

## Project Fiche No. 5

### Regional Programme on Trade and Investment in the Western Balkans

#### 1. Basic information

- 1.1 CRIS Number:** 2011/022-964
- 1.2 Title:** Regional Programme on Trade and Investment in the Western Balkans
- 1.3 ELARG Statistical code:** 01.72 Administrative Support
- 1.4 Location:** Albania, Bosnia and Herzegovina, Belgium, Croatia, Montenegro, the former Yugoslav Republic of Macedonia, Serbia, as well as Kosovo<sup>1</sup>

#### Implementing arrangements:

- 1.5 Contracting Authority (EU)** The European Union represented by the European Commission on behalf of the Beneficiaries
- 1.6 Implementing Agency:** NA
- 1.7 Beneficiary:** The CEFTA Secretariat and the CEFTA Parties; Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, as well as Kosovo and Republic of Moldova<sup>2</sup>

#### Financing:

- 1.8 Overall cost (VAT excluded)<sup>3</sup>:** EUR 2 550 000
- 1.9 EU contribution:** EUR 1 282 500
- 1.10 Final date for contracting:** 31 December 2012
- 1.11 Final date for execution of contracts:** 30 November 2014
- 1.12 Final date for disbursements:** 30 November 2015

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<sup>1</sup> Under UNSCR 1244/99

<sup>2</sup> 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).

<sup>3</sup> 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

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

### **2.1 Overall Objective:**

The overall objective is an increase in trade relations among the Beneficiaries.

### **2.2 Project purpose:**

The project purpose is to support the implementation of the Central European Free Trade Agreement 2006 (CEFTA).

The implementation of CEFTA provides that by 31 December 2010 the parties who are signatories to CEFTA establish a regional free trade area,

- liberalising more than 90% of trade;
- encouraging co-operation and gradually liberalise trade in services in the region;
- improving the region's rule book on trade;
- including modern trade provisions on issues such as competition, government procurement and the protection of intellectual property rights;
- providing for convergence of trade related rules, especially, technical requirements and sanitary-phytosanitary rules;
- assisting those signatories that are not yet part of the WTO to prepare for membership.

As a result there is a simplified single system of rules that facilitate intra-regional trade relations.

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

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 for EU accession. The SAAs foresee under Article 13 and 14, a commitment to establish a free trade area with other countries having signed a SAA and with candidate countries for accession to the EU. For those countries 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 WTO, SAA and CEFTA<sup>4</sup>. The alignment of customs and tax regime with EU acquis and practices and the improvement of 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**

Chapter 3.4. of the Multi-Beneficiary MIPD for 2011-2013 mentions trade facilitation, including better marketing and access to markets as one of the main challenges the region is

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<sup>4</sup> Under chapter European Standards/Internal Market/Free Movement of Goods and Customs and Taxation respectively.

facing in order to prepare for sound recovery from the economic and financial crisis and generate future growth for the region .The development of a regional investment strategy together with further liberalisation of trade flows and full implementation of the CEFTA agreement will help to overcome the crisis, create employment and generate conditions for sustainable growth, therefore also supporting the targets of the EU2020 strategy.

### **3. Description of project**

#### **3.1 Background and justification:**

The Enlargement Strategy 2010-2011 states the Central European Free Trade Agreement (CEFTA) as essential for completing the regional free-trade area.

A functional regional market within the Central European Free Trade Agreement (CEFTA) and continued *acquis* alignment are important to attract investment. The planned liberalisation of trade in agricultural products and services across the region and the opening of public procurement markets will further increase the region's growth potential.

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 (CEFTA 2006) when it came into force in 2007.

The implementation of CEFTA provides important advantages for the Beneficiaries:

- (1) One single set of rules makes it clearer and easier for Western Balkans producers and traders to develop business relations within the region.
- (2) The free trade area will attract more foreign direct investors, who will find it easier to carry out investments in one single free trade area, where markets and rules are no longer fragmented. Increased investment will contribute directly to jobs and growth.
- (3) The alignment of the trade and investment regime among the candidate countries and potential candidates is also an important preparation to the EU Single Market and to their participation in the EU's common commercial policy.
- (4) Finally, the implementation of CEFTA will facilitate alignment of the beneficiaries with WTO rules and facilitate the accession negotiations of those, who are not yet Members to WTO.

The beneficiary authorities in charge of monitoring and implementing CEFTA are still facing limited administrative and technical capacities to address the tasks ahead. This is where the EU assistance will come in.

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

Further assistance to co-finance the CEFTA Secretariat and the provision of technical assistance for the analysis of trade and Sub-Committee issues is crucial for the efficient implementation of CEFTA.

The timely provision of expert advice and guidance should allow for a better adherence to the obligations set out in the CEFTA Agreement and to address relevant policy deficits. The

timely implementation of CEFTA 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 related aspects.

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

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

#### Expected Results

1. CEFTA Secretariat effectively supporting CEFTA decision making structures i.e. Joint Committee Meeting and three Subcommittee
2. Progress in the work of the CEFTA Subcommittees (Agriculture and SPS, Non-tariff trade barriers and TBT and Customs Cooperation and Rules of Origin) and the CEFTA Working Groups ( on Trade in Services and TBT)
3. Strengthened capacity of authorities and institutions with respect to the implementation of CEFTA;
4. Strengthened regional links and networking between governments of the Western Balkans with a view to align trade and investment related legislation and policies;
5. Links between governments and the business community re-enforced.

#### Measurable Indicators

##### Ad 1.

- Annual work programmes for CEFTA approved by Joint Committee and implemented in the current year of Chairmanship; Work programme of the each Subcommittee approved and implemented in the current year of its chairing;
- One annual meeting per Subcommittee, Working Group and one Joint Committee meeting;

##### Ad 2.

- Customs duties on imports of agricultural products further reduced /abolished according to the schedule in Annex 10 of the CEFTA Agreement
- Gradual liberalisation of trade in services among CEFTA Parties according to the road map for negotiations on trade in services to be agreed in the first half of 2011
- Cooperation and exchange of information on sanitary and phytosanitary measures reported annually
- Non-tariff barriers to trade identified and schedule for their reduction/elimination as agreed in the Monitoring Instrument on Elimination of NTBs to be implemented starting from 2011.

- Review done on co-operation in customs administration and implementation of diagonal cumulation and reported to the Joint Committee annually
- Review on Government Procurement procedures under the framework of CEFTA reported to the JC annually
- Review on Competition Rules under the framework of CEFTA reported to the JC annually

#### Ad 3

- Trade and investment policy monitoring tools (e.g. NTBs Monitoring Instruments; prioritisation of potential value chains; roadmaps for potential negotiations in trade in services etc.) developed with the assistance of renowned international expertise and made available to Beneficiaries;
- Relevant economic analysis prepared to support the decision making process within the CEFTA structures (e.g. FDI mapping; trade statistics on intermediate goods; NTBs in service sector etc.);

#### Ad 4

- Information network on trade, trade related issues and projects in the CEFTA region available and continuously updated on the CEFTA web-site;
- A well-functioning inclusive and comprehensive CEFTA Trade Portal developed and quarterly up-dated.

#### Ad 5

- Informal/formal networks between government officials and business community established, especially with the CEFTA Forum of the Chambers of Commerce in the Region.
- Meeting to strengthen the cooperation organised back-to-back to the official CEFTA meetings.
- A special promotional event organised under the framework of the Joint Committee i.e. “CEFTA Week” involving besides government officials and business community, representatives of international organisations, academia and media.

It will be possible to verify the achievement of these indicators in the Annual Report of the CEFTA Secretariat, CEFTA Chair-in-Office Annual Report, the minutes of the meetings of the Subcommittees and Joint Committee as well as the CEFTA web-site.

### **3.4 Activities:**

#### **Activity 1 – Supporting the CEFTA Secretariat's functioning in years 2011-2013**

The CEFTA Secretariat staffed with five persons is established in Brussels in September 2008 as an international organisation. The European Commission signed direct agreements with the

CEFTA Secretariat providing a running cost grant to the Secretariat in the first three years of operation.

This agreement will provide respectively 40% – 35% - 30% of funding to the Secretariat in years 4, 5 and 6 of operation. The remaining funding will be financed jointly by the CEFTA parties and bilateral donors.

### **Operating expenditure**

A grant contract will be signed with the CEFTA Secretariat in order to make available the necessary European Union contribution to the operating expenditures of the CEFTA Secretariat in order to implement its Annual Work Programmes, developed under the rotating chairmanship. The grant contract will specify the mandate and modalities for the implementation of this contribution as well as the mechanisms of control put in place. The budget will be executed in accordance with the conditions of the grant contract.

This agreement will provide respectively 40% – 35% - 30% of funding to the Secretariat in years 4, 5 and 6 of operation. This is expressed by an average of 35% over the three years. The remaining funding will be financed jointly by the CEFTA parties and bilateral donors.

An external auditor will also be contracted by the RCC Secretariat to audit its financial statements of the period covered by this grant.

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, Subcommittees, Working Groups and other bodies);
- Organise and follow up all meetings of the Joint Committee, Subcommittees, working groups 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 drafting of terms of reference for technical assistance aimed at supporting the implementation of CEFTA obligations;
- Monitor, as requested by the Joint Committee, implementation of CEFTA 2006, organise annual or other reviews stipulated by CEFTA 2006 and circulate notifications, information/updates to the Parties;
- Provide the necessary support for administration of the dispute settlement mechanisms as outlined in the Agreement;
- Collect information on trade-related issues and projects at regional level and encourage cooperation and coordination 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 – Technical Assistance for the work of the CEFTA Subcommittees**

Under this activity it is foreseen to mobilise technical expertise for the Subcommittees, Working Groups and other bodies. At the moment the following Subcommittees have been established: (i) agriculture including sanitary and phytosanitary issues (ii) customs cooperation and rules of origin and (iii) non-tariff barriers and technical barriers to trade and Working Group on Trade in Services. Should further Subcommittees or Working Groups be established the mobilisation of such expertise could also be covered under funding available from Activity 2.

The CEFTA structures will have the main role in defining the terms of the assignments for this expertise. Part of the needs for experts will stem from agreed work programmes of the individual subcommittees and working groups.

The assignments may deal with the following activities:

- Develop and agree on Work Programme for newly established Subcommittees and/or Working Groups to address key areas in systematic and prioritised fashion;
- Research and analyse trade related topics, draft legislation and procedures, monitor the reduction of non-tariff barriers, develop policy recommendations, conduct training programmes and carry out information/awareness raising activities.

These activities will be covered by Contribution Agreements under joint management with the OECD.

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

- CEFTA parties and bilateral donors will contribute remaining funds towards the costs of the CEFTA Secretariat, during the programming period.
- EU funding for the CEFTA Secretariat will further phase out over the programming period. The EU contribution expressed as a percentage of the total amount of the costs of the Secretariat (estimation €650,000 per annum) is expected to decrease progressively as follows: 40% in 2011-2012, 35% in 2012-2013 and 30% in 2013-2014. The decrease will be reflected in the payment schedule. As from the seventh year of operation it is envisaged that the CEFTA parties will fully bear the costs of the Secretariat.
- CEFTA parties are politically committed to implementing CEFTA and related policies to further trade and investment at regional level.
- Recommendations from the CEFTA Secretariat are approved and implemented by the Beneficiaries.
- EU and other donors continue to provide complementary trade-related assistance at national level.

Activity 1 (identification of priorities within the framework of the CEFTA Secretariat) will start first. Approval/endorsement of the general CEFTA work programmes and Subcommittee work programmes by the CEFTA Joint Committee will then permit the identification of the terms of reference of the expertise required for Activity 2.

### **3.6 Linked activities**

The Regional Co-operation Council (RCC) will play a valuable role in following implementation and undertaking political trouble-shooting. For CEFTA to be exploited to the full it will be vital to ensure an adequate flow of information between the CEFTA Structures, and the RCC.

### **3.7 Lessons learned**

This Programme concerns the three years of supporting the implementation of CEFTA at regional level. Prior to the start of activities under this Programme, the lessons learned from the previous three years will be taken into consideration.

Previous trade-related assistance experience has shown that when providing guidance to the CEFTA parties, different levels of capacities and know-how between the CEFTA Parties concerning the issues related to CEFTA have to be taken into consideration. Training and advice need to be designed in the way to consolidate these different levels and ensure implementation of agreed recommendations.

For all the activities undertaken under this Programme it will be very important to put emphasis on practical mechanisms for cooperation and create sustainable formal and informal regional networks among and between both government experts. It will also be important to further involve the local business community in these networks.

A number of multilateral and bilateral organisations provide trade and investment related assistance, some on a regional basis. The CEFTA Secretariat should involve them to avoid duplication and overlapping activities.

#### 4. Indicative Budget (amounts in EUR)

			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA EU 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		1 950 000	682 500	35.00	1 267 500	65.00					
contract 1.1	–	–	1 950 000	682 500	35.00	1 267 500	65.00					–
Activity 2	x		600 000	600 000	100							
contract 2.1	–	–	600 000	600 000	100							–
TOTAL IB			2 550 000	1 282 500	50.29	1 267 500	49.71					
TOTAL INV												
<b>TOTAL PROJECT</b>			<b>2 550 000</b>	<b>1 282 500</b>	<b>50.29</b>	<b>1 267 500</b>	<b>49.71</b>					

NOTE: DO NOT MIX IB AND INV IN THE SAME ACTIVITY ROW. USE SEPARATE ROW

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 (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1	NA	3 <sup>rd</sup> Quarter 2011	3 <sup>rd</sup> Quarter 2014
Contract 2.1	NA	4 <sup>th</sup> Quarter 2011	3 <sup>rd</sup> Quarter 2014

## 6. Cross-cutting issues

NA

### 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 EU funded contract (\*) where applicable: NA

## 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	CRIS No.: 022-964
	Contracting period expires: 31 December 2012	Disbursement period expires: 30 November 2015
	Total budget : EUR 2 550 000	IPA budget: EUR 1 282 500

Overall objective	Objectively verifiable indicators	Sources of Verification	
Contribute to increase in trade among Beneficiaries	Inter-regional trade volume increased by 30% by 2014	National trade statistics (Institute for statistics etc.), IMF	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
Support Monitoring and Implementation of CEFTA 2006	-Customs duties on imports of agricultural products further reduced /abolished according to the schedule in Annex 10 of the CEFTA Agreement -gradual liberalisation of trade in services among CEFTA Parties -Cooperation and exchange of information on sanitary and phytosanitary measures -non-tariff barriers to trade identified and schedule for their reduction/elimination set up -Review done on co-operation in customs administration and implementation of diagonal cumulation -Review on Government Procurement procedures under the framework of CEFTA 2006 - Review on Competition Rules under the framework of CEFTA 2006 - Enhanced transparency of trade policy and regulation	CEFTA Reports (Secretariat, Chair in Office, Subcommittees)	Political commitment of beneficiaries to implement CEFTA
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
-CEFTA Secretariat effectively supporting CEFTA structures CEFTA - Progress in the work of the Subcommittees - Strengthened capacity of authorities and institutions with respect to the implementation for CEFTA - Strengthened regional links and networking between WB governments and the business community	-CEFTA Work Programme implemented in the current year - One annual meeting per CEFTA Sub-Committee and one annual CEFTA Joint Committee meeting -Work Programmes of Sub-Committees approved in and implemented in the current year -Information network on trade related issues and projects for region -CEFTA web-site updated --Subcommittee Decisions to reduce barriers to trade in their domain -CEFTA local experts received coaching on economic analysis -Informal/formal networks between government experts and the business community	Final report of CEFTA Secretariat to EC Minutes of the meeting of the CEFTA Joint Committee and Subcommittees, CEFTA web-site	Continued co-financing of CEFTA Secretariat by CEFTA parties and bilateral donors
Activities	Means	Costs	Assumptions
-Develop Annual CEFTA (Joint Committee/Subcommittee Work Programme) -Organise/follow up on meetings -Collect information on trade related issues and projects at regional level -Draft ToRs for assignments under Subcommittees -Promote activities of CEFTA to business community -Coach local experts -Research and analyse trade and investment related topics -Draft legislation and procedures	Staff of CEFTA Secretariat (5), office equipment Experts in issues dealt with by Subcommittees	<b>EUR 1 282 500</b>	-Recommendations from CEFTA Secretariat accepted -Joint Committee, Subcommittees meet as scheduled

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

<b>Contracted</b>	<b>Q3 2011</b>	<b>Q4 2011</b>	<b>Q1 2012</b>	<b>Q2 2012</b>	<b>Q3 2012</b>	<b>Q4 2012</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>Q1 2014</b>	<b>Q2 2 014</b>	<b>Q3 2 014</b>	<b>Q4 2014</b>	<b>Q1 2015</b>
Contract 1.1	682 500														
Contract 2.1		600 000													
<b>Cumulated</b>	<b>682 500</b>	<b>1 282 500</b>													
<b>Disbursed</b>	<b>Q3 2011</b>	<b>Q4 2011</b>	<b>Q1 2012</b>	<b>Q2 2012</b>	<b>Q3 2012</b>	<b>Q4 2012</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>Q1 2014</b>	<b>Q2 2 014</b>	<b>Q3 2 014</b>	<b>Q4 2014</b>	<b>Q1 2015</b>
Contract 1.1		216 125				204 750				193 375				68 250	
Contract 2.1			180 000				180 000				180 000				60 000
<b>Cumulated</b>		<b>216 125</b>	<b>396 125</b>			<b>600 875</b>	<b>780 875</b>			<b>974 250</b>	<b>1 154 250</b>			<b>1 222 500</b>	<b>1 282 500</b>

## 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 Balkan countries Albania, Croatia and the FYRoM 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 follow:

**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 Development 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. At 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.

## **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**

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)

Communication from the Commission to the European Parliament and the Council: Enlargement Strategy and Main Challenges 2007-2008 (6 November 2007)

Communication from the Commission to the European Parliament and the Council: Western Balkans: Enhancing the European Perspective (5 March 2008)

##### **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 and territories 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 countries and territories 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), FYRoM (4 April 2003)

Serbia, Montenegro and Bosnia Herzegovina are currently negotiating their membership to WTO.

## ANNEX V

### Details per EU 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 EU provided 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 provided an operating grant to the CEFTA Secretariat covering 45% of costs. The remaining 55% of costs was financed jointly by the CEFTA Parties and bilateral donors.

For years 4 to 6 (2011 – 2014) the EU will provide a three year operational grant for administrative support with a decrease on the annual basis (40%, 35% and finally 30%). Since the operational grant will be signed for three years the grant agreement will provide the average of 35% funding and the decrease will be reflected in the payment schedule. The remaining 65% of costs will be financed jointly by the CEFTA Parties and bilateral donors.

#### Contract 2 – Investment Related Clauses of CEFTA

A contribution agreement under joint management with the OECD based on article 168 (1) (f) of the Implementing Rules in relation to monitoring investment-related issues of CEFTA will be concluded, given the specific expertise of the OECD, their already developed methodology and an excellent track record with CEFTA in this particular field.

	Type of Contract	Amount in EUR	Duration
Contract 1	Operating Grant to the CEFTA Secretariat	682 500	36 months
Contract 2	Contribution Agreement under joint management with OECD	600 000	36 months