

THE EUROPEAN UNION GROWTH PLAN FOR THE WESTERN BALKANS AS A FORM OF FASTER INTEGRATION INTO THE EU SINGLE MARKET

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ABSTRACT

This paper aims to explore the structure and objectives of the Western Balkans Growth Plan as an incentive for the integration of the Western Balkans region into the EU single market. In november 2023, the European Commission prepared the Western Balkans Growth Plan, which should accelerate the implementation of reforms in the countries of

the region and their integration into the European Union single market. The Growth Plan represents an effort by the European Union to influence the region towards deepening economic integration with the Union and accelerating economic growth, which are necessary prerequisites for the desired transformation of the countries of the region. The Western Balkans Growth Plan aims to: integrate partners from the Western Balkans into the EU single market, improve regional economic cooperation, deepen EU-related reforms, and increase pre-accession financing to accelerate the socio-economic convergence of the Western Balkans towards the EU. The research results of this paper have shown that the European Union in the Western Balkans region, from the first regional approach in 1997 to the proposed growth plan in 2023, has contributed to the development of the regional cooperation process and the economic development of the region itself.

It is not just about increasing the wealth of the countries of the region and their citizens, but the point and ultimate goal is that these countries and these citizens should live together, create, cooperate and spend together in conditions of international competition.

The countries of the Western Balkans region have small and open economies and growing trade. The European Union is the main foreign trade partner in the region, accounting for over 70% of the region's exports to the European Union and 70% of the region's imports from the European Union.

The expected economic effects of the Western Balkans Growth Plan will also ensure a positive perception of the European Union and the benefits of membership in this regional organization among the citizens of the region.

Keywords: Western Balkans, The accession process, Growth Plan, EU single market.

INTRODUCTION

The Growth Plan for the Western Balkans is an initiative of the European Union intended for the candidate countries for membership Albania, Bosnia and Herzegovina, Kosovo², Montenegro, North Macedonia and Serbia in order to speed up the accession process. This plan aims at faster integration into the single market of the European Union, and at the same time requires stronger regional economic cooperation, which is expected to lead to the acceleration of economic rapprochement with the Union.

The creation of a single market is the basis of European integration. Without it, European interaction would not be possible and would lose its founding goal. The single market represents a physical-geographical and economic unique space within which there are no economic borders and in which the four freedoms are fully applied: freedom of movement of goods, freedom of movement of people, freedom of provision of services and freedom of movement of capital.

The growth plan for the Western Balkans is based on four pillars that represent a combination of obligations for the Western Balkans and incentives for fulfilling those obligations. The first two pillars envisage the strengthening of regional economic integration, and then the gradual accession of the region to the EU single market, which represents the opening of the EU to the countries of the region in order to better prepare them for membership itself. The third pillar entails the obligation of governments to prepare reform agendas, which will contain reforms and investment priorities, and upon successful fulfillment of which the conditions will be met for the withdrawal of funds provided for in pillar four. The fourth pillar envisages a package of 6 billion euros for the Western Balkans in the period 2024-2027. in relation to 2 billion euros of non-reimbursable support and 4 billion euros of soft loans.

According to initial estimates, Albania would receive 922 million euros, Bosnia and Herzegovina 1.085 billion euros, Kosovo 882 million euros, Montenegro 383 million euros,

North Macedonia 750 million euros and Serbia 1.58 billion euros [1].

THE APPROACH OF THE EUROPEAN UNION TOWARDS THE WESTERN BALKANS REGION

In May 1999, the European Commission proposed a specific approach to the Western Balkans countries, called the Stabilization and Association Process (SAP). The Council of the European Union adopted the proposal in June 1999 at its meeting in Luxembourg, and the process was opened to the countries of the region: Albania, Bosnia and Herzegovina, North Macedonia, Serbia, Kosovo, Montenegro and Croatia, (until Croatia become member of the European Union in 2013). The term Western Balkans is political and is used to distinguish this group of countries from the previous ones that have already established relations with the European Union. According to Dragan Đukanović, the term Western Balkans is a "geopolitical construct", which was created in 1999 after the breakup of the SFR Yugoslavia, located on the very periphery of modern Europe with numerous latent forms of instability, which carry the risks of spreading local crises to neighboring subregions and beyond [2, p.353].

Achieving and deepening political integration in the diverse identity, cultural and linguistic context of the Western Balkans region is an extremely difficult and long-term process, even though the motto of the European Union is united in diversity, as Miloš Jovanović has so aptly noted [3].

The aim of the Stabilization and Association Process is to establish regional cooperation in order to achieve first stabilization [4, p.36] and then the accession of the countries of the region to the Union, while maintaining balanced progress for these countries.

The Stabilization and Association Process is based on several instruments, the most important of them is Stabilization and Association Agreement (SAA), economic and financial assistance through the CARDS program as the main financial instrument for implementing reforms by 2006 [5] (today IPA III), democratization of society based on the rule of law, development of political dialogue,

²According to United Nations Security Council resolution 1244 (United Nations, 1999).

cooperation in the field of justice and home affairs, and humanitarian assistance for refugees, returnees and other socially vulnerable persons. This entire process was also based on insisting on the improvement of democracy, civil society [6], education, institution-building with the help of European funds, providing humanitarian and any other assistance to vulnerable persons, using new opportunities for cooperation and strong regional connectivity.

Among the biggest problems faced by the countries of the Western Balkan region, can be count the insufficient level of government law as well as the lack of good or democratic governance, the conditions for law enforcement are limited by the inefficiency of public administrations in all countries, the states have been hijacked by powerful private interests, and are unable to provide citizens with the most important public goods [7].

Within the framework of the Stabilization and Association Process, it is necessary to fulfill the Copenhagen criteria, which represent the conditions for membership in the European Union. The criteria were set at the Copenhagen European Council in 1993.

These are three criteria: political, economic and legal [8]:

- political - stability of institutions ensuring democracy, the rule of law, respect for human rights and the protection of minorities,
- economic - the existence of a functioning market economy, capable of coping with competitive pressure and market forces within the Union,
- legal - the ability to take on the obligations of membership, including commitment to the objectives of political, economic and monetary union.

The Madrid criterion was set at the 1995 European Council. This criterion refers to the adjustment of the administrative structure [9] with the aim of creating the conditions for gradual and harmonious integration. It involves strengthening administrative capacity and creating an efficient state administration system for implementing the *acquis communautaire* and other obligations arising from membership of the European Union. Economic criteria are

an important part of the European integration process of all countries aspiring to membership in the European Union. Before full accession, each candidate country must build a functioning market economy that has the capacity to withstand competitive pressure within the EU's single market [10]. The Stabilisation and Association Process reaffirms the objectives of the previous policy of the European Union, whereby, in addition to peace and stability, democracy and the rule of law, respect for human and minority rights, economic prosperity and the promotion of regional cooperation, it now seeks to make the European perspective of this region more certain. This approach related to meeting criteria is also called the European Union's conditionality policy [11]. However, this is a Union policy that, in the overall balance, must be assessed as successful, because no matter how distant, the prospect of EU membership has been the anchor of all positive changes in the Western Balkans region [12].

The Stabilisation and Association Agreement reflects the Union's willingness to improve the speed, quality and visibility of external assistance, as well as its effectiveness. The Agreement is based on respect for democracy and human rights, the rule of law and the market economy. The process of economic-systemic reforms, the process of liberalization and integration, along with the strengthening of the market economy and the role of citizens in society, have a positive development effect [13].

According to Sotiroski, the countries of the Western Balkans are turning to the European Union to accelerate their economic recovery, improve their mutual relations (long marked by ethnic and religious wars), and consolidate their democratic institutions and their proper functionality. Recommendations to the institutions of the European Union, which, according to this author, could revive the accession process of the Western Balkans, regardless of the need for sincere reforms in the countries that want to become members, include removing bilateral disputes from the accession agenda, stronger support for democratic forces in the region, revitalizing the enlargement process, and greater financial

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assistance through available financial instruments [14].

The primary objective of the Stabilisation and Association Agreement of the Western Balkans region with the European Union is formal association during a certain transitional period, during which the legislation will be gradually adjusted to the most important standards and rules of the European Union's internal market.

The Stabilisation and Association Agreement constitutes a contractual relationship between the European Union and the Western Balkan countries and the legal basis for the entire stabilisation and association process. The credibility of each of the countries of the region that wishes to be a candidate for accession to the Union depends on the success in implementing the agreement. The structure of the Stabilization and Association Agreement consists of a preamble and ten chapters that represent the most important areas of reform [15]:

- general principles,
- political dialogue,
- regional cooperation,
- free movement of goods,
- movement of workers, establishment, provision of services, movement of capital,
- approximation of laws, enforcement of laws and competition rules,
- justice, freedom and security,
- cooperation policies,
- financial cooperation,
- institutional, general and final provisions.

„Economic reforms must be decisively implemented in order to eliminate structural weaknesses, low competitiveness and high unemployment. Given that all the countries of the Western Balkans are facing the same or similar problems arising from the weakness of state structures that are manifested in the fight against corruption, organised crime, terrorism, cybercrime, illegal migration, trafficking in arms, drugs and people, and other hybrid threats, which jeopardise vital national interests, judicial and public administration reforms should bring some real and visible results with the aim of the more efficient

functioning of state institutions and the final establishment of the rule of law“ [16, 359-360].

GROWTH PLAN FOR THE WESTERN BALKANS

In November 2023, the European Commission proposed a Growth Plan for the Western Balkans based on four pillars [17, p.2]:

- The first pillar refers to the strengthening of economic integration with the single market of the European Union.
- The second pillar encourages the strengthening of the economic integration of the countries of the Western Balkans through a Common Regional Market.
- The third pillar refers to the acceleration of fundamental reforms, which will support the progress of the Western Balkans towards membership in the Union and improve sustainable economic growth.
- The fourth pillar implies an increase in financial assistance for reforms through the instrument for reforms and growth for the Western Balkans, a new instrument within which 6 billion euros of grant support and aid are available in the form of loans, from which the funds will be disbursed on the condition that the partners from the Western Balkans implement fundamental reforms.

In order to achieve the goals of the new Growth Plan for the Western Balkans, special emphasis when it comes to investment areas should be placed on sectors that are likely to be key multipliers of social and economic development: connectivity, sustainable transport, decarbonization, energy, green and digital transition, as well as education and skills development, with a special emphasis on youth [18].

STRUCTURE AND OBJECTIVES OF THE GROWTH PLAN FOR THE WESTERN BALKANS

The first pillar - Strengthening economic integration with the single market of the European Union

Integration with the single market of the European Union is the main driver of economic growth in all countries that joined the Union.

The goal is to bring the economies of the region closer to the single market after the necessary level of readiness is achieved. The seven priority measures for integration into the single market established by the Commission as part of the growth plan include: free movement of goods, free movement of services and workers, access to the single euro payment area, facilitation of road traffic, integration and decarbonization of energy markets, single digital market and integration into industrial supply chains.

Priority measures can be implemented by applying the existing legal basis of the Stabilization and Association Agreement, targeted supplementary agreements or, if necessary, by amending the existing agreements on the transport community and the energy community agreement [17, pp.3-5].

Second pillar - Encouraging regional economic integration through the operation of a common regional market

The Western Balkans region is facing major economic problems because it is not sufficiently attractive to investors due to small fragmented markets as well as high emigration rates, which are the result, as stated in the Plan, of the limited options offered to citizens.

The development of a Common Regional Market is important for two reasons. The first reason is to take advantage of the economic potential of the region, opening opportunities for local companies and workers in order to make the Western Balkans more attractive to european investors. Another reason is that the Common Regional Market represents an important step towards the single market of the European Union in many areas.

The EU will provide numerous opportunities for integration into the EU single market only if the region achieves regional economic integration, and the benefits of the Growth Plan can only be expected by countries that are committed to the Common Regional Market [17, pp.6-8].

The third pillar - Acceleration of fundamental reforms

Better integration with the single market of the European Union and targeted financial support are not enough to accelerate

socioeconomic convergence. They are important for candidate countries to progress on their path to EU membership and for their economies to cope with the pressures of a competitive single market, as well as for building competitive and sustainable businesses to attract private investment. Accelerating fundamental reforms will simultaneously speed up the process of accession of countries to the European Union.

As part of the growth plan, each partner from the Western Balkans is obliged to draw up a program of reforms. The reform program will determine a limited set of priority reforms, broken down into qualitative and quantitative steps. Those steps will serve as payment conditions, that is, after the completion of each step, funds from the new instrument for reforms and growth will be allocated in accordance with pre-determined deadlines.

Payment conditions will be linked to specific socioeconomic reforms to realize national and regional potential for growth, as well as specific reforms related to fundamental issues of the enlargement process, including the rule of law, democracy and respect for human rights and fundamental freedoms. The reform program will be a key element of the growth plan, and its implementation will be a mandatory prerequisite for fully exploiting the advantages offered by the single market, obtaining funds from the new instrument for reforms and growth, as well as for bringing countries closer to meeting the criteria for membership in the Union [17, p.8].

Fourth pillar - Encouraging convergence by increasing financial assistance: a new instrument for reforms and growth for the Western Balkans

The new Reform and Growth Instrument for the Western Balkans is crucial in implementing the new Growth Plan thanks to increased financial assistance. The proposed instrument will cover the period from 2024 to 2027. Financial support from the Instrument will be provided in the form of grants (in the amount of up to 2 billion euros) and loans (in the amount of up to 4 billion euros) through direct payments to national budgets or as financing of capital investments through the Investment Framework in the Western Balkans.

It will be the central instrument of the growth plan, which will significantly increase financial assistance based on an ambitious reform plan focusing on necessary socioeconomic reforms combined with fundamental reforms related to the rule of law and fundamental rights.

The disbursement of funds will be strictly conditional on the implementation of key reforms, taking into account the recommendations from the Commission's latest enlargement package. The financial effect of the instrument will enable the Western Balkans to receive approximately the same amount of support and aid per inhabitant as the EU within the cohesion policy.

In this way, the increasingly strong need of the region for stronger socioeconomic convergence would be answered, the region would be shown the benefits of integration in the European Union even before accession. The long-term goal is to help the Western Balkan region achieve its full potential by 2030 in terms of capacity for economic and social development in relation to the member states of the European Union [17, pp.8-9].

BENEFITS FOR CITIZENS FROM THE GROWTH PLAN FOR THE WESTERN BALKANS

In July 2025, the European Commission notified Bosnia and Herzegovina of a 10% reduction in the amount of funds under the Growth Plan due to delays in sending the Reform Agenda. Bosnia and Herzegovina is now eligible for up to 976.6 million euros instead of 1.085 billion. The Council of Ministers of Bosnia and Herzegovina managed to send the finalized Reform Agenda to the European Commission in October 2025, which will enable the receipt of significant investments under the Growth Plan. Other countries in the Western Balkans region submitted their reform agendas as early as 2024. The Reform Agenda is a document containing a set of measures that a country must implement in order to meet the standards and conditions set by the European Union for the allocation of financial resources.

Through the Reform Agenda, which forms a central part of the EU Growth Plan for the Western Balkans, the countries of the

region have the opportunity to accelerate reforms and social and economic convergence with the European Union. In response to the challenges of global warming and climate change, which do not bypass the Western Balkans region, significant changes are taking place in the energy sector at the European Union level, which are most often described as the energy transition. It is about the gradual elimination of coal as the main source of energy and the transition to cleaner and renewable energy sources, which requires changes in energy production technology, but also in energy transformation, distribution and consumption.

Decarbonization is necessary to meet the obligations in terms of reducing harmful gas emissions, seize the opportunity for greener growth, reduce environmental pollution and improve energy security in the region.

The green transition offers an opportunity to address some of the challenges posed by climate change and to achieve benefits such as transforming the energy sector in line with European rules, integrating the Western Balkans energy market with the single European market, and ensuring affordable electricity prices in order to protect consumers and reduce energy poverty.

Promoting digital connectivity leads to the improvement of broad communications infrastructure, such as 5G networks, providing access to very fast internet, which is crucial to supporting digital services and applications. This can bridge the digital divide, providing equal opportunities for development for all countries in the region and greater social inclusion, given that digital skills training ensures that more people can fully participate in the digital society, access information, digital services and online opportunities.

Citizens of the Western Balkan countries are the ones who will benefit the most from the Plan itself, as it includes, among other things, investments in roads, cheaper energy, and better and faster internet.

CONCLUSION

Integration with the single market of the European Union has been the main driver of economic growth for all countries that have acceded to the Union. Financial support to the

Western Balkans region is conditional on the implementation of the activities foreseen by the reform measures. In order to meet the condition for the allocation of funds under the Growth Plan, the countries of the Western Balkan region are expected to harmonize their reform plans with the European Union, that is, to prepare and adopt the Reform Agenda for the EU Instrument for Reforms and Growth. This document should contain a list of reform measures with detailed activities to take advantage of the European Union incentives available through the Instrument for Reform and Growth for the Western Balkans, in order to implement key reforms in areas of strategic importance for accelerating economic growth.

Milica Uvalić, in her analysis of the Growth Plan for the Western Balkans, notes that cooperation is extremely important among the Western Balkans countries, boosting regional economic integration [19, p.8].

The objective of the Growth Plan for the Western Balkans is to bring the benefits of membership in the European Union to the region of the Western Balkans prior to accession, to strengthen economic growth and accelerate socio-economic rapprochement. The goal is to enable partner countries to intensify reforms and investments in order to significantly accelerate the process of expansion and growth of their economies. For this purpose, a new Instrument for Reforms and Growth for the Western Balkans worth 6 billion euros has been proposed for the period from 2024-2027. Payments will be made only when the agreed reforms are implemented.

Through reforms and financial investments by the European Union, the Plan will enable the Western Balkans to soon feel the benefits in the areas of the single market, including the freedom of movement of goods, services and workers, the single payment area in euros, and everything from energy, transport and the single digital market. "In the future, full liberalization of tariffs for products and services and the reduction of nontariff barriers would be crucial not only to boost regional trade but, most importantly, to increase Western Balkan exports to the EU market and beyond" [20, p.9].

DECLARATIONS OF INTEREST STATEMENT

The authors affirm that there are no conflicts of interest to declare in relation to the research presented in this paper.

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