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The EU Growth Plan as a Tool for Normalization of Relations between Serbia and Kosovo

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Executive Summary

The normalization dialogue between Serbia and Kosovo has long reflected critical aspects of their relationship, deeply intertwined with their respective national identities and internal political landscapes. For Serbia, the dialogue is fraught with the emotional and political burden of reconciling its historical claims to Kosovo with the pragmatic need for EU integration. Kosovo, on the other hand, faces its own set of challenges, including the struggle for comprehensive international recognition and the need to solidify its sovereignty while managing internal ethnic divisions. These individual challenges are further complicated by the broader implications for the Western Balkans, where unresolved tensions between the two pose a risk to regional stability and cooperation. The success or failure of the dialogue can have far-reaching consequences, not only for Serbia and Kosovo's EU integration prospects but also for the entire region's aspirations for peace, security, and closer ties with the EU. It also remains one of the few dispute resolution processes in which the EU is formally involved, making its success critical for the credibility of the EU and the broader Western influence in the region. With the geopolitical landscape becoming increasingly complex, ensuring stability in the Western Balkans is more important than ever.

Despite numerous diplomatic efforts, including the 2023 Agreement on the Path to Normalization between Kosovo and Serbia (Ohrid Agreement) and its Implementation Annex, progress in the normalization dialogue has largely stalled. The commitment from both parties – Serbia and Kosovo – has visibly weakened compared to earlier stages of the dialogue. Furthermore, the situation on the ground has deteriorated, with the implementation of the Agreement coming to a halt almost immediately after it began. This deadlock has exacerbated tensions, making a fresh approach even more critical and leaving the EU as a mediator in need of all available options to return normalization to its path.

The EU Growth Plan for the Western Balkans offers a strategic framework designed to accelerate the region's socio-economic convergence with the EU, but it is also an important instrument that can be utilized to address bilateral challenges between Serbia and Kosovo by leveraging economic development and regional cooperation as tools for political stabilization and integration.

Problem and Context

The normalization process between Serbia and Kosovo has been a central pillar of EU foreign policy in the Western Balkans since the end of the conflict in 1999. The EU, primarily through its facilitation of the Normalization Dialogue, has played a pivotal role in mediating between the two parties. This process has been marked by a series of agreements, with the 2013 Brussels Agreement and 2023 Ohrid Agreement standing out as milestones. Despite the early years of progress, the dialogue is now marred by significant setbacks, unresolved issues, and escalated tensions.

Several factors are fueling this crisis. Some of the key dialogue solutions are strongly contested. The Association/Community of Serb-majority Municipalities is seen by Serbia as vital for protecting Serb rights in Kosovo, while Kosovo views it as a threat to its sovereignty. Both sides have also used the dialogue to advance domestic political agendas, with Serbia delaying recognition of Kosovo's independence and Kosovo resisting agreements that compromise its authority. Economic tensions, including Kosovo tariffs on Serbian goods and disputes over energy resources, have worsened the situation, particularly in northern Kosovo. The phase-out of the Serbian dinar and the resulting difficulty for Kosovo Serbs to receive financial assistance from Serbia has added to financial instability and deepened divisions. A pervasive lack of trust has stalled dialogue efforts, with both sides seeking short-term political gains. The EU's role as a facilitator has weakened due to the elusive prospect of EU accession, and external actors like Russia and China backing Serbia. The security situation is fragile, as shown by the 2023 Banjska attack and recurring tensions in the north of Kosovo throughout the recent years. This instability has further strained prospects for reconciliation and multi-ethnic coexistence.

The Need for a New Approach

The normalization process between Serbia and Kosovo stands at a critical juncture, facing both significant challenges but also offering significant opportunities. Revitalizing the normalization dialogue requires a comprehensive, strategic approach that combines economic incentives with political progress and promotes cooperative initiatives. The EU's Growth Plan for the Western Balkans offers a unique chance to address these issues by encouraging governance reforms and enforcing political commitments. However, the success of these initiatives depends crucially on both sides' renewed commitment to meaningful dialogue and their willingness to make necessary peace concessions. The stakes are high, not only for Serbia and Kosovo but for the entire region, where the risk of renewed conflict remains.

Hence, the EU must enhance its role as the primary facilitator, leveraging its influence to hold Serbia and Kosovo accountable, while also mitigating the impact of external actors like Russia and China. This approach should extend to setting clear expectations and consequences, establishing tangible goals and milestones with corresponding incentives and penalties. More precisely, when Serbia and Kosovo make meaningful progress towards normalization, they should receive tangible benefits, such as increased financial aid, support for EU integration, and access to development funds. Conversely, failure to meet commitments should result in clear and proportionate consequences, such as the suspension of funding or diplomatic pressure.

Such a unified and assertive stance is essential, treating the normalization dialogue as a crucial test for broader Western Balkans policies. This method could capitalize on the formal commitments of Serbia and Kosovo but also draw on the lessons from past successful international interventions. By adopting such an approach, the EU can effectively steer the dialogue towards a sustainable and peaceful resolution, crucial for regional stability and the broader integration goals of the Western Balkans.

The EU Growth Plan as a Strategic Tool for Normalization

The EU Growth Plan for the Western Balkans is a multifaceted initiative aimed at fostering economic integration, governance, implementation of fundamental principles, and financial support across the region. Designed as both an economic initiative and a strategic framework to support the region's closer integration with the European Union, this Plan is particularly aimed at enhancing economic growth, accelerating socio-economic convergence of the region with the EU, and boosting the overall stability of the Western Balkans. Significantly, it incorporates the normalization of relations between Serbia and Kosovo, recognizing that stable relations are crucial for regional stability and progress towards EU membership.

The EU Growth Plan operates under four main pillars, each targeting key areas of development and integration:

1. **Enhancing Economic Integration with the European Union's single market:** This pillar focuses on bringing the Western Balkan countries closer to the EU's single market standards, facilitating easier trade and economic operations across borders. It includes aligning regulations and market practices with those of the EU, which is crucial for the smooth flow of goods, services, and capital. It suggests seven priority actions: Free movement of goods; Free movement of services and workers; Access to the Single Euro Payments Area (SEPA); Facilitation of Road transport; Integration and de-carbonization of Energy markets; Digital Single Market; Integration into industrial supply chains.
2. **Boosting Regional Economic Integration:** Through initiatives like the Common Regional Market, this pillar aims to strengthen economic ties within the Western Balkans itself, promoting a more unified regional market that can operate efficiently and competitively within the broader European market.

3. **Accelerating Fundamental Reforms:** Addressing core reforms in governance, rule of law, and economic policies, this pillar is essential for ensuring that the Western Balkans can meet EU criteria for accession. These reforms are vital for creating a stable and predictable business environment that attracts foreign investment and stimulates local economies.
4. **Increasing Financial Assistance to support the reforms through a Reform and Growth Facility for the Western Balkans for the period 2024-2027:** The EU provides substantial financial support to facilitate these transformations, with mechanisms in place to ensure that funds are allocated and used effectively to achieve tangible results in reform and development efforts. This is facilitated through a new instrument worth €6 billion. Consisting of €2 billion in grants and €4 billion in concessional loans, payment is conditioned on the Western Balkans' partners fulfilling specific socio-economic and fundamental reforms. Alongside grants, the EU also offers favorable loan conditions, often through instruments like the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), which provide financial support under more generous and accommodating terms than typical market loans.

The governance and monitoring structure of the Growth Plan is quite robust, ensuring that the assistance provided aligns with concrete progress in crucial areas. The Growth Plan also requires National Reform Agendas, where each Western Balkan country submits its Reform Agenda, outlining specific socio-economic and fundamental reforms they plan to undertake to spur growth and accelerate EU convergence from 2024 to 2027. These agendas are closely monitored and assessed by the European Commission, which aligns financial disbursements with progress in implementing the agreed reforms. This alignment ensures that financial assistance is effectively contributing to the overarching goals of the Growth Plan, fostering stability, growth, and EU integration across the region.

The financial support provided by the EU Growth Plan to the Western Balkans is strategically designed to advance regional development through adherence to EU standards and the implementation of critical reforms. Funds are allocated based on each country's unique needs and their capacity to meet the EU's reform benchmarks. These benchmarks form an integral part of each country's National Reform Agenda, which is developed in accordance with EU recommendations to ensure targeted improvements in sectors like infrastructure, energy, education, governance, and others in line with the Plan. The disbursement of these funds is contingent upon tangible progress within these agendas, ensuring that financial assistance not only fosters economic growth and stability but also bolsters connectivity and enhances life quality across the region.

This conditionality of funds acts as both a governance tool and a monitoring mechanism, linking financial aid directly to the successful execution of specified reforms. If countries fail to effectively utilize the funds or meet the established benchmarks, the EU may delay further assistance, impacting their overall progress toward EU integration and socio-economic development. The EU typically disburses these funds semi-annually, provided the Western Balkan partners meet predefined conditions related to macro-financial stability, public financial management, transparency, and budget oversight.

In cases where the Western Balkan countries do not meet the conditions required for financial assistance under the EU's Growth Plan, the European Union implements a structured, phased response to address these shortcomings. Initially, if a country fails to comply, the EU may suspend further disbursements of funds. This suspension is intended to motivate the country to take rapid corrective measures. Should the non-compliance continue, the EU provides a grace period, typically one to two years, allowing the country in question time to make the necessary adjustments to align with EU standards and regain eligibility for funding. If, after this period, the conditions are still not met, the EU may opt to redistribute the funds originally allocated to that country to other Western Balkan nations that have successfully met their reform commitments. This approach ensures that the financial resources of the Growth Plan are effectively used to foster regional stability and support the EU's broader developmental objectives.

The plan highlights several key aspects related to the Kosovo-Serbia dialogue:

- In stipulating **conditionality on financial support**, besides linking payments to specific socio-economic reforms and fundamentals of the enlargement process, the Growth Plan also links financial assistance and progress evaluation on the path to EU integration to the normalization dialogue. The Reform and Growth Facility, a significant financial component of the Growth Plan, mandates that accessing certain funds and advancing towards EU integration are dependent on meaningful progress in this dialogue.
- Furthermore, the plan underscores the importance of **regional stability**, indicating that without a productive and committed dialogue, obstacles on the path to EU integration will persist for Serbia and Kosovo, with broader negative implications for the entire region's stability. The EU views the normalization dialogue as a cornerstone of its wider strategy to stabilize and integrate the Western Balkans into the EU.

The Growth Plan also **reinforces the EU's role** in facilitating and supporting the dialogue process. It sets a precondition that Serbia and Kosovo must constructively engage in normalizing their relations, with a view to fully implementing all obligations from the Agreement on the Path to Normalization and its Implementation Annex, as well as past Dialogue Agreements, and to engage in negotiations on the Comprehensive Agreement on normalization of relations. This approach integrates the Brussels-moderated dialogue into the objectives of the Growth Plan, linking economic initiatives with strategic frameworks that aim to significantly advance the normalization of relations between Serbia and Kosovo.

Recommendations to Leverage the EU Growth Plan for the Western Balkans for the Normalization of Relations between Serbia and Kosovo

This Plan serves not only as an economic initiative but also as a strategic framework that can significantly advance the normalization of relations between Serbia and Kosovo. In doing so, the following general recommendations should be considered in maximizing the potential of the Growth Plan in the Belgrade-Pristina normalization dialogue:

Establish a Principal and Targeted Conditionality

One of the most powerful aspects of the Growth Plan is its ability to link financial support to specific political outcomes, a concept known as conditionality. The EU can use this tool to ensure that both Serbia and Kosovo remain committed to the dialogue process by tying the disbursement of funds to tangible progress.

To effectively leverage the EU Growth Plan for the normalization of relations between Serbia and Kosovo, a sophisticated approach of "principal and targeted conditionality" can be implemented. This involves structuring financial support in a way that prioritizes political engagement over mere sectoral developments, emphasizing the already established importance of continuous dialogue as a precondition for receiving funds.

The principal conditionality should make the disbursement of Growth Plan funds to Serbia and Kosovo contingent directly upon their constructive engagement in the normalization dialogue. This approach would ensure that the political process is not overshadowed by other reforms but remains the primary focus. This means that financial support from the EU would be directly linked to specific milestones related to the dialogue, making it a top priority for both nations to engage meaningfully in the process.

A more granular application of this strategy could involve the EU introducing targeted conditionality for funding specific projects that have substantial mutual benefits for both Serbia and Kosovo, conditioned on both sides' adherence to previously agreed-upon milestones in the normalization process. The projects could be prioritized based on the inputs stemming from the national Reform Agendas aligned with the EU Growth Plan, but as a

potential example - funding for critical infrastructure like transportation corridors could be designed to require resolution of contentious issues such as disputes over vehicle license plates or customs tariffs before funding is released. Or cross-border energy infrastructure projects could be made contingent upon the successful implementation of crucial agreements. Initiating strategic projects under these conditions would provide a direct incentive for both parties to collaboratively resolve outstanding issues and unlock significant EU funding. By implementing Principal and Targeted Conditionality within the EU Growth Plan, the following pillars of the Plan can directly contribute to the normalization process between Serbia and Kosovo in a more structured and impactful manner:

Pillar 1 - Enhancing Economic Integration with the EU's Single Market: The conditionality can ensure that financial assistance is tied to their active participation and progress in the normalization dialogue, especially on politically sensitive issues. This alignment encourages uniform standards and regulations that facilitate smoother cross-border cooperation and economic interdependence, thereby fostering a stable regional market in preparation for integration into the EU Single Market.

Pillar 4 - Increasing Financial Assistance to Support Reforms: Here, the conditionality ensures that financial resources are not only used effectively to drive significant reforms necessary for EU integration, but the focused investment of the Growth Plan could leverage its financial influence to encourage both Serbia and Kosovo to commit to concrete actions and compromises needed for the normalization process. In this manner, the conditionality clauses would ensure that financial support is judiciously awarded and actively promotes and supports the broader political and economic reforms essential for normalization.

Underpinning this approach would be an EU-produced report on the state of play in the implementation of dialogue agreements, with details over which party's action is outstanding, and a related implementation sequencing roadmap for the 2023 dialogue agreement (encompassing all past agreements). This would represent a clearly defined framework of benchmarks against which to hold Serbia and Kosovo to account. The Growth Plan principle that each party will be assessed and rewarded/sanctioned individually would also be an important segment in this approach. Thus, if either Serbia or Kosovo are 'unilaterally' fulfilling their set of commitments, the given party gets full access to its share of the Growth Plan funds and could ultimately have access to the other party's funds in the case of protracted non-compliance with dialogue commitments.

Adapt Governance Reforms to Confidence-Building Measures:

Setting governance reforms as confidence-building measures within the EU Growth Plan could offer a structured pathway to enhance the normalization dialogue by tying specific governance reforms to the disbursement of financial support. Additionally, the EU would foster a more transparent, accountable, and legally sound environment in both Serbia and Kosovo.

The EU should actively encourage Serbia and Kosovo to undertake reforms aimed at improving judicial independence and enhancing the transparency of public administration. These reforms would be essential not only for their internal development but also as a foundation for trustworthy and effective dialogue. Linking the progression of these reforms directly to the availability of Growth Plan funds would ensure that both Serbia and Kosovo remain committed to substantive changes, not just superficial dialogue.

A critical component of these governance reforms would be to establish an independent oversight committee, composed of representatives from both Serbia and Kosovo but chaired by the EU vested with ultimate decision-making authority, to ensure a balanced perspective. The primary role of the committee would be to monitor the implementation of dialogue agreements meticulously. The mandate would cover ensuring transparency, fostering accountability, and reinforcing adherence to the rule of law, in areas where these reforms converge for Kosovo and Serbia (such as functional law enforcement and judicial cooperation between countries), all of which are crucial for building mutual trust between the conflicting parties.

Moreover, the EU's financial assistance under the Growth Plan should be intricately linked to judicial reforms in both nations. The establishment of independent anti-corruption agencies with comprehensive oversight

capabilities could serve as a precondition for receiving funds. These agencies would have the authority to oversee the appropriate use of EU funds, conduct investigations into potential abuses, and ensure that the rule of law is consistently upheld throughout the implementation of the dialogue agreements.

Adapting governance reforms as confidence-building measures strongly correlates with the **Pillar 3 – Accelerating Fundamental Reforms**, which focuses on implementing essential governance reforms, such as enhancing judicial independence, fighting corruption, and improving public administration. These reforms are pivotal for EU integration and create a stable environment conducive to normalization dialogue. By ensuring that governance in Serbia and Kosovo aligns with EU standards, the reforms under this pillar help build a transparent and accountable framework, fostering trust and facilitating smoother negotiations and cooperation, thus aiding in resolving longstanding issues.

Create a Dedicated Monitoring and Reporting Framework:

Establishing a robust monitoring and reporting framework is essential for ensuring the effectiveness and accountability of the EU Growth Plan, particularly in relation to the normalization dialogue between Serbia and Kosovo. This framework should involve the implementation of a systematic and transparent reporting protocol that will keep the EU Council informed of progress and challenges.

A dedicated monitoring system should be instituted, whereby the EU could also introduce a system where quarterly reports are required from both Serbia and Kosovo, detailing specific steps taken in line with dialogue outcomes. These reports would be reviewed by the EU Council, which would decide on the release of subsequent funding tranches based on demonstrated progress, including the principle that funds can be released to the party that implements its share of commitments regardless of the other party's compliance. This system would enhance transparency and provide a structured method for assessing compliance with dialogue commitments.

This setup would allow for the continuous assessment of the dialogue's progress and the effective implementation of conditions related to the Growth Plan. By establishing clear benchmarks and timelines, this framework would not only track advancements but also identify any stagnation or regression in the dialogue process.

To further enhance oversight, a quarterly reporting mechanism should be adopted. This would involve detailed reports compiled by the European External Action Service (EEAS) and the EU Special Representative (EUSR) for the Western Balkans, which should then be reviewed by the EU Council and made publicly available to ensure transparency. Such regular dissemination of information would keep all stakeholders informed and engaged in the process, providing a clear and updated view of how well Serbia and Kosovo are meeting their commitments. This reporting should be based on an EU (EEAS)-developed report on the state of play in the implementation of dialogue agreements and an associated implementation sequencing plan for the 2023 Path to Normalization Agreement.

The framework should also include provisions for financial penalties for non-compliance with the agreed-upon milestones. This approach would establish a system of rewards and consequences, directly linking financial support to the achievement of specific goals within the dialogue (as outlined in the above-referenced EU report and implementation plan). Such financial incentives would encourage both parties to adhere more strictly to the terms of their agreement, knowing that there are tangible financial implications for failure to comply.

To broaden the scope of the monitoring process and enhance its fairness, the involvement of civil society organizations from both Serbia and Kosovo, as well as international observers, is recommended. Their participation would help ensure that the benefits of the Growth Plan are equitably distributed, and that the normalization process remains transparent and inclusive. Including these groups would also provide additional layers of accountability and perspective, enriching the dialogue and the monitoring process with diverse viewpoints and expertise.

Pillar 3 – Accelerating Fundamental Reforms fosters an environment conducive to effective dialogue and cooperation. By instituting a robust framework that requires regular and transparent reporting on the progress

of the dialogue, the EU can ensure that both nations are accountable for making tangible advances toward normalization. Such systematic monitoring, aligned with the Growth Plan's objectives of regional stability and EU integration, not only tracks compliance with the reforms but also reinforces the commitment of Serbia and Kosovo to the principles of good governance and rule of law. This setup helps identify any potential setbacks early, allowing for timely interventions to keep the normalization process on track.

Pillar 4 – Increasing Financial Assistance is also closely linked to this recommendation, since incorporating financial penalties for non-compliance and rewards for meeting milestones, the framework directly influences the efficient use of the allocated funds. This ensures that financial assistance is not only a leverage for compliance but also a tool for promoting genuine progress in the normalization dialogue. Also, the recommendation is linked to **Pillar 2 – Boosting Economic Integration within the Western Balkans**, since regular updates on progress and adherence to economic reforms under this pillar not only hold the parties accountable but also encourage consistent engagement in the normalization process through a wider regional framework.

Target Funding to Civil Society:

Targeted funding to civil society organizations (CSOs) working to enhance the normalization process between Serbia and Kosovo within the scope of the EU Growth Plan could represent a pivotal strategy for fostering reconciliation and reducing tensions. These groups are typically embedded within their communities with invaluable knowledge of the communities they serve and have a nuanced understanding of the specific challenges and opportunities that exist. However, they are faced with many obstacles that limit their impact and hence need additional and targeted support. Finally, investing in civil society would ensure that the normalization process includes diverse voices and does not just occur at the political or elite level.

By channeling funds into civil society, the Growth Plan could empower organizations that understand and can address local needs directly to become an important information source for the Growth Plan-related conditionality on normalization. These organizations would also be able to contribute to goals and priorities to the local context. For instance, projects might focus on economic development in areas with high ethnic tension, providing shared spaces for interaction or co-operative businesses that bring different community groups together.

Furthermore, financial support could be provided to build grassroots momentum for the normalization dialogue, which would involve not just facilitating discussions but also creating educational programs that address historical grievances and promote mutual understanding. Activities could include cross-community workshops, shared cultural events, and public discussions that aim to bridge divides and foster a shared vision for the future.

Additionally, the EU should encourage partnerships between Serbian and Kosovar civil society organizations, facilitating cross-border collaboration and the exchange of best practices.

Finally, CSOs can be particularly effective in addressing local needs with tailored approaches to community-specific issues, such as unemployment, education, and social cohesion. Programs designed by these organizations can anchor the peace-building process in the realities and needs of local communities. This approach would empower local actors and ensure that the process of normalization is holistic, sustainable, and deeply rooted in the societies it aims to transform.

Targeting funding to CSOs can be directly supported by **Pillar 1 – Enhancing Economic Integration with the European Union's Single Market**, by fostering community-level economic initiatives that align with single market standards, thereby improving economic cooperation across communal lines. **Pillar 3 – Accelerating Fundamental Reforms** also benefits from targeted civil society funding. By empowering local organizations to advocate for and implement reforms in governance and transparency, the EU can ensure that these reforms are not only legislated but also ingrained within the societal fabric of both Serbia and Kosovo.

Joint Economic Initiatives:

The EU Growth Plan for the Western Balkans opens a significant pathway to strengthen economic ties between Serbia and Kosovo through joint economic initiatives and convergence in key sectors. Such collaborative efforts could include the development of cross-border renewable energy projects and shared digital infrastructure, which would enhance economic cooperation and create a level of interdependence that makes it increasingly challenging for either side to withdraw from ongoing dialogues. Collaboration in renewable energy, such as shared wind or solar farms, could be a cornerstone for building trust and reducing the likelihood of conflict. These projects would not only meet energy needs but also symbolize and enact practical cooperation between Serbia and Kosovo. By providing both financial and technical support for these initiatives, the EU can help establish a framework for ongoing collaboration that extends beyond immediate economic benefits to include long-term sustainable development.

Another transformative project under the Growth Plan could be the creation of a shared industrial zone along the Serbia-Kosovo border. This zone would serve as a dynamic area for businesses from both sides to operate under a unified regulatory framework, potentially augmented by a shared logistical center to boost trade efficiency. The EU's role could be instrumental in offering grants and technical assistance to develop this infrastructure, promoting it as a lucrative investment destination. This setup not only fosters direct economic interaction but also builds a physical and functional bridge between the two communities.

Integrating Serbia and Kosovo into broader regional value chains is another strategic focus that can be facilitated by the Growth Plan. By linking industries across borders in mutually beneficial production and service chains, both nations can enjoy enhanced economic opportunities. This integration would help to embed the economies of Serbia and Kosovo into the larger regional market, stabilizing economic relations and reducing vulnerabilities to political fluctuations. In this respect, supporting small and medium-sized enterprises (SMEs) and start-ups, with a focus on digital and green entrepreneurship, and young entrepreneurs, would be highly beneficial.

Other potential flagship initiatives could be considered under the priorities of the Common Regional market, such as establishing 'Green Lanes' for daily commuters at key administrative border crossings to significantly reduce waiting times, in order to benefit workers who cross borders regularly for employment, improving their quality of life and productivity by reducing travel time.

Initiatives such as cross-border projects act as tangible symbols of cooperation, reduce the likelihood of conflict, and build trust between the two nations. These projects align with **Pillar 1 – Enhancing Economic Integration with the European Union's Single Market**, by promoting free movement of goods, services and workers, as well as integration of energy markets and supply chains. Additionally, they align with **Pillar 2**, which advocates for **boosting regional economic integration and priorities of the Common Regional Market**. This integration supports sustainable economic growth and embeds both economies more deeply into the Western Balkans' and EU's market dynamics, but also strategically uses economic interdependence to solidify peace and stability, thereby directly contributing to the normalization process between Serbia and Kosovo.

Convergence in Key Sectors

The European Union's Growth Plan for the Western Balkans can strategically foster deeper collaboration between Serbia and Kosovo, particularly in sectors where both nations stand to gain substantially. Such collaboration would pave the way for economic development and strengthen the broader process of normalization by building trust and mutual dependencies. To ensure impactful outcomes, the Growth Plan should allocate targeted funding specifically designed to enhance cooperation in key strategic sectors such as science, technology, renewable energy, and economic development. This support should be conditioned on achieving certain milestones within the normalization dialogue, ensuring that progress in cooperation directly contributes to the overall peace-building efforts. A prime example of a potential project is the establishment of a joint research hub focused on renewable energy, which leverages the unique geographical and scientific strengths of both Serbia and Kosovo. Such a hub would not only foster innovation but could also serve as a beacon for international investment and expertise. By concentrating on a universally beneficial sector like

renewable energy, this initiative would transcend political barriers and foster a shared identity around sustainable development.

Encouraging joint ventures in scientific research and technology can serve as critical entry points for broader socio-economic cooperation. Projects could include collaborative research grants, joint tech startups, or innovation parks where experts from both sides work together to develop new technologies. This cooperation could extend to sharing intellectual property rights and co-authoring research findings, which would cement a foundation of shared success and interdependence.

Another beneficial flagship initiative that could be supported under the Common Regional Market would be to expand student mobility programs similar to the EU's Erasmus+ within the Western Balkans, offering incentives such as scholarships and simplified administrative processes with specific focus on students' exchange between Serbia and Kosovo.

To sustain momentum, the EU should facilitate regular conferences, workshops, and symposiums that bring together stakeholders from both Serbia and Kosovo. These platforms would highlight ongoing projects and successes and help identify new areas for collaboration. They would ensure continuous engagement at both the grassroots and governmental levels, crucial for addressing any emerging challenges swiftly and collaboratively.

This convergence, as envisioned in **Pillar 1 – Enhancing Economic Integration with the European Union's Single Market**, focuses on integrating the Western Balkans with the EU's single market, and it also taps into **Pillar 4's** objective of increasing financial assistance to support socio-economic reforms.

Establish Clear Linkages between Chapter 35 Milestones and Growth Plan Objectives

To ensure that the endeavors and achievements of the EU Growth Plan for the Western Balkans are effectively aligned with the progress on Chapter 35 (which covers the normalization of relations between Serbia and Kosovo) in the EU integration negotiations, it is critical to establish clear linkages. This involves integrating specific milestones from Chapter 35 into the conditional frameworks of the Growth Plan's financial assistance. Such alignment should be explicitly stated in the terms for releasing funds, making it necessary for both Serbia and Kosovo to show verifiable progress in their dialogue and negotiations as outlined in Chapter 35.

The Growth Plan should explicitly align its financial and policy support mechanisms with the obligations and benchmarks set out in Chapter 35. This chapter is crucial for the EU accession process of Serbia. Specific conditions within Chapter 35 include the full implementation of the Brussels Agreement and the Ohrid Agreement, which cover a wide array of governance, legal, and political reforms critical for the normalization process. The Growth Plan's financial disbursements and project approvals should be directly linked to the progress made in these areas. Ideally, the full EU-developed implementation sequencing roadmap for the 2023 Path to Normalization Agreement should be integrated verbatim into Serbia's Chapter 35 and into the corresponding EU accession framework for Kosovo.

The implementation of these agreements is seen as a necessary precondition for moving forward in the EU integration process, as well as for unlocking certain EU funds aimed at economic and institutional development. By establishing a clear link between the Growth Plan's objectives and the milestones of Chapter 35, the EU can create a coherent framework that encourages Serbia and Kosovo to remain committed to the normalization dialogue. Such an approach would ensure that the financial incentives provided by the EU are contingent upon tangible progress in political and institutional reforms, thereby fostering greater accountability and sustained engagement from both parties in the dialogue process.

This strategic alignment also involves enhancing the monitoring and reporting mechanisms under the Growth Plan to reflect the specific benchmarks related to Chapter 35. Regular evaluations and updates would be necessary to track the progress of Serbia and Kosovo in fulfilling their obligations under the agreements tied to their EU accession paths. This would increase transparency and enable the EU to adjust its support in real-time based on the achievements or shortcomings in the implementation of the necessary reforms.

By tying the disbursement of funds to the progress in the normalization dialogue, financial assistance is strategically used to support not only economic development but also the crucial political and institutional reforms required for Serbia and Kosovo's EU integration, as foreseen by **Pillar 4 – Increasing Financial Assistance**.

Leverage EU Cohesion Policy for Normalization Progress

Last, but certainly not least, on a horizontal level, the EU's Cohesion Policy can play a pivotal role in the normalization process between Serbia and Kosovo by providing a comprehensive framework for reducing disparities and fostering harmonious development across regions. Implementation of this policy could support a range of initiatives aimed at improving cross-border cooperation and building socio-economic bridges between the two regions. By financing projects that promote social inclusion, economic development, and infrastructure improvements, Cohesion Policy can help create a more equitable and stable environment that is conducive to dialogue and reconciliation.

Moreover, the Cohesion policy implementation could serve as a “common denominator” to facilitate the integration of both regions into broader European networks, enhancing connectivity and interdependence through shared projects in transport, digital infrastructure, and environmental sustainability. These initiatives would not only improve the quality of life for citizens but also establish a foundation of mutual benefits that compels both parties towards sustained collaboration and engagement. As a strategic tool, Cohesion Policy can align with the broader objectives of the EU Growth Plan, amplifying its impact on the normalization efforts by embedding them within larger regional development goals. This integrated approach could ensure that the progress in normalization between Serbia and Kosovo is both supported by and contributes to their overall European integration path.

This recommendation aligns with the overall priorities of Growth Plan.