Training Module

Digital Transformation, Digital Single Market and CRM Implementation



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1. Rationale and Context

This training module is developed within the REPACT framework and is explicitly anchored in the Digital Agenda for the Western Balkans, the Common Regional Market (CRM) Action Plan, and the EU's gradual integration approach towards the Western Balkans.

For the Western Balkans, digital transformation is no longer a voluntary modernization effort or a standalone IT reform. It has become an integration obligation, linked to concrete political commitments undertaken since 2017 and reinforced through the Digital Agenda for the Western Balkans (2018), successive Western Balkans Digital Summits, the CRM Action Plans, and most recently the EU Growth Plan.

Under this framework, progress in areas such as digital payments, SEPA alignment, digital identity, interoperability, e-services and digital trust is increasingly treated by the EU as:

- an indicator of integration readiness,
- a precondition for functional access to Single Market benefits, and
- a test of institutional coordination and governance capacity.

This module therefore approaches digital transformation as a cross-cutting enabler of regional cooperation, market integration and gradual integration into the EU Single Market, rather than as a purely technological or sector-specific reform area.

It is designed for technical and policy practitioners from the Western Balkans who are directly involved in implementation, coordination or oversight of digital reforms, and who operate at the interface between technical systems, regulatory requirements and policy objectives.

2. Target Audience

The module targets:

- Technical and policy officials from line ministries and public administrations
- Regulatory authorities and agencies involved in digitalization, payments, trust services, data governance and telecommunications
- CRM focal points and regional coordination units
- Practitioners contributing to EU integration and reform processes
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Participants are expected to have practical exposure to digital reform implementation or coordination, even if they are not IT engineers or legal specialists. The module does not require advanced technical or legal expertise.

3. Overall Learning Objectives

By the end of the module, participants will be able to:

- Understand the Digital Agenda for the Western Balkans as a framework of concrete integration commitments, not only policy objectives
- Identify the core EU digital frameworks relevant for Western Balkans economies from a gradual alignment and implementation readiness perspective
- Explain how digital payments (including SEPA), digital identity, e-services and interoperability function as an integrated system
- Recognize common implementation bottlenecks, governance gaps and coordination failures in digital reforms
- Assess how digital transformation supports CRM implementation and gradual EU Single Market integration
- Prioritize and sequence realistic institutional and regional actions in line with CRM and Digital Agenda commitments

4. Structure and Content

Day 1: Digital Transformation, Digital Agenda and CRM: Integration Logic

The first day sets the strategic and policy context for the entire module. It introduces digital transformation as a core integration commitment under the Digital Agenda for the Western Balkans and the Common Regional Market, rather than as a standalone digitalization effort. Participants will explore how digital reforms are increasingly used by the EU as indicators of integration readiness and functional convergence with the EU Single Market. The day focuses on understanding the logic of the Digital Single Market from a Western Balkans perspective, distinguishing between immediate functional priorities and longer-term alignment objectives. The aim is to establish a shared understanding of what matters now, what comes later, *and* why sequencing and coordination are critical.

Digital Transformation as an Integration Obligation

- Evolution of the Digital Agenda for the Western Balkans
- Digital commitments under the CRM Action Plan
- From policy declarations to operational deliverables
- Role of public administrations and coordination mechanisms

Digital Single Market – What Matters Now for the Western Balkans

- DSM explained through functions and services, not legislation
- Immediate priorities vs medium-term and long-term alignment

- Avoiding fragmented or premature transposition
- Digital transformation as a functional convergence process
- Interactive exercise: Mapping national and institutional responsibilities against Digital Agenda and CRM priorities

Day 2: Digital Payments and SEPA: A Test Case for Integration Readiness

The second day focuses on digital payments and SEPA as one of the most advanced and tangible digital integration deliverables for the Western Balkans. SEPA is examined not only as a payment system, but as a test case for regulatory alignment, institutional coordination, supervision and trust.

Participants will analyze how SEPA accession and operationalization reflect the EU's approach to gradual integration: legal alignment combined with functional readiness and enforcement capacity. The day highlights why SEPA is treated under the EU Growth Plan as a priority deliverable and how lessons from SEPA are directly relevant for other areas of digital integration.

SEPA and Digital Payments – From Alignment to Operationalization

- How SEPA works in practice
- Regulatory, supervisory and technical preconditions
- SEPA as a deliverable under the EU Growth Plan
- Benefits for citizens, businesses and regional markets
- Trust, Oversight and Governance in Digital Payments
- Data protection, cybersecurity and consumer protection
- AML/CFT, supervision and dispute resolution
- SEPA as a governance and enforcement stress test

Case study: SEPA accession and operationalization pathways in the Western Balkans

Day 3: Digital Identity, e-Services and Interoperability

The third day addresses the foundational building blocks of digital transformation: digital identity, e-services and interoperability. These elements are explored as prerequisites for scalable digital services, cross-border functionality and CRM implementation.

The focus is on the EU Digital Identity framework and eIDAS 2.0 from a Western Balkans alignment perspective, including governance, trust, liability and cross-border recognition. Interoperability is addressed primarily as an institutional and legal challenge rather than a purely technical one, highlighting the importance of mandates, coordination and legal frameworks for digital integration.

EU Digital Identity Wallets – Readiness and Compliance Perspective

- What digital identity enables in practice
- eIDAS 2.0: expectations, governance and risks
- Cross-border recognition, liability and trust frameworks
- Avoiding fragmented or non-interoperable solutions

Interoperability as an Institutional and Legal Obligation

- Interoperability beyond IT systems
- Organizational and legal interoperability challenges
- Data exchange, mandates and accountability
- Interoperability as a prerequisite for CRM digital deliverables

Exercise: Mapping an e-service and its legal, institutional and technical dependencies

Day 4: Digital Innovation and Skills in the Digital Agenda Context

The fourth day situates digital innovation and digital skills within the Digital Agenda framework. Rather than focusing on technology development, the emphasis is on what public administrations need to understand, regulate and govern in order to support innovation while ensuring compliance, trust and accountability.

Participants will examine how innovation-related tools such as GovTech initiatives, regulatory sandboxes and Digital Innovation Hubs fit within the broader Digital Agenda and CRM objectives. The day also addresses skills gaps as a structural constraint on digital reform implementation and institutional sustainability.

Digital Innovation. What Public Administrations Need to Govern

- AI, data and emerging technologies: policy-relevant implications
- GovTech, regulatory sandboxes and innovation hubs
- Supporting innovation while ensuring compliance and trust
-

Digital Skills and Institutional Capacity

- Skills gaps in Western Balkans administrations
- Links between education, labour markets and digitalisation
- Upskilling as a condition for sustainable reform

Peer exchange: Experiences and challenges across the Western Balkans

Day 5: From Frameworks to Action: CRM Implementation

The final day focuses on translating policy frameworks into actionable steps. Building on the previous days, participants will work on prioritizing, sequencing and coordinating digital reforms in line with Digital Agenda commitments, CRM Action Plan objectives and EU integration expectations.

The policy clinics are designed to produce concise, realistic and implementation-oriented recommendations that can be taken forward at institutional or regional level. Attention is given to coordination mechanisms, monitoring progress and identifying indicators that support evidence-based assessment of digital integration readiness.

Session 9: Digital Transformation and the Common Regional Market

- Digital components of the CRM Action Plan
- Interoperability, mutual recognition and regional scale
- Digital transformation as a driver of convergence

Session 10: Policy Clinics and Regional Takeaways

- Translating Digital Agenda and DSM priorities into actionable steps
- Sequencing reforms realistically
- Coordination mechanisms within REPACT
- Monitoring progress and readiness indicators

Group work: Concise, implementable recommendations aligned with CRM and Digital Agenda commitments

5. Cross-Cutting Integration of Governance and Rule of Law

Across all sessions, the module integrates:

- Institutional coordination and accountability
- Rule of law as an enabling condition for trust
- Data protection and cybersecurity
- Public procurement and sustainability of digital systems

These elements are addressed from a practical implementation perspective, reflecting real challenges faced by Western Balkans administrations.

6. Learning Materials

The module will be supported by:

- Executive-style slides focused on systems, roles and workflows
- Short briefing notes on Digital Agenda, CRM and EU digital frameworks
- Practical case studies from the Western Balkans and EU Member States
- Guided exercises and implementation checklists
- A self-assessment tool to support institutional readiness analysis

ANNEX
Background Information
Digital Transformation, EU Digital Agenda, DSM Alignment and Regional Integration in the Western Balkans

1. Digital Transformation in the EU and Enlargement Context

Digital transformation refers to the systematic integration of digital technologies into organizational, institutional and market processes, leading to fundamental changes in how services are designed, delivered, monitored and governed. It goes beyond the digitization of existing procedures and requires a comprehensive rethinking of workflows, institutional coordination, accountability mechanisms and value creation models.

Within the European Union, digital transformation has evolved into a core policy pillar underpinning economic competitiveness, resilience and governance performance. It is treated as a horizontal enabler, shaping policy outcomes across virtually all domains, including public administration, finance, education, health, energy, transport and industrial policy. In this sense, digital transformation is not a sectoral policy, but an organizing principle for how public institutions and markets function.

In the context of EU enlargement, this understanding has translated into a significant shift in expectations. For enlargement countries, including the Western Balkans, digital transformation is increasingly framed as an integration obligation, rather than a voluntary modernization effort. The EU's approach reflects the recognition that effective participation in the EU Single Market, particularly in its digital dimension, requires not only formal legal alignment, but also functional, interoperable and trusted digital systems capable of operating across borders and institutions.

As a result, digital reforms in enlargement countries are assessed not only in terms of policy adoption, but also through their implementation capacity, governance arrangements and ability to deliver concrete integration outcomes. Digital transformation thus serves as both a tool for domestic modernization and a practical pathway

towards gradual integration into the EU Single Market.

2. Political Evolution of the Digital Agenda for the Western Balkans

The digital integration of the Western Balkans has not emerged as a single policy initiative, but has been progressively formalized through a sequence of political commitments and policy decisions that gradually embedded digital transformation into the EU enlargement framework.

A first decisive step was taken at the Trieste Summit in July 2017, where Western Balkans leaders endorsed digital integration as part of the Multiannual Action Plan for a Regional Economic Area. This marked the first collective recognition that digitalization was not only a domestic reform priority, but a driver of regional economic integration and competitiveness, requiring coordinated action across the region.

The political relevance of digital transformation was further elevated in February 2018, when the European Commission presented the EU Strategy for the Western Balkans. The strategy identified the Digital Agenda for the Western Balkans (DAWB) as one of six flagship initiatives, thereby formally integrating digital transformation into the EU's enlargement policy architecture. This step signaled a shift from ad hoc digital projects towards a structured policy framework aligned with EU priorities.

In May 2018, Western Balkans governments formally declared their support for the Digital Agenda, followed by its official launch by the European Commission at the Digital Assembly in Sofia in June 2018. From that point onwards, the Digital Agenda began to function as the central reference framework for digital reforms in the region, covering connectivity, roaming, digital public services, digital skills, trust, security and alignment with the EU digital acquis.

Over time, the Digital Agenda has evolved from a political declaration into an operational framework, increasingly linked to concrete deliverables and implementation benchmarks. Its objectives have been progressively aligned with the Common Regional Market (CRM), sectoral action plans and, more recently, the EU Growth Plan for the Western Balkans, which explicitly connects digital reform progress to tangible integration benefits.

Implementation of the Digital Agenda has been pursued through close cooperation between national governments, the European Commission and the Regional Cooperation Council, which plays a central coordinating role at regional level.

From a background perspective, the political evolution of the Digital Agenda illustrates how digital transformation has become a shared regional responsibility and an integration obligation, rather than a collection of isolated national initiatives. It provides the political and institutional foundation upon which subsequent alignment with the Digital Single Market, implementation of the Common Regional Market and participation in EU-level digital infrastructures have been built.

Digital Transformation under the EU Growth Plan for the Western Balkans

While the EU Growth Plan for the Western Balkans does not constitute a standalone digital strategy, it places digital transformation at the core of its gradual integration approach. The Growth Plan is designed to accelerate socio-economic convergence with the EU by enabling early access to selected Single Market benefits, conditional on the delivery of concrete reforms and implementation results.

In this framework, digital reforms are treated as key enablers of early integration and as benchmarks of implementation readiness, rather than as sector-specific policy actions. Progress in digital areas is increasingly used to assess whether Western Balkans economies are capable of translating regulatory alignment into functional, cross-border outcomes.

From a policy perspective, the Growth Plan builds directly on the Digital Agenda for the Western Balkans and the Common Regional Market Action Plan, shifting the focus from strategic commitments to operational delivery and measurable impact.

Under the Growth Plan, digital transformation is reflected through several interlinked expectations:

- Gradual integration into EU market infrastructures, notably through participation in EU-aligned digital and financial systems, such as SEPA, where functional readiness enables early access to Single Market-type benefits
- Digital connectivity and infrastructure, including broadband deployment and integration into EU digital networks, as a precondition for digital services, e-government and market integration
- Interoperable digital public services, enabling cross-border service delivery, mutual recognition and CRM implementation
- Digital payments and trusted transactions, supporting trade, tourism, remittances and business activity
- Institutional capacity and governance, particularly in areas such as data protection, trust services, supervision and enforcement

Rather than prescribing new policy frameworks, the Growth Plan operationalizes existing commitments, using digital reforms as delivery mechanisms for economic integration and convergence.

Digital Reforms as Conditionality and Integration Signals

A defining feature of the Growth Plan is its emphasis on conditionality linked to performance. In this context, digital reforms serve as high-signal reforms, as they simultaneously test:

- regulatory alignment,
- institutional coordination,
- enforcement capacity, and
- trust in public systems.

Initiatives such as SEPA accession, cross-border digital services and interoperable public administration systems illustrate how digital transformation can produce early, citizen-visible benefits, while also functioning as stress tests for governance and rule of law.

From a background perspective, the Growth Plan reinforces the role of digital transformation as a bridge between reform implementation and integration rewards, confirming that progress in digital areas is central to the EU's approach to gradual integration of the Western Balkans into the Single Market.

3. Core Priorities of the Digital Agenda for the Western Balkans

The Digital Agenda for the Western Balkans identified five mutually reinforcing priority areas, which together define the region's digital integration pathway.

3.1 Roaming and Digital Connectivity

Lowering the cost of roaming was prioritized as a visible and citizen-centered deliverable. This resulted in the signing of a Regional Roaming Agreement in April 2019 by all six Western Balkans economies, subsequently extended at the Belgrade Digital Summit (April 2019) to cover the entire region.

The agreement introduced a gradual reduction of roaming tariffs within the region, with the objective of achieving "Roam Like at Home" conditions. This experience demonstrated how regulatory cooperation and political coordination can deliver concrete integration benefits.

By contrast, roaming between the EU and the Western Balkans still lacks a binding legal framework and continues to rely primarily on voluntary, commercial agreements between operators. These arrangements have nevertheless led to a gradual reduction of roaming tariffs starting in October 2023, reflecting increased political commitment and market-driven alignment.

However, their scope and sustainability remain constrained by the absence of enforceable EU-level rules. This has highlighted structural issues related to:

- Regulatory enforcement and rule of law
- Equal and fair treatment of market actors
- Harmonized spectrum fees and permitting procedures
- Predictable investment conditions

These issues remain relevant for broader digital market integration.

3.2 Broadband Deployment

The Digital Agenda identified broadband connectivity as the foundational layer of digital transformation. Despite progress, a significant digital gap persists between the Western Balkans and the EU, particularly in rural and remote areas and in terms of average connection speeds.

Broadband deployment is critical for:

- e-government and digital public services
- e-health and e-education

- Digitalization of industry, SMEs and startups
- Research, innovation and skills development

It also supports territorial cohesion by enabling economic activity in less developed regions, contributing to employment, investment and tax revenues. Broadband infrastructure is the basis for future developments such as 5G rollout, smart cities, autonomous mobility and advanced digital services.

3.3 Strengthening the Digital Economy and Society

A third priority focuses on aligning the Western Balkans with EU digital economy policies and strengthening digital society.

Key elements include:

- Development of interoperable e-government systems
- Participation in EU interoperability initiatives for cross-border digital public services
- Rollout of e-procurement and e-health systems
- Promotion of digital skills and digital literacy

Initiatives such as Code Week, Digital Opportunity Traineeships and regional startup support have aimed to address skills gaps and connect the Western Balkans more closely with European innovation ecosystems.

3.4 Digital Trust, Cybersecurity and Secure Transactions

The Digital Agenda emphasized that digital transformation cannot succeed without trust. Alignment with the EU framework on electronic identification and trust services (eIDAS) has been identified as a prerequisite for scalable e-services and secure cross-border transactions.

Capacity building in cybersecurity has been treated as a core component of digital integration, with regional initiatives designed to strengthen cyber-resilience, incident response and institutional preparedness. Digital trust is understood as a systemic condition, encompassing legal certainty, institutional capacity and user confidence.

3.5 Adoption and Enforcement of the EU Digital Acquis

Finally, the Digital Agenda explicitly linked digital reforms to the adoption, implementation and enforcement of the EU acquis. This reflects a shift from pilot projects towards sustainable, system-level alignment with EU regulatory frameworks governing data protection, digital services, electronic communications, trust services and competition in digital markets.

4. Digital Single Market (DSM) and Alignment Expectations

The Digital Single Market (DSM) is the European Union's strategic framework for ensuring the free movement of goods, services, capital and people in the digital environment. Its objective is to remove

regulatory, technical and market barriers that prevent digital services, data flows and online transactions from functioning seamlessly across borders.

Rather than constituting a single policy instrument, the DSM represents a coherent regulatory and governance ecosystem that enables digital services to operate at scale across the EU. It underpins the functioning of the EU Single Market in the digital age and provides the reference framework for digital integration beyond EU borders.

The DSM Acquis: Scope and Structure

The DSM acquis comprises a set of interrelated EU legislative and regulatory frameworks governing key aspects of the digital economy and digital society, including:

- Data protection and privacy, notably the General Data Protection Regulation (GDPR) and the ePrivacy framework, which establish high standards for personal data protection and cross-border data flows
- Digital services and online platforms, through instruments such as the Digital Services Act (DSA) and the Digital Markets Act (DMA), which address platform responsibilities, user protection and fair competition
- Electronic identification and trust services, under the eIDAS Regulation and the EU Digital Identity framework, enabling secure digital interactions and cross-border recognition
- Electronic communications, regulated by the European Electronic Communications Code, covering telecom markets, broadband deployment, spectrum management and consumer rights
- Cybersecurity and online consumer protection, providing safeguards for users and ensuring trust in digital services

Together, these elements define the legal and institutional conditions under which digital services can operate safely, fairly and predictably within the EU.

Alignment Expectations for the Western Balkans

For the Western Balkans, alignment with the DSM acquis is a gradual and differentiated process, closely linked to commitments under the Digital Agenda for the Western Balkans and the Common Regional Market Action Plan. The objective is not immediate or full transposition of all DSM legislation, but progressive functional alignment in areas that directly enable cross-border digital integration and CRM implementation.

From an EU perspective, the focus is increasingly placed on:

- Implementation readiness, rather than formal legal adoption
- Institutional coordination and governance capacity, across ministries, regulators and agencies
- Regulatory credibility and enforcement, particularly in data protection, trust services and market oversight

This approach reflects lessons learned from previous enlargement rounds, where extensive legal transposition did not always result in effective or sustainable implementation.

Functional Alignment and Sequencing

In practice, DSM alignment for the Western Balkans requires careful sequencing and prioritisation. Certain elements of the DSM acquis are foundational and have immediate relevance for regional integration, including:

- GDPR implementation and enforcement
- eIDAS alignment and digital identity readiness
- Interoperability of public services and data exchange
- Secure and competitive electronic communications markets

Other elements, such as platform regulation under the DSA/DMA or emerging digital regulations, are part of a medium- to long-term convergence trajectory.

Failure to sequence alignment appropriately risks creating fragmented or inconsistent digital frameworks, undermining trust, discouraging investment and limiting cross-border functionality.

DSM, Digital Agenda and the Common Regional Market

Within the Digital Agenda for the Western Balkans, DSM alignment provides the overarching reference for digital reforms, while the Common Regional Market serves as the operational testing ground for functional convergence. The CRM allows Western Balkans economies to pilot DSM-aligned solutions at regional level, supporting mutual recognition, interoperability and scale.

In this sense, DSM alignment is not an abstract legal exercise, but a practical process of building digital systems that work across borders, deliver benefits to citizens and businesses, and prepare administrations for eventual participation in the EU Single Market.

From a background perspective, DSM alignment should therefore be understood as a process of progressive integration, where legal frameworks, institutional capacity and functional performance evolve together in line with EU standards and expectations.

5. Digital Identity, e-Services and Interoperability

Digital identity is a foundational enabler of digital transformation, as it establishes who users are in the digital environment and under what conditions they can access services, exercise rights and perform legally valid transactions. Without a trusted and widely accepted digital identity framework, digital services cannot scale, cross-border functionality remains limited, and trust in digital interactions is weakened.

Within the EU framework, the EU Digital Identity Wallet, developed under the eIDAS Regulation and reinforced through eIDAS 2.0, aims to provide a secure, interoperable and user-controlled digital identity solution. It is designed to

enable cross-border recognition, support qualified electronic signatures and ensure high standards of data protection and cybersecurity. For the Western Balkans, alignment with this framework represents a gradual integration pathway, requiring not only technical solutions but also clear governance models, institutional mandates, liability frameworks and trust arrangements.

e-Services constitute the operational layer of digital transformation. They translate policy objectives and legal mandates into concrete digital interactions between public authorities, citizens and businesses. Typical examples include tax filing, business registration, social benefits administration, e-procurement, e-health and e-education services. The effectiveness of e-services depends not only on their technical design, but also on administrative simplification, process reengineering and institutional coordination.

In the Western Balkans context, e-services have often developed unevenly across sectors and institutions, leading to fragmented user experiences and limited interoperability. Addressing these challenges requires moving beyond digitisation of individual procedures towards end-to-end digital service delivery, supported by shared standards and coordinated governance.

Both digital identity and e-services depend critically on interoperability, which operates at multiple levels:

- Technical interoperability, enabling systems to connect and exchange data
- Semantic interoperability, ensuring that exchanged data has the same meaning across systems
- Organisational interoperability, allowing institutions to cooperate effectively
- Legal interoperability, ensuring that data exchange is permitted and enforceable

In practice, interoperability challenges in the Western Balkans are often institutional and legal rather than purely technical. Unclear mandates, fragmented responsibilities, incompatible legal frameworks and limited coordination mechanisms frequently constitute the main barriers to effective data exchange and cross-border service delivery.

Interoperability is therefore best understood as the invisible infrastructure of digital integration. It enables the implementation of the Common Regional Market, supports mutual recognition of services and credentials, and underpins participation in EU-level digital ecosystems. Without interoperability, digital identity frameworks cannot function across borders, e-services remain siloed, and integration into the EU digital market remains partial.

From a Digital Agenda and CRM perspective, progress in digital identity, e-services and interoperability should be assessed not only in terms of technical deployment, but also through institutional readiness, governance arrangements and the ability to deliver integrated, user-centric services. Together, these elements form a critical foundation for deeper digital integration and gradual convergence with EU standards.

6. SEPA as a Flagship Digital Integration Deliverable

The Single Euro Payments Area (SEPA) is one of the most concrete examples of functional integration achieved through digital and regulatory alignment. It harmonises euro-denominated electronic payments across participating countries, enabling individuals, businesses and public authorities to make and receive payments under the same conditions, rights and obligations, regardless of national borders. As such, SEPA constitutes a core building block of the EU Single Market for financial services and a practical enabler of cross-border economic integration.

SEPA was launched in 2008 for credit transfers and became mandatory for direct debits in 2014. It is managed by the European Payments Council (EPC) and currently covers 36 participating countries, including all EU Member States and a limited number of non-EU economies. SEPA applies exclusively to payments in euro (EUR) and is based on three core instruments: SEPA Credit Transfer (SCT), SEPA Direct Debit (SDD) and SEPA Instant Credit Transfer (SCT Inst). These schemes rely on harmonised technical standards, notably ISO 20022 XML messaging formats and the use of International Bank Account Numbers (IBANs).

Strategic Relevance for the Western Balkans

For the Western Balkans, SEPA has acquired particular strategic importance as a flagship deliverable under the EU Growth Plan and the Digital Agenda for the Western Balkans. The European Commission has explicitly supported the accelerated accession of Western Balkans economies to SEPA, recognising that non-EU countries can participate once the necessary regulatory, supervisory and technical requirements are met.

Between 2024 and 2025, Albania, Montenegro, North Macedonia and Serbia were admitted to the SEPA geographical scope. Banks from Albania, Montenegro and North Macedonia formally joined SEPA schemes in October 2025, leading to operationalization and immediate, measurable effects. These included substantial reductions in cross-border transaction costs, faster settlement times and increased transparency, with particularly strong benefits for trade, tourism and remittances.

SEPA thus demonstrates how digital transformation, when embedded in the EU integration process, can deliver early, citizen-visible integration benefits while supporting longer-term economic convergence.

Economic and Citizen-Level Benefits

SEPA contributes directly to cross-border trade and e-commerce by reducing payment frictions and costs, and to market competitiveness by increasing transparency and competition among payment service providers. It also supports financial inclusion and fintech development through interoperable and standardised payment infrastructures aligned with EU rules.

For Western Balkans economies with strong economic and financial links to the EU, SEPA significantly improves the efficiency of imports, exports and service transactions. In the case of Albania, for example, more than 70% of exports and over half of imports are conducted with EU countries, underlining the macroeconomic relevance of efficient cross-border payment systems.

SEPA accession is particularly impactful for remittances, which remain substantial across the region. Traditional correspondent banking channels often involve transaction costs exceeding 6%, while SEPA-based transactions offer the potential to dramatically reduce costs, encourage formalisation of remittance flows, increase household savings and contribute to poverty reduction and overall economic welfare.

In the tourism sector, SEPA creates an equal playing field for European visitors, allowing card payments and transfers to be made under the same conditions of cost, speed and security as in their home countries. Given the growing importance of tourism as a driver of GDP growth across the Western Balkans, simplified and reliable cross-border payments support both inbound and outbound tourism and broader service-sector development.

For citizens and businesses, SEPA membership translates into simplicity, convenience and predictability, replacing costly, opaque and slow correspondent banking arrangements with a single, integrated payment area.

SEPA as a Governance and Digital Transformation Stress Test

Beyond its financial dimension, SEPA plays a broader role in digital transformation. It modernises financial infrastructure by enabling automated and, increasingly, near real-time transactions, and by integrating payments into digital public services such as e-procurement, online tax systems and digital government platforms.

Importantly, SEPA functions as a governance stress test. Effective participation requires:

- robust regulatory and supervisory frameworks
- enforcement capacity, including AML/CFT controls
- effective consumer protection and dispute resolution mechanisms
- high data quality and operational resilience

As such, SEPA provides a reference model for other areas of digital integration, illustrating how functional alignment, institutional coordination and trust are prerequisites for participation in EU-level digital and market infrastructures.

Integration Logic and Broader Implications

Across Europe, SEPA has streamlined euro payments, reduced transaction costs, improved efficiency and strengthened competition among payment service providers. For banks and regulators, it supports deeper integration of financial markets and contributes to economic cohesion.

In the Western Balkans context, SEPA exemplifies the EU's gradual integration approach, where legal alignment, functional readiness and governance capacity must advance together. It shows how digital transformation can simultaneously deliver immediate benefits for citizens and businesses while advancing long-term convergence with EU standards.

7. Digital Innovation and the Integrated Transformation Model

Digital innovation refers to the development and application of new digital technologies—such as artificial intelligence, big data analytics, cloud computing, blockchain, as well as GovTech and RegTech solutions—to improve public services, governance processes and economic performance. In the EU policy framework, digital innovation is not treated as an isolated technological domain, but as the result of well-functioning digital foundations.

For the Western Balkans, this distinction is particularly important. Digital innovation cannot be sustainably introduced or scaled in the absence of trusted digital identity systems, interoperable public administrations, mature e-services and reliable digital payment infrastructures. Where these foundations are weak or fragmented, innovation initiatives tend to remain pilot-based, isolated or donor-driven, without lasting systemic impact.

From a Digital Agenda and CRM perspective, digital transformation should therefore be understood as an integrated model, in which individual reform components reinforce one another rather than develop in parallel.

Within this model:

- Digital identity defines who users are online and provides the basis for trust, authentication and legal certainty in digital interactions.
- Interoperability determines how systems communicate, enabling data exchange across institutions, sectors and borders and preventing fragmentation of digital solutions.
- e-Services define what services are delivered digitally, translating policy objectives into concrete, citizen- and business-facing outcomes.
- SEPA and digital payments define how digital transactions are executed, ensuring efficiency, transparency and cross-border functionality.
- Digital innovation determines how the system evolves, adapts and scales, building on these foundations to introduce more advanced solutions and services.

Seen in this way, digital innovation is not a starting point but a maturity outcome of digital transformation. It depends on the prior existence of governance frameworks, institutional coordination and trust mechanisms aligned with EU standards.

Within the Digital Agenda for the Western Balkans, innovation-related instruments, such as Digital Innovation Hubs, GovTech initiatives and regulatory sandboxes, are intended to support this progression, helping administrations and

businesses experiment with new solutions while remaining anchored in EU regulatory principles.

In the context of the Common Regional Market, this integrated approach enables digital solutions to scale beyond national borders, supporting regional interoperability, mutual recognition and convergence. At the same time, it strengthens governance and rule of law by embedding innovation within predictable, enforceable and transparent institutional frameworks.

Ultimately, the integrated model of digital transformation illustrates how gradual alignment with EU digital standards, rather than isolated technological upgrades, supports sustainable economic modernization, institutional resilience and long-term integration into the EU Single Market.