

Project Fiche No. 4

Regional Programme on Trade and Investment in the Western Balkans

1. Basic information

- 1.1 CRIS Number:** 2009/021-373
- 1.2 Title:** Regional Programme on Trade and Investment in the Western Balkans
- 1.3 ELARG Statistical code:** 02.01- Free Movement of Goods
- 1.4 Location:** Western Balkans: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia as well as Kosovo under UNSCR 1244/99

Implementing arrangements:

- 1.5 Contracting Authority (EC):** European Community represented by the Commission of the European Communities on behalf of the Beneficiaries
- 1.6 Implementing Agency:** Not applicable
- 1.7 Beneficiary:** Ministries of Trade and Economy in the Western Balkans and in the Republic of Moldova¹

Financing:

- 1.8 Overall cost (VAT excluded)²:** EUR 1 020 000
- 1.9 EU contribution:** EUR 500 000
- 1.10 Final date for contracting:** 30 November 2010
- 1.11 Final date for execution of contracts:** 30 November 2012
- 1.12 Final date for disbursements:** 30 November 2013

¹ The Republic of Moldova is a signatory to CEFTA 2006 and its involvement is necessary for the successful implementation of CEFTA. It will therefore benefit from the support activities targeted at CEFTA as a whole but not from support targeting beneficiaries on an individual basis (e.g. coaching of local experts).

² The total cost of the project should be net of VAT and/or other taxes. Should this not be the case, the amount of VAT and the reasons why it should be considered eligible should be clearly indicated (see Section 7.6)

2. Overall Objective and Project Purpose

2.1 Overall Objective

To increase trade relations and investment between the Beneficiaries.

2.2 Project purpose

To support the Central European Free Trade Agreement (CEFTA) Chair in Office with monitoring and implementation of the CEFTA 2006 and activities of the South East European Investment Committee.

2.3 Link with AP/NPAA / EP/ SAA³

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

The effective implementation of CEFTA is a priority specified under "regional issues and international obligations" of the Accession and European Partnerships. Other trade-related priorities can be found in the Accession Partnerships in particular, including further alignment of the trade regime with World Trade Organisation (WTO), SAA and CEFTA. The alignment of the customs and tax regimes with EU acquis and practices and the improvement of the legal framework for standardisation, metrology and certification of products in line with EU standards and practices are also important priorities, which are indirectly linked to the implementation of CEFTA.

2.4 Link with MIPD

Trade and investment development is part of the strategic priorities presented under chapter 2.3.2.1. of the IPA Multi-beneficiary Multi-annual Indicative Planning Document (MIPD) 2009-2011⁴. More specifically the MIPD mentions that the technical and administrative work of the CEFTA secretariat should continue to be co-financed and that technical assistance should be made available to CEFTA

³ AP = Accession Partnership; NPAA = National Programme for the Adoption of the Acquis (for Candidates), National Action Plan (for Potential Candidates); EP= European Partnership; SAA = Stabilisation and Association Agreement

⁴ C(2009)5418

2.5 Link with National Development Plan

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

3. Description of project

3.1 Background and justification

The implementation of CEFTA is part of the strategic priorities of the Enlargement Strategy 2008-2009. In its Communication: "Western Balkans: Enhancing the European Perspective" of 5 March 2008, the Commission re-iterated its commitment to supporting trade integration in the Western Balkans, notably, through the implementation of the CEFTA.

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

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

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

The implementation of CEFTA provides that, by 31 December 2010, the Parties that are signatories to CEFTA will have established a regional free trade area, and will have made considerable progress in liberalizing trade in services while addressing investment issues.

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

- One single set of rules will make it clearer and easier for Western Balkans producers and traders to develop business relations within the region.
- Once established, the free trade area will attract more foreign direct investors, who will find it easier to carry out investment in one single free trade area, where markets and rules are no longer fragmented. Increased investment will contribute directly to jobs and growth.
- The alignment of the trade and investment regime among the Beneficiaries is also an important preparation to the EU Single Market and to their participation in the EU's common commercial policy.

Finally, the implementation of CEFTA will facilitate alignment of the Beneficiaries with World Trade Organisation (WTO) rules and facilitate the accession negotiations of those, who are not yet Members, to eventually join the WTO.

In order for trade benefits to develop fully, continuous business climate reforms at regional level are important. Therefore, the work on CEFTA's implementation will be complemented

by activities of the South Eastern European Investment Committee (SEEIC), which was created under the auspices of the OECD-led Investment Compact as part of the overall strategy of enhancing regional ownership of initiatives originally created by the South Eastern European Stability Pact. It comprises senior officials from ministries of economy and uses a system of working groups to assess different aspects of investment-related policies (including trade) and to agree on priority reforms. Active co-operation between the CEFTA structures and the SEEIC will contribute significantly towards improving the overall trade and investment climate in the region, establishing productive networks among officials in related areas, and improving dialogue with the business community.

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

To date, the CEFTA Secretariat has secured the necessary legal status following the finalization of a headquarters agreement between the Kingdom of Belgium and the eight CEFTA Parties. It has commenced operations and developed relationships with key interlocutors in the CEFTA Parties and the international community, including the European Commission. In particular, it has actively supported the Montenegrin Chair in Office with the development and implementation of its 2009 work programme. It has prepared the terms of reference for the experts contracted by the European Commission in January and February 2009 to support the CEFTA sub-committees - particularly the sub-committee on agriculture and the sub-committee on non-tariff barriers which should assist the CEFTA Parties to achieve specific objectives in the agreement related to sanitary and phytosanitary issues and technical barriers to trade. The Secretariat has also commenced its outreach programme to develop relationships with the business community and with trade-related organizations.

The SEEIC has, through its working groups, made progress in identifying specific issues to be addressed in some priority reform areas, and in sharing best practices in investment promotion, regulatory reform, anti-corruption and human capital development efforts. A project to monitor implementation of the investment-related clauses of CEFTA has also been launched, financed from the Multi-beneficiary IPA Programme 2007. This latter project and the outputs of the individual working groups will feed into the appropriate CEFTA Sub-Committees and the Joint Committee as well as other relevant fora.

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

The absence of EC support to co-finance the CEFTA Secretariat and technical assistance for the analysis of trade and investment related policies and Sub-Committee and Working Group

issues may lead to delays both in the setup of the regional structures and decisions concerning CEFTA's implementation and adequate policy reforms overall.

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

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

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

3.3 Results and measurable indicators

3.3.1. Expected Results

1. CEFTA Secretariat effectively supporting CEFTA decision making structures, in particular the CEFTA Chair in Office;
2. Progress in the work of the CEFTA Sub-Committees (i.e. commitments made in the liberalization of trade with respect to agricultural products, non-tariff trade barriers and customs co-operation);
3. Progress in the work of the SEEIC and its Working Groups (i.e. identification of priority reforms and development of work programmes to implement);
4. Strengthened capacity of authorities and institutions with respect to the implementation of CEFTA and related trade and investment policies;
5. Strengthened regional links and networking between governments of the Western Balkans with a view to align trade and investment related legislation and policies;
6. Links between governments and the business community re-enforced.

3.3.2. Measurable Indicators

- Annual work programmes for CEFTA approved by the Joint Committee and implemented by September 2011;
- CEFTA monitoring system in place and implemented on schedule;
- Between September 2010 and August 2011, at least one meeting per Sub-Committee and one Joint Committee meeting;
- Annual work programmes of the Sub-Committee approved by mid-2011 and implementation underway;
- One meeting of SEEIC Working Groups and one SEEIC plenary session in 2010;

- Work Programme for SEEIC Working Groups approved in 2009 and implemented in 2010;
- Information network on trade, trade related issues and projects in the CEFTA region available and updated;
- CEFTA web-site in place and continuously updated;
- Trade and investment policy monitoring tools available to Beneficiaries;
- CEFTA and SEEIC experts received coaching on economic analysis;
- Sub-Committee Decisions taken to reduce barriers to trade in their respective domain;
- Informal/formal networks between government officials and business community established;

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

3.4 Activities

Activity 1 - Support the functioning of the CEFTA Secretariat in year 3.

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

The Secretariat's activities will be as follows:

- Draft annual CEFTA Work Programme (Joint Committee and Sub-Committees);
- Organize and follow up all meetings of the Joint Committee, Sub-Committees and any other groups set up by the Joint Committee and its appropriate organs, including, but not limited to, work involving research and preparation of background documents and/or technical papers, and the preparation of meetings;
- Assist with the identification of technical assistance needs and facilitate the securing of assistance including the drafting of terms of reference for technical assistance aimed at supporting the implementation of CEFTA obligations;
- Ensure good communication and co-ordination between other technical assistance projects funded by the EC or other sources and the CEFTA Parties;
- 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;

- Provide the necessary support for implementation of the dispute settlement mechanisms as outlined in the Agreement;
- Collect information on trade-related issues and projects at regional level and encourage co-operation and co-ordination between CEFTA structures and other complementary regional bodies and programmes;
- Promote the benefits of CEFTA to the business community both in the region and internationally.

Activity 2 - Strengthen the administrative capacity of the Beneficiaries to formulate and implement policies furthering both the implementation of CEFTA and promoting trade and investment.

The main purpose of this activity is to support the CEFTA Chair in Office, in particular, with the identification of priorities for the Work Programme of CEFTA Sub-Committees and make proposals for implementation. It will also seek to facilitate the identification and implementation of priority investment-related reforms among the CEFTA Parties. The following activities are foreseen:

- Carry out specific CEFTA related analytical work and monitoring, prepare draft legislation, procedures and agreements, conduct training programmes and carry out information/awareness raising activities;
- Organize targeted visits of CEFTA Parties to EU counterpart organizations dealing with trade policy making and implementation;
- Assessing the possibilities of further alignment and harmonization in the field of investment- related clauses of the CEFTA Agreement;
- For all of the activities summarized above, the relevant CEFTA and SEEIC structures (Chair in Office and Secretariat) should be consulted and all activities coordinated with the overall implementation of CEFTA.

3.5 Conditionality and sequencing:

CEFTA Parties and bilateral donors will contribute 80% towards the costs of the CEFTA Secretariat, during the third year of its operation.

CEFTA Parties will be committed to the implementation of CEFTA as demonstrated by their participation and attendance of the meetings of the CEFTA Structures (CEFTA Joint Committee, CEFTA Sub-Committee, CEFTA Secretariat).

Beneficiaries will pro-actively work as part of the SEEIC Working Groups and support the work both politically and technically.

Recommendations from the CEFTA Secretariat and the SEEIC Working Groups are approved and implemented by the Beneficiaries.

EC and other donors continue will provide complementary trade and investment-related assistance at national level.

3.6 Linked activities

The Regional Cooperation Council (RCC) plays a valuable role in monitoring implementation and undertaking political trouble-shooting. For CEFTA and the SEEIC to benefit completely, it will be vital to maintain an adequate flow of information between the CEFTA Structures, the Southeast Europe Investment Committee (SEEIC) and the RCC.

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

In Bosnia and Herzegovina, a comprehensive trade-related needs assessment was carried out in 2007. Amongst others, the resulting report analyses technical barriers to trade, the legal framework for foreign direct investment (FDI), assessment of the administrative capacities of the trade policy-making institutions, in particular, those units responsible for implementing CEFTA. The report reveals a number of shortcomings with regards to the government's administrative capacity to implement CEFTA, which are being addressed in the 2008 national programme. The recommendations of this report with regards to CEFTA will be taken into account in this Regional Programme. Activities directly linked to the implementation of CEFTA in Bosnia and Herzegovina and Kosovo, where it is planned to support, among others, the administrative capacity of the authorities in charge of implementing CEFTA, effectively complementing measures to support CEFTA at the regional level. In Kosovo, one project is focused on enhancing the trade investment climate and regional development by aligning its trade policies with international trade rules and practices. The project will support the Ministry of Trade and Industry (MTI) to develop its institutional capacity to formulate and implement comprehensive trade policy in line with the EU practices, and to implement the CEFTA agreement to further enhance regional economic integration.

For all Beneficiaries, activities to improve quality infrastructure capabilities are planned to comply with the areas of the *acquis* especially in Chapter 1, but also in other areas of (environment, consumer protection, agriculture, customs, etc.). Quality infrastructure refers to metrology, standardization, accreditation, market surveillance, testing, quality management, inspection and certification that have a bearing on conformity assessment (abbreviated as MSTQ), for both public and private institutions and the regulatory framework within which they operate.

3.7 Lessons learned

From the implementation of the first year of the Regional Programme on Trade and Investment (IPA 2007), the main lessons to be learned are the following:

- Building strong and constructive relations between the CEFTA Secretariat and representatives of each CEFTA Party is essential for the CEFTA Secretariat to operate successfully and develop its full potential. Political issues in the region can impact on the work of the Secretariat and the work of the CEFTA Secretariat can be impeded if for example all CEFTA Parties do not attend CEFTA's meetings. The CEFTA Secretariat is and will be further engaged in developing the necessary relationships to overcome where possible the impact of political issues and to develop and strengthen this regional network of CEFTA contacts which is essential to move the CEFTA agenda forward.

- CEFTA touches upon issues that are dealt with in other IPA-funded projects i.e., statistics, taxation and customs. Ongoing or completed work under the Multi-beneficiary IPA and national IPA Programmes need to be taken into consideration to avoid overlapping or duplication. Other multilateral and bilateral organizations provide trade- and investment-related assistance, some on a regional basis. The CEFTA Secretariat and the SEEIC should involve them in discussions to avoid duplication and overlapping activities.
- Levels of capacities and know-how vary between the CEFTA Parties. Training and advice needs to be designed in a way that both accommodates and consolidates these different levels, and ensures that agreed recommendations are implemented.
- Dealing with investment-related issues at a regional level is relatively new to the Beneficiaries, as most issues have previously been handled at a bilateral level. Thus, for all the activities undertaken under this project it will be important to put emphasis on practical mechanisms for co-operation and to create sustainable formal and informal regional networks among and between government experts. Contractors under the project will be required to establish close contacts with Beneficiaries from the start. It will also be important to include the local business community in these networks.

4. Indicative Budget (amounts in EUR)

			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1	x		650 000	130 000	20	520 000	80					
contract 1		-	650 000	130 000	20	520 000	80					-
Activity 2	x		370 000	370 000	100							
contract 2		-	200 000	200 000	100							-
contract 3		-	170 000	170 000	100							
TOTAL IB			1 020 000	500 000	49	520 000	51					
TOTAL INV												
TOTAL PROJECT			1 020 000	500 000	49	520 000	51					

Amounts net of VAT

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

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

5. Indicative Implementation Schedule

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1	N/A	Q3 2010	Q3 2011
Contract 2	Q3 2010	Q4 2010	Q4 2012
Contract 3	N/A	Q4 2010	Q4 2012

ANNEXES

- 1- Log frame in Standard Format
- 2- Amounts contracted and Disbursed per Quarter over the full duration of Programme
- 3- Description of Institutional Framework
- 4 - Reference to laws, regulations and strategic documents
- 5- Details per EC funded contract

ANNEX 1: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche		Programme name and number Regional Programme on Trade and Investment in the Western Balkans	2009/021-373
		Contracting period expires: 30 November 2010	Disbursement period expires: 30 November 2013
		Total budget : EUR 1 020 000	IPA budget: EUR 500 000
Overall objective			
Overall objective	Objectively verifiable indicators	Sources of Verification	
Contribute to increase in trade and investment among Beneficiaries	Inter-regional trade volume increased by 30% by 2010 Increased in FDI at regional level by 20% by 2010	National trade and investment statistics (National Banks, institute for statistics etc.), IMF	
Project purpose			
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
Support the CEFTA Chair in office with monitoring and implementation of CEFTA 2006 and activities of the SEE Investment Committee	-All customs duties on the import of industrial products abolished by 31 Dec 2008. -Customs duties on imports of agricultural products reduced/abolished according to the schedule in Annex 3 of the CEFTA Agreement -Export subsidies for agricultural products abolished	CEFTA Reports (Secretariat, Chair in Office, Sub-Committees) OECD Investment Reform Index 2009-2010	Political commitment of beneficiaries to implement CEFTA and to implemented agreed investment reforms

	<ul style="list-style-type: none"> -Co-operation and exchange of information on sanitary and phytosanitary measures -Technical barriers to trade identified and schedule for their reduction/elimination set up -Negotiations on harmonisation of technical standards started and time schedule established for conclusion -Negotiation for harmonisation of procedures for assessment of conformity started -Review done on co-operation in customs administration -Priority Investment Reforms identified -Implementation of priority investment reforms started to be implemented 		
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> -CEFTA Secretariat effectively supporting CEFTA decision making structures, in particular CEFTA Chair in office -Progress in the work of the CEFTA Sub-Committees and the SEEIC Working Groups -Progress in the work of the SEEIC and its Working Groups -Strengthened capacity of authorities and institutions with 	<ul style="list-style-type: none"> -Annual CEFTA Work Programme approved by the Joint Committee and implemented by September 2011 -Monitoring Systems for CEFTA in place and implemented on schedule -Between September 2010 and August 2011 – at least one meeting per CEFTA Sub-Committee and one CEFTA Joint Committee meeting -Annual work programmes of the Sub-Committees approved by mid 2011 and implementation under way -One meeting of the SEEIC and one meeting of the 	<ul style="list-style-type: none"> Final report of CEFTA Secretariat to EC Minutes of the meeting of the CEFTA Joint Committee and Sub-Committees, SEEIC meetings CEFTA web-site Final report of the OECD Investment Compact to EC 	<ul style="list-style-type: none"> Continued co-financing of CEFTA Secretariat by CEFTA Parties and bilateral donors

<p>respect to the implementation for CEFTA and related trade and investment related policies</p> <p>-Strengthened regional links and networking between WB governments with a view to align trade and investment related legislation and policies</p> <p>-Links between governments and the business community re-enforced</p>	<p>SEEIC working groups in 2010</p> <p>-Work programmes for SEEIC Working Groups approved and implemented in 2009 – implemented in 2010</p> <p>-Information network on trade related issues and projects for region available and updated</p> <p>-CEFTA web-site in place and continuously updated</p> <p>-Trade and investments monitoring tools available to Beneficiaries</p> <p>-Sub-Committee Decisions taken to reduce barriers to trade in their domain</p> <p>-CEFTA and SEEIC local experts received coaching on economic analysis</p> <p>-Informal/formal networks between government officials and the business community</p>	<p>OECD Investment Reform Index 2009/2010</p> <p>FC Consultant's Final Reports</p>	
Activities	Means	Costs	Assumptions
<p>Activity 1 - Support the functioning of the CEFTA Secretariat in year 3.</p> <p>-Develop Annual CEFTA (Joint Committee/Sub-Committee WP)</p> <p>-Organise/follow up on meetings</p> <p>-Collect information on trade related issues and projects at</p>	<p>Direct Agreement with the CEFTA Secretariat</p> <p>Experts contracted under framework contract</p> <p>OECD experts or Direct Agreement with OECD</p>	<p>EUR 500 000</p>	<p>-Recommendations from CEFTA Secretariat and SEEIC accepted</p> <p>-Joint Committee, Sub-committees and SEEIC meet as scheduled</p>

<p>regional level</p> <ul style="list-style-type: none"> -Draft ToRs for assignments under Sub-Committees -Promote activities of CEFTA to business community <p>Activity 2 - Strengthen the administrative capacity of the Beneficiaries to formulate and implement policies furthering both the implementation of CEFTA and promoting trade and investment.</p> <ul style="list-style-type: none"> -Assess human capital development and labour market policies, tax policies and financial market development -Coach local experts -Research and analyse trade and investment rel topics -Draft legislation and procedures 			
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ANNEX II: amounts (in €) Contracted and disbursed by quarter for the project

Contracted	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Contract 1			130 000								
Contract 2				200 000							
Contract 3				170 000							
Cumulated			130 000	500 000							
Disbursed											
Contract 1				104 000				26 000			
Contract 2				100 000							100 000
Contract 3				100 000				70 000			
Cumulated				304 000				400 000			500 000

Annex III: Description of Institutional Framework

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

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

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

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

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

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

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

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

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

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

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

The institutional framework for the implementation of trade policy at the regional level is most relevant for this Programme as it deals with the implementation of the Central European Free Trade Agreement (CEFTA). At the regional level, it will be the Joint Committee – composed of senior government officials from the CEFTA Parties – which will take the main decisions on implementing CEFTA. The Sector for Investments and Economy promotions is in charge of implementation and monitoring of the activities of South East Europe Investment Committee (SEEIC), as well as for the coordination of the activities related to the Investment Reform Index (2009), which is included under the OECD Investment Compact for South East Europe.

Annex IV: Reference to laws, regulations and strategic documents

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

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

Commission Staff Working Paper on "EU regionally relevant activities in the Western Balkans in 2008/09" (3 February 2009)

Communication from the Commission to the Council and the European Parliament

Enlargement Strategy and Main Challenges 2008-2009 of 5 November 2008

Communication from the Commission to the European Parliament and the Council: Western Balkans: Enhancing the European Perspective (5 March 2008)
Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: Global Europe: Competing in the World – A Contribution to the EU's Growth and Jobs Strategy (4 October 2006)

1.2. Regional Trade Relations Western Balkans

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

1.3. Bilateral Trade Relations EC- Western Balkans

Council Regulation (EC) No 2007/2000 of 18 September 2000 introducing exceptional trade measures for countries participating in or linked to the European Union's Stabilisation and Association Process, amending Regulation (EC) No 2820/98, and repealing Regulations (EC) No 1763/1999 and EC No 6/2000

Commission Regulation (EC) No 2487/2001 of 18 December 2001 amending Council Regulation (EC) No 2007/2000 as regards relations with Bosnia and Herzegovina, the Republic of Croatia, the former Yugoslav Republic of Macedonia, and the Republic of Slovenia

Council Regulation (EC) No 374/2005 of 28 February 2005 amending Regulation (EC) No 2007/2000 introducing exceptional trade measures for countries and territories participating in or linked to the European Union's stabilisation and association process

Council Regulation (EC) No 1946/2005 of 14 November 2005 amending Regulation (EC) No 2007/2000 introducing exceptional trade measures for Beneficiaries participating in or linked to the European Union's Stabilisation and Association process.

Multilateral Trade Relations of Western Balkans

WTO membership: Albania (8 September 2000), Croatia (30 November 2000), the former Yugoslav Republic of Macedonia (4 April 2003). Serbia, Montenegro and Bosnia Herzegovina are currently negotiating their membership to WTO.

Annex V: Details per EC funded contract

Contract 1 - Operating grant to the CEFTA Secretariat:

The CEFTA secretariat is staffed with five persons and was established in Brussels in August 2008 as an international organization. The European Commission signed a direct agreement with the CEFTA Secretariat on 17 September 2008 to cover 75% of the operating costs of the first year of operation (EUR 475 000 - EC contribution IPA 2007). In September 2009 the EC will provide a further annual contribution to cover 50% of the organization's costs (EUR 325 000-IPA 2008).

For the third year of operation, the European Commission will provide an operating grant to the CEFTA Secretariat covering 20% of costs. For this purpose the European Commission will conclude a new direct agreement with the CEFTA secretariat based on Article 168 (1) (c) of the Implementing Rules, considering that the Secretariat has a de facto monopoly. The remaining 80% of costs will be financed jointly by the CEFTA Parties and bilateral donors.

Following the Decision of the Joint Committee of the Central European Free Trade Agreement No.2/2008 adopted on 8 October in Cisinau, Republic of Moldova, Beneficiaries will contribute as follows to the CEFTA Secretariat:

The Parties contribution to the overall annual budget of the Secretariat is fixed to 10% in year 1, to 30% in year 2 and to 50% in year 3, i.e. 65,000 Euro in year 1; 195,000 Euro in year 2; and 325,000 Euro in year 3.

Financial contributions from donors including the European Commission represent 90% in year 1, 70% in year 2 and 50% in year 3 of the Secretariat's respective annual Budget.

Pledged contributions by CEFTA parties to support CEFTA Secretariat funding are as follows:

Party	YEAR /(EURO)		
	2008/09	2009/10	2010/11
Republic of Albania	5,200	15,600	26,000
Bosnia and Herzegovina	8,125	24,375	40,625
Republic of Croatia	16,250	48,750	81,250
Republic of Macedonia	7,150	21,450	35,750
Republic of Moldova	3,575	10,725	17,875
Montenegro	4,225	12,675	21,125
Republic of Serbia	16,250	48,750	81,250
The United Nations Interim Administration Mission in Kosovo on behalf of Kosovo in accordance with United Nations Security Council Resolution 1244	4,225	12,675	21,125

Contract 2 – Technical Assistance

The expertise will be mobilized in the form of 3 to 5 separate assignments through the use of a framework contract and in accordance with the needs arising to move forward with the implementation of CEFTA. The CEFTA structures will have the main role in defining the terms of the assignments for this short term expertise in close co-ordination and consultation with the Commission.

Contract 3 – Investment Related Clauses of CEFTA

A direct agreement with the OECD based on article 168 (1) (c) of the Implementing Rules in relation to monitoring investment-related issues of CEFTA will be concluded.

	Type of Contract	Amount in EUR	Duration
Contract 1	Operating Grant to the CEFTA Secretariat	130 000	12 months
Contract 2	Framework contracts or Direct Agreement with OECD	200 000	24 months
Contract 3	Direct Agreement with the OECD	170 000	12 months