.1	0	140,000	0	35,000	0
Activity 2.2	0	0	120,000	0	30,000
Activity 2.3	160,000	0	0	40,000	0
<b>Cumulated</b>	<b>540,000</b>	<b>680,000</b>	<b>800,000</b>	<b>970,000</b>	<b>1,000,000</b>