



# The European Union and the Western Balkans

Building the Future Together





## Foreword



by European External Relations Commissioner Chris Patten

*Gradually, the countries of the Western Balkans are finding their way towards a more secure and stable future.*

*Most of the effort is being made within the region itself, by the people and governments of Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, and Serbia and Montenegro. But European Union assistance remains a crucial factor in supporting change, supplying expertise, and putting in place the structures needed to provide peace and prosperity in what has become a shared agenda.*

*As with all the European Union's €21 billion of aid around the world every year - making it the world's most significant aid donor - the assistance in the Western Balkans provides long-term support to the governments' reform programmes.*

*This assistance is a good illustration of the EU's role in the world: Member States pool their resources as a sign of their commitment to countries and regions in need, and the European Commission acts to reinforce the impact. The Commission directly provides a third of the EU's total aid finance, while ensuring close links with other EU policies, and drawing on Member States' expertise to maximise the EU's unique supra-national advantage in delivering assistance.*

*The countries of the Western Balkans are one of the principal focuses for this aid. The Union has developed a clear overall strategy, combined with pragmatic and well-targeted assistance to meet priority needs. The results can be seen in the progress already made by the region's moves towards its goals of greater security, political stability, democracy and economic recovery.*

*The EU fully shares the region's goals, and celebrates its progress. These countries, on the doorstep of the enlarging Union, will be welcome to join the EU as soon as they satisfy the same criteria as the new Member States have done.*

*Poverty, conflict and instability elsewhere in the world also affect the EU and we realise the importance of promoting reform, and consolidating moves towards creating a Europe at peace with itself and confident in its own future.*

*As with all assistance, the priorities for programmes in the Western Balkans are agreed by the Member States and the European Parliament. The programme reflects the Commission's commitment to high-quality programmes with a demonstrable impact on the quality of people's lives, conforming to the highest international standards of efficiency, and fully accountable to European taxpayers. It is implemented through patient and often unobtrusive work to help reconstruct societies and economies through human development, and create an environment where citizens trust public services and are confident to do business, locally, and with neighbouring countries and regions.*

*The unification of Europe will not be complete until it includes the Western Balkans. At the Thessaloniki summit in June 2003, the members of the European Council solemnly declared that the Balkan countries' future is in the European Union, and stressed the EU's firm support for the integration of the Western Balkans into the Union.*

*But the EU cannot bring about this peaceful unification on its own - it requires commitment from both sides. The pace of integration will be set by the countries in the region, through the determination they show to fulfil their part of the bargain.*

*What the EU can and does do is to encourage and assist the development of a closer relationship with the countries of the region. This publication highlights some of the tangible achievements of recent EU involvement in the region.*



A handwritten signature in black ink, which appears to read 'Chris Patten'.

Chris Patten, European External Relations Commissioner



## Albania

Tirana Training Centre, Albanian State Police, 2003



## Bosnia and Herzegovina

Refugee Return, Bosansko Grahovo, 2003



## Croatia

Refugee Return in Pakrac, 2003



## The former Yugoslav Republic of Macedonia

Integrated Border Management, Airport of Skopje, 2003



## Serbia and Montenegro

Sloboda Bridge in Novi Sad, 2003

# The Context

The European Union has built an area of peace, stability and freedom across the continent over the last fifty years. Further enlargement of the Union is envisaged, beyond the ten new Member States that joined in May 2004. Bulgaria and Romania are approaching the end of their accession negotiations, and Turkey is working towards the point where it could start formal talks.

The countries of the Western Balkans, on the threshold of the European Union, are also part of that future. Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, and Serbia and Montenegro have all indicated their desire to join the European Union eventually - and the EU has confirmed its readiness to welcome them as soon as they are ready.

The EU and its Member States have already helped these countries emerge into a new era of stability, security, peace and prosperity. For years this meant providing humanitarian assistance and emergency aid to disrupted populations, or funding reconstruction in areas that had suffered damage. More recently, the EU's growing range of crisis management tools - including security operations and police missions - has been increasingly deployed to counter the challenge posed by the tensions among its neighbours.

Now attention is focused on promoting the reforms that will guarantee long-term stability in the region as a whole.



The EU approach is much more than simply reacting to crisis. In May 1999, the European Commission set out an ambitious long-term vision for the sustainable development of the region. This took account of the clearly expressed desire of the countries in the region to join the European Union and spelt out the steps that would need to be taken to reach that destination.

The prospect of EU membership has been explicitly offered, accompanied by a commitment to help these countries meet the entry conditions on the rule of law, stable democratic institutions, a functioning market economy and good relations with neighbouring countries.

The region has been transformed over recent years. Stability has been largely restored, security has improved, governments have been democratically elected, major reconstruction has taken place, and many refugees and internally displaced persons have returned home. Economic growth continues, inflation is declining, a network of bilateral free-trade agreements between all the countries in the region is now complete and trade is increasing. Reforms are laying the foundations for economic, social and institutional development that will normalise everyday life for the people of the region.

The progress has not always been even, however. General living standards remain low, poverty is widespread, and unemployment remains high, thereby triggering an outflow of young and able people from the region. Inter-ethnic tensions persist, prominent indicted war criminals are still at liberty, criminal networks still endanger stability, and state structures are still marred by extremism and nationalism.

The prospect of EU membership is acting as a powerful anchor for reform. It offers a reassuring framework to help identify priorities, set targets, and allocate resources - in the same way as it has in the other countries of Central and Eastern Europe that joined the Union in May 2004.

The countries in the region are increasingly taking ownership of the reform process. They are conscious that fragile institutions, poor administrative capacity, weak rule of law or incomplete reforms are holding them back. They recognise that their citizens - including refugees - need a secure legal, social and economic environment, and confidence in local authorities. They are aware that foreign investment will be attracted by political stability, clear property rights and contracts that are protected by law. They are working towards fully functioning judicial systems, effective border control, and success against serious crime and corruption. Furthermore, independent media and a vibrant civil society are increasingly perceived as an asset to good governance, rather than as an intrusion.



### **A snapshot of the Western Balkans**

- The population of the five countries of the Western Balkans is around 25 million.
- It is a rich mixture of civilisations and ethnic groups, with affiliations to Orthodoxy, Catholicism and Islam, and cultural influences ranging from Ottoman and Austro-Hungarian to Greek and Italian.
- Two of the countries in the region are federal structures: the State Union of Serbia and Montenegro, which includes Kosovo, under UN administration; and Bosnia and Herzegovina, which comprises two entities - the Federation of Bosnia and Herzegovina and Republika Srpska - and the district of Brčko.
- The size of the economy of the region, or Gross Domestic Product (GDP), is around €50 billion. (Croatia's GDP is around €23 billion, and that of Serbia and Montenegro about €14 billion - with those of Albania, the former Yugoslav Republic of Macedonia and Bosnia and Herzegovina totalling about €13 billion.)
- Average per capita income in the region is around €2,000 per year.
- Foreign direct investment in 2002 totalled €2.2 billion.

### The Stabilisation and Association process

The Stabilisation and Association process (SAP) is a long-term policy addressing new ways of helping the countries of the Western Balkans tackle the challenges of reforming democratic institutions, promoting trade and economic development, and combating corruption, ethnic violence, poverty and social exclusion.

From its inception in May 1999, its main aim has been to equip the countries of the region with the means to maintain stable democratic institutions; to ensure that the rule of law prevails; and to sustain open, prosperous economies based on European practice and standards.

This commitment was further underlined at the Zagreb summit in 2000 when the European Union and the five countries of the Western Balkans - Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro - reiterated their full commitment to the SAP, and the goal of closer integration with the European Union and ultimate accession.

The Stabilisation and Association process continues to evolve. The EU summit at Thessaloniki in June 2003 endorsed additional mechanisms to facilitate closer integration. These include strengthened political co-operation, enhanced support for institution building, additional trade measures and the possibility of the countries of the region participating in Community programmes. In addition, European Partnerships have been established with each country to set objectives, priorities and a clear agenda to measure progress.

### Community Assistance for Reconstruction, Development and Stabilisation (CARDS)

The general objectives of CARDS are to support the participation of Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro in the Stabilisation and Association Process.

CARDS assistance (2000-2006) has an overall budget of €4.65 billion and is targeted at the following sectors:

- **Justice and home affairs:** reform of the judiciary and police, migration and asylum, integrated border management, the fight against organised crime
- **Administrative capacity building:** public administration reform, taxation and customs
- **Economic and social development:** economic reform, social cohesion, local infrastructure development, education
- **Democratic stabilisation:** civil society development, refugee return, media reform
- **Environment and natural resources:** institution strengthening, monitoring and planning

CARDS assistance is managed in a number of ways: The Delegations of the European Commission in Albania, Bosnia and Herzegovina and Croatia directly manage most national programmes and projects. In Serbia and Montenegro and the former Yugoslav Republic of Macedonia, a special agency, the European Agency for Reconstruction (EAR), with its operational headquarters in Thessaloniki, is responsible for the delivery of most EU assistance. And, in Brussels, the European Commission headquarters manages the TEMPUS programme for higher education, programmes for the modernisation of the customs and tax services (such as the Customs and Fiscal Assistance Office - CAFAO), and all regional programmes.

CARDS assistance is provided by means of either contracts to provide services, supplies or works to beneficiary countries or grants (generally for projects proposed by non-profit making organisations such as NGOs or Member State bodies). Invitations to tender are open on equal terms to all natural and legal persons from the EU Member States, the beneficiary countries of the CARDS programme and the candidate countries.

## The Stabilisation and Association process

But these changes involve hard work, a clear strategic view and often painful adjustments. The process is impeded by resistance from vested interests, and grievances from the past still throw shadows across attempts to build solidarity and co-operation. So the European Union has designed mechanisms to help.

The EU's efforts to help the countries of the Western Balkans to move closer to the EU take place within what is called the Stabilisation and Association process (SAp).

This is a strategy explicitly linked to the prospect of EU accession and is adjusted to the level of development of each of the countries concerned, allowing them to move at their own pace. In return for the offer of the prospect of accession - and assistance to achieve it - the countries of the region have undertaken to meet the political and economic conditions set for all aspirants.

The process is a progressive partnership, in which the EU offers a mixture of trade concessions, contractual relationships, and economic and financial assistance. It has already proved a success in stabilising the Western Balkans, laying the foundation for further reform and faster transition.

### Trade measures

The EU is already the most important trading partner for the countries in the region: and it has opened its markets with very liberal trade concessions to favour local production and boost economic recovery. All five countries enjoy access to the EU market for almost all their products duty free and without quantitative limits.

Trade - and predominantly trade with the EU - grew in 2001 and the first half of 2002. EU imports have increased by 40% since September 1999. And, as local firms learn to use more fully EU trade facilities and establish wider contacts and new distribution channels, trade should rise further, helping to underpin structural reforms and raise living standards.

### Stabilisation and Association Agreements

A new type of contractual relationship with the EU is an integral part of the process. Each country that makes sufficient progress in political and economic reform and administrative capacity may negotiate a Stabilisation and Association Agreement (SAA).

Before the EU offers the chance of signing a Stabilisation and Association Agreement, it conducts a rigorous analysis to ensure that fundamental pre-conditions have been met. Then negotiations follow on the precise terms of each Agreement.

Each SAA covers implementation of the same set of core obligations, but it is tailored individually to each country, with carefully prepared commitments on the gradual implementation of a free trade area and reforms linked to European standards. In return, help is foreseen in reaching agreed benchmarks in areas such as democratic practices, regional relations, or compliance with rules on competition, state aid, intellectual property or rights of establishment.

Agreements have been signed with the former Yugoslav Republic of Macedonia (April 2001) and with Croatia (October 2001). An SAA entered into force in the former Yugoslav Republic of Macedonia in April 2004. Negotiations on the signing of an Agreement were opened with Albania in January 2003. A feasibility study to assess whether it is appropriate to start negotiations has been completed with Bosnia and Herzegovina, and is underway with Serbia and Montenegro.



## The CARDS programme

The Stabilisation and Association process has an important economic and financial component. Since 1991 the European Union has provided more than €7 billion in assistance to the Western Balkans. An EU decision in 2000 streamlined aid to the region through a new programme called CARDS - Community Assistance for Reconstruction, Development and Stabilisation - to replace previous programmes, such as Phare and Obnova.

The assistance is adapted as needs evolve. Initially, the focus was on humanitarian and emergency assistance. Later on, it concentrated on rebuilding infrastructure, and fostering reconciliation and the return of refugees. Now, attention has moved towards developing government institutions and legislation, and harmonisation with European Union norms. Help is directed at reinforcing democracy and the rule of law; human rights; civil society and the media; and the operation of a free market economy. In addition, assistance is offered to help generate sustainable economic recovery, and promote social development and structural reform.

CARDS is providing €4.65 billion between 2000-2006. The priorities are selected to help each country in the region understand just what moving closer to the EU entails - in terms of benefits and in terms of obligations. A further objective is to promote closer relations and regional co-operation between neighbours, and with the EU and these five countries. The nature and level of support relates directly to the degree of political will in each country and within the region to make progress within the Stabilisation and Association process.



**CARDS Programme Allocation for 2002 - 2004 (million €)**

|   | 2002         | 2003          | 2004         | TOTAL           |
|---|--------------|---------------|--------------|-----------------|
| Albania                                   | 44.9         | 46.5          | 58.5         | 149.9           |
| Bosnia and Herzegovina                    | 71.9         | 63.0          | 65.0         | 199.9           |
| Croatia                                   | 59.0         | 62.0          | 76.0         | 197.0           |
| The former Yugoslav Republic of Macedonia | 41.5         | 43.5          | 51.0         | 136.0           |
| Serbia and Montenegro <sup>1</sup>        | 359.6        | 331.28        | 297.0        | 987.88          |
| Regional <sup>2</sup>                     | 43.5         | 31.5          | -            | 75.00           |
| <b>TOTAL</b>                              | <b>620.4</b> | <b>577.78</b> | <b>547.5</b> | <b>1 745.68</b> |

<sup>1</sup>) includes the Republic of Serbia, the Republic of Montenegro and the province of Kosovo, which is currently under UN administration

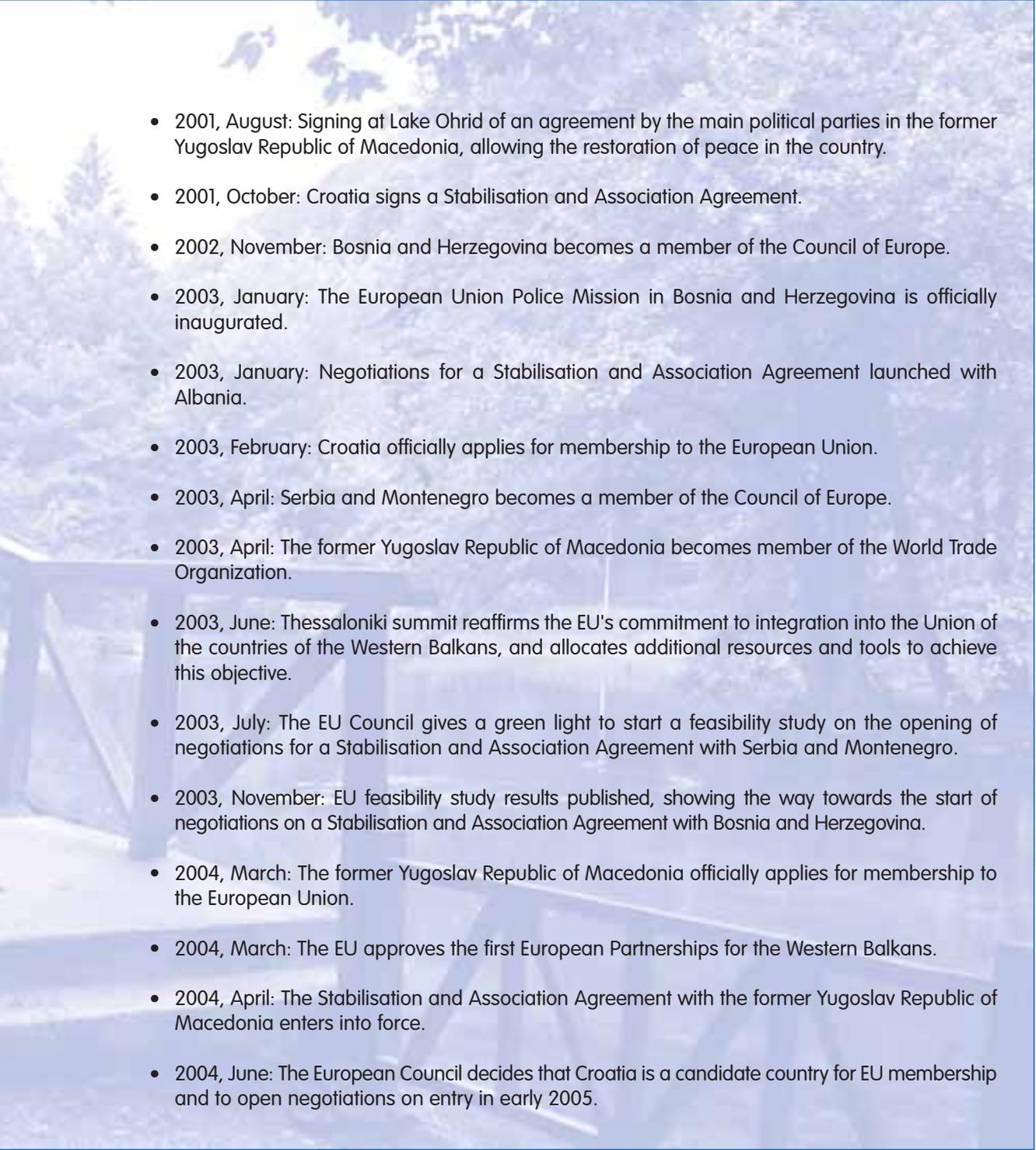
<sup>2</sup>) regional funds for Integrated Border Management are included in the country programmes.

CARDS is not just about better programming - it is about improved delivery too. The trend towards increasing local management of programmes has boosted the sense of local partnership, mutual trust and ownership of projects. It has also led to increased self-confidence as the countries in the region recognise what they need, rather than just accepting what they receive.

Alongside the strategic objective of assisting integration into the European Union, CARDS can also respond rapidly to changing situations on the ground. This was demonstrated, for instance, by the reorientation of resources to support refugees and displaced persons as well as reconstruction that was central in helping resolve the crisis in the former Yugoslav Republic of Macedonia in 2002.

### **Milestones in the EU's recent relations with the Western Balkans**

- 1994, February: Albania becomes a member of the NATO's Partnership for Peace.
- 1995, July: Albania becomes a member of the Council of Europe.
- 1995, November: the former Yugoslav Republic of Macedonia becomes a member of the Council of Europe and NATO's Partnership for Peace.
- 1996, November: Croatia becomes a member of the Council of Europe.
- 1997: EU leaders set out conditions for developing relations with the individual countries of the Western Balkans. These conditions include respect for democratic principles and human rights, the rule of law, protection of minorities, market economy reforms and regional co-operation.
- 1999, May: The European Union proposes a new Stabilisation and Association process.
- 1999, June: Kosovo comes under UN administration and the UN Mission in Kosovo (UNMIK) is established.
- 2000, February: The European Agency for Reconstruction is established. It is responsible for the management of assistance programmes in Serbia and Montenegro (Republic of Serbia, Republic of Montenegro, UN-administered Kosovo) and, since March 2002, the former Yugoslav Republic of Macedonia.
- 2000, May: Croatia becomes a member of NATO's Partnership for Peace.
- 2000, June: The summit of EU leaders, meeting at Santa Maria de Feira in Portugal, confirms that "all the countries concerned are potential candidates for EU membership."
- 2000, September: Albania becomes a member of the World Trade Organization.
- 2000, November: At the Zagreb summit of leaders from the EU and the countries of the Western Balkans, the region confirms its full commitment to the Stabilisation and Association process.
- 2000, November: Croatia becomes a member of the World Trade Organization.
- 2001: Launch of the EU's CARDS programme of assistance, specifically designed to help the countries of the Western Balkans achieve the goals of the Stabilisation and Association process.
- 2001, April: The former Yugoslav Republic of Macedonia signs a Stabilisation and Association Agreement.

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- 2001, August: Signing at Lake Ohrid of an agreement by the main political parties in the former Yugoslav Republic of Macedonia, allowing the restoration of peace in the country.
  - 2001, October: Croatia signs a Stabilisation and Association Agreement.
  - 2002, November: Bosnia and Herzegovina becomes a member of the Council of Europe.
  - 2003, January: The European Union Police Mission in Bosnia and Herzegovina is officially inaugurated.
  - 2003, January: Negotiations for a Stabilisation and Association Agreement launched with Albania.
  - 2003, February: Croatia officially applies for membership to the European Union.
  - 2003, April: Serbia and Montenegro becomes a member of the Council of Europe.
  - 2003, April: The former Yugoslav Republic of Macedonia becomes member of the World Trade Organization.
  - 2003, June: Thessaloniki summit reaffirms the EU's commitment to integration into the Union of the countries of the Western Balkans, and allocates additional resources and tools to achieve this objective.
  - 2003, July: The EU Council gives a green light to start a feasibility study on the opening of negotiations for a Stabilisation and Association Agreement with Serbia and Montenegro.
  - 2003, November: EU feasibility study results published, showing the way towards the start of negotiations on a Stabilisation and Association Agreement with Bosnia and Herzegovina.
  - 2004, March: The former Yugoslav Republic of Macedonia officially applies for membership to the European Union.
  - 2004, March: The EU approves the first European Partnerships for the Western Balkans.
  - 2004, April: The Stabilisation and Association Agreement with the former Yugoslav Republic of Macedonia enters into force.
  - 2004, June: The European Council decides that Croatia is a candidate country for EU membership and to open negotiations on entry in early 2005.

# Albania

The European Council agreed with the Commission's recommendation to launch negotiations for a Stabilisation and Association Agreement in January 2003. This process is still underway.

The main challenges facing the country over the medium term are ensuring public order, and fighting organised crime, fraud and corruption; enhancing the implementation of the rule of law through an improved judiciary and state administration; improving the overall economic situation in the country; respecting fully democratic principles, human and minority rights; and achieving progressive approximation with EU rules and standards. The support provided to Albania in the framework of the Stabilisation and Association process aims at helping the Albanian authorities to address these challenges - through financial assistance, frequent dialogue with the EU in the framework of existing contractual relations, and the negotiation of a Stabilisation and Association Agreement.



Albania

## CARDS in Albania

The 2001 CARDS programme devoted €37.5 million to the priorities identified in the Stabilisation and Association process: justice and home affairs issues, local community development and institution building. The 2002 and 2003 CARDS programme (€44.9 and €46.5 million respectively) maintained this focus, allocating almost half the budget to justice and home affairs issues.

Support for the judicial system and police remains a major part of the CARDS programme for Albania. Projects include constructing and renovating courts, establishing an EC police assistance mission (PAMECA), developing a task force against serious crime, upgrading border management and improving pre-screening procedures at borders.

Infrastructure investments cover institution building and training, linked to specific sectors, especially justice and home affairs where there is a continued need for infrastructure as a pre-requisite for legal systems or border controls that function correctly.

Capacity is being built up in the customs service to enhance revenue collection, through the customs assistance mission known as CAM-A, and to fight against trafficking of drugs and weapons, and money laundering. The taxation service in the Albanian Ministry of Finance is receiving assistance to reform and modernise its working methods, including support for the development of an effective IT system, equipment and training. And a general project on public administration reform aims, among other objectives, to fight corruption.



**Albania Programme Allocation for 2002 - 2004 (million €)**

| Sector                           | 2002        | 2003        | 2004        | Total        |
|----------------------------------|-------------|-------------|-------------|--------------|
| JUSTICE & HOME AFFAIRS           | 21.0        | 20.0        | 34.0        | 75.0         |
| ADMINISTRATIVE CAPACITY BUILDING | 6.0         | 8.0         | 3.0         | 17.0         |
| ECONOMIC & SOCIAL DEVELOPMENT    | 12.9        | 17.5        | 12.0        | 42.4         |
| ENVIRONMENT, NATURAL RESOURCES   | 4.0         | -           | 7.0         | 11.0         |
| DEMOCRATIC STABILISATION         | 1.0         | 1.0         | 2.5         | 4.5          |
| <b>TOTAL ALLOCATION</b>          | <b>44.9</b> | <b>46.5</b> | <b>58.5</b> | <b>149.9</b> |

Albanian companies are developing their exports as the country improves its procedures on standardisation, certification testing and inspection. Projects supported here focus on market surveillance, marking of animals, monitoring of coastal waters where molluscs are produced, and veterinary and phytosanitary inspection.

Other projects aim to improve the quality of life in rural areas and develop community awareness, through rehabilitation of local infrastructure and involving local communities in decision making. Reform of higher education institutions is also being supported, in order to improve vocational education and training. And assistance is provided to consolidate democracy and the development of civil society.

## CARDS in Action

The Taxation Directorate General in Albania's Ministry of Finance has struggled to collect the necessary revenue needed to rebuild the country. It has to work with antiquated systems, and lacks the resources needed to assess and collect taxes from both citizens and businesses. This has contributed to budget deficits, making it ever harder to modernise the country's infrastructure and to make the economy grow.



The Taxation Project Office in Tirana, 2004

A €3 million EU-funded project has set out to modernise the tax administration, establishing secure computerised systems throughout the Directorate. Running for three years up to the end of 2004, this project has helped to develop a comprehensive information technology strategy for the department. Both software and hardware needs have been addressed, with solutions developed and installed in a range of departments, including in local offices around the country. These cover both direct and indirect taxation, including the 'large taxpayers' unit, and the value-added tax (VAT) department.

Self-sustaining and effective tax systems are being established meaning a more efficient and cheaper tax administration and a better service to taxpayers. From the government's point of view, this should make a major contribution to reducing tax fraud and tax evasion, and to improving the ability to prosecute offenders. The result will be higher revenues for the state. In the longer term, the systems introduced will allow greater co-operation with neighbouring countries and other trading partners, facilitating Albania's integration into European markets.



Prison in Albania, 2003

Migena Leskoviku, the 30-year-old Director of Foreign Relations in the Albanian Ministry of Justice, sees the need for a new approach to the penitentiary system in her country. Police treatment of prisoners awaiting trial has caused concern in the past, she admits, and conditions have been inadequate.

She is the local co-ordinator of an EU-funded project to reform the prison system in Albania. "We need to bring the treatment of people awaiting trial under the control of the General Directorate of Prisons at the Ministry of Justice," she says. "This will improve the physical conditions and the way people are treated, as well as providing better infrastructure

for the police and more effective institutional organisation of the system."

The €400,000 project is bringing in Austrian experts for 14 months to create a strategy and a co-ordinated action plan for reform. It involves bringing legislation into line with EU and international human rights standards, providing better facilities, and training staff.

The initiative is funded by the CARDS regional programme on justice and home affairs, and operates via a local steering committee of relevant agencies which decide the best ways of putting improvements into effect. Key prison personnel get an insight into remand systems in other countries. And the end result is not only better conditions for prisoners on remand, but also a more coherent approach among national agencies and officials on the operation of a criminal justice system that meets EU standards and norms.

# Bosnia and Herzegovina

At the end of 2003, the European Commission published the results of a feasibility study indicating that it would recommend opening negotiations on a Stabilisation and Association Agreement with Bosnia and Herzegovina, provided that the country first made significant progress in priority areas of reform. These include more effective government, improved administration and customs, and the creation of a single economic space.

In recent years a number of reforms have been introduced. The divisions of the war years are being overcome as internal integration proceeds and the state is being strengthened through political and administrative reform, such as the establishment of new state ministries and the deployment of a state border service at the country's frontier posts. Attention is now focused largely on moving from dependence on aid to economic self-sustainability and enterprise support. Also, the state is introducing legislation and is building capacity to enable it to function as a full partner to the EU.



Bosnia and Herzegovina

## CARDS in Bosnia and Herzegovina

Over €2 billion of European Community funds have been committed for Bosnia and Herzegovina since 1991. Since 2002, further assistance totalling €199.9 million has been allocated under the CARDS Programme. The EU has also provided macro-financial assistance of more than €100 million.

Under the 2003 CARDS programme as part of its support for democratic stabilisation, the EU is helping refugees and internally displaced people to return home, through projects to repair homes and related infrastructure, to promote local job creation and to clear mines. Support is also provided to the reformed public broadcasting services to help develop programming that reflects the characteristics of all citizens of the country.

Administrative capacity-building projects include the modernisation of the customs and tax services through the creation of an Indirect Tax Authority to manage the merger of the existing entity-based systems into a national service for customs and VAT that is fully compliant with EU standards. Public administration reform aims to streamline and strengthen the administration systems, making them more effective and accountable in order to create structures able to take on the responsibilities of the EU integration agenda.

The environment and natural resources part of the programme aims to tackle the post-conflict neglect of environmental management that is suspected of having contributed to new health problems such as leukaemia. Information, data management, waste recycling and water quality management are the immediate targets of the programme.



**Bosnia and Herzegovina Programme Allocation for 2002 - 2004 (million €)**

| Sector                           | 2002        | 2003        | 2004        | Total        |
|----------------------------------|-------------|-------------|-------------|--------------|
| JUSTICE & HOME AFFAIRS           | 16.5        | 18.0        | 23.5        | 58.0         |
| ADMINISTRATIVE CAPACITY BUILDING | 10.5        | 12.0        | 21.5        | 44.0         |
| ECONOMIC & SOCIAL DEVELOPMENT    | 13.4        | 2.4         | 14.1        | 29.9         |
| ENVIRONMENT, NATURAL RESOURCES   | 6.5         | 10.1        | 1.4         | 18.0         |
| DEMOCRATIC STABILISATION         | 25.0        | 20.5        | 4.5         | 50.0         |
| <b>TOTAL ALLOCATION</b>          | <b>71.9</b> | <b>63.0</b> | <b>65.0</b> | <b>199.9</b> |

Training of judges and prosecutors is a major element in justice and home affairs programming. So too is help for the emergence of a functioning state-level judicial system, support to the consolidation of human rights bodies, and assistance to make the police force more professional and impartial, through improved management skills for higher ranks and the delivery of new equipment. This goes hand in hand with the monitoring and mentoring of the police forces provided by the EU police mission (EUPM). Improved administrative and staffing arrangements for asylum and migration management are geared towards combating trafficking of human beings, irregular migration to the EU, and abuse of their stay in the country by foreign criminals.

CARDS is supplying training and document-checking equipment, and providing grants to UNHCR for an asylum management programme. At the same time, the EU is funding new border crossing facilities to combat trafficking and smuggling, and to increase trade.

Sarajevo's famous library Vijećnica was severely damaged by bombing and fire in 1992. Constructed in 1898 as the town hall, the building has since become the Bosnian National Library. Now this national symbol - so fragile that the vibration from passing trams could provoke its collapse - is being restored with EU help. Following earlier assistance from Austria and the EU, a €1.7-million grant is funding rehabilitation of the building's central atrium - a step towards returning the Vijećnica to its former state.

It was a formidable civil engineering challenge, because five floors of the building needed lifting with hydraulic hoists while a new structure of stone columns was inserted. Massive preparation was needed before the reconstruction could begin, but the atrium was stabilised and special scaffolding erected. This allowed the fractured central support columns to be replaced with replicas that faithfully reproduce the atrium's arches and decorative capitals and reliefs. To provide the closest possible match in colour and character, five specially selected types of stone were used, obtained from Bosnia and Herzegovina, Croatia, Slovenia and Italy - a delicate echo of the significance of the building for the region as well as the city.



National Library, Sarajevo, 2003

Standards of food safety in Bosnia and Herzegovina are being raised towards EU levels not only by farmers and government officials, but also by academics. A three-year co-operation between the Faculty of Food Science and Technology at the University of Banja Luka and the High School of Agricultural Engineering at the University of Lleida in Spain has been helping ensure that best practices in food production, food law and food quality are built into the local teaching system and training programmes. Another similar link-up with the University of Paderborn in Germany is helping develop undergraduate programmes for management of small- and medium-sized enterprises at faculties of economics in Bosnia and Herzegovina.



Agricultural Faculty in Sarajevo, 2003

These are just two of the projects underway as part of the EU's TEMPUS programme, which funds co-operation with academic partners in the EU Member States. All seven universities in Bosnia and Herzegovina are actively involved. Over the last six years, more than €10 million has supported joint projects and hundreds of individual grants for lecturers and officials to travel to the Member States for extended periods, to observe new teaching methods, new forms of curriculum development, and new patterns of university governance, management and finance. The joint projects are also promoting much-needed co-operation among universities in Bosnia and Herzegovina, which remain dependent on each entity.

Professor Aleksandra Nikolić of the Faculty of Agriculture in the University of Sarajevo says: "For our Faculty this programme opened the door to international co-operation, after the isolation of the last few years. For the first time since the war, we are getting the chance to work in laboratories and libraries in conditions as they should be. We've received literature, information and donations of second-hand equipment which is still new for us. And we are back in contact with researchers in other countries."

Other co-operation arrangements have allowed sharing of expertise on community mental health with the Centro studi e ricerche regionale ed interregionale per la salute mentale e le scienze umane in Venice, on managing sustainable student union networks with Graz, on biotechnology with Rennes and on philosophy with Verona.

# Croatia

The elections in January 2000 marked a turning point in the development of the Croatian state towards one based on the principles of democracy, the rule of law and respect for human rights, as well as in its relations with the international community. Croatia became fully engaged in the SAp, and signed a Stabilisation and Association Agreement in 2001. The democratic parliamentary elections in November 2003 represented a further step towards normalisation. The new government maintains EU membership as its principal strategic goal.

Following Croatia's application for EU membership in 2003, the Council decided in June 2004 that Croatia is a candidate country, that the accession process should be launched, and that negotiations for membership should begin in early 2005. The country is now working to an ambitious integration programme of legislative approximation and economic reform. Its principal immediate challenge is to back up its plans with adequate administrative capacity to put reforms into place. The European Commission's priority is to assist the Croatian government in the planning and implementation of public administration reform at central and local level. This aims to enhance institutional and administrative capacity with particular emphasis on legislative, regulatory, organisational and human resources issues.



Croatia



## CARDS in Croatia

In 2003, the CARDS programme supported the return of refugees and internally displaced persons through social and economic projects, and action on legal, procedural and integration issues. A €23.2-million project is supporting the sustainable return of refugees and displaced persons through housing reconstruction, rehabilitation of public, social and economic infrastructure, de-mining, and support to small- and medium-sized enterprises. Within this framework, special attention is also being given to the restitution of property and housing support for former tenancy right holders.

Democracy and human rights are promoted through projects aimed at strengthening the capacity of local civil society organisations and the media, and involving local political participation.

Trade is being promoted through support to national testing and calibration laboratories for industrial and agricultural products to improve capacity. State-of-the-art equipment for central laboratory services is being provided and assistance is being given to strengthen the Croatian Veterinary Service for disease control.



### Croatia Programme Allocation for 2002 - 2004 (million €)

| Sector                           | 2002        | 2003        | 2004        | Total        |
|----------------------------------|-------------|-------------|-------------|--------------|
| JUSTICE & HOME AFFAIRS           | 10.0        | 12.0        | 21.85       | 43.85        |
| ADMINISTRATIVE CAPACITY BUILDING | 12.0        | 11.8        | 15.1        | 38.9         |
| ECONOMIC & SOCIAL DEVELOPMENT    | 18.0        | 17.5        | 17.75       | 53.25        |
| ENVIRONMENT, NATURAL RESOURCES   | 3.0         | 3.7         | 3.8         | 10.5         |
| DEMOCRATIC STABILISATION         | 16.0        | 17.0        | 17.5        | 50.5         |
| <b>TOTAL ALLOCATION</b>          | <b>59.0</b> | <b>62.0</b> | <b>76.0</b> | <b>197.0</b> |

Improvements in property registration, and tightening up on competition and intellectual property policy enforcement, are helping to boost business. CARDS is working with the World Bank and the Croatian government in supporting improvements in the land cadastre and registry system, focusing first on areas of high potential for investment, including the Croatian coastline. This should, for instance, cut the delay in registering land and buildings from its current average of 120 weeks to just a few days - with obvious benefits for attracting foreign and domestic investment. And vocational education and employment stimulation programmes are being upgraded. A €3-million project is improving labour market analysis and forecasting, and directly helping companies and the Croatian Employment Service to provide labour redeployment services for redundant workers.

Training is being provided to prosecutors; court operations are being modernised; a Criminal Intelligence System is being refined and new help is being provided to combat money laundering. Equipment is also being upgraded to support the Croatian authorities in fighting organised crime.

In the environmental field, water management legislation is being updated, Strategic Environmental Assessments are being conducted and support is being given to civil society organisations active in environmental protection.

## CARDS in Action

If vocational training doesn't function well, a country is at risk of a skills gap, leaving the workforce insufficiently trained or - worse still - trained for jobs that no longer exist in the labour market. That creates social as well as economic problems.

That is why the EU is providing €600,000 for an 18-month project to help Croatia refocus and expand vocational training. EU experts from the Aalborg Technical College are working with the Ministry of Science, Education and Sports and the Institute for Education in Zagreb. So far nearly 50 people (a mixture of officials and trainees) have been trained, and another 50 are to go through the programme.



Vocational Education and Training in Croatia, 2003

The project is creating a new policy framework, in which a modern, flexible and high-quality vocational education and training (VET) system can respond to the needs of the labour market. Experts work with Croatian government officials and vocational training institutes to build links with the local community and better respond to the needs of the local labour market through training for administrative and policy staff. Also a review of the teaching profession to improve training and career prospects is in hand.

At the same time, the message about the need for effective training has been systematically repeated across the country - through contacts with government, industry, the educational system and the labour market, and through workshops, websites, study visits to Member States and strategy papers. One of the main project achievements has been to bring VET reformers together to reach some consensus on working practices.

The concept of "integrated border management" has been known by the Croatian border police for some time. But now that an EU project with this title has started to deliver results, Croatia's border police are convinced it has great practical significance - and border policing is improving too.



Border Police in Northern Dalmatia, 2003

What the police on the ground have welcomed is the new status the project has brought them - as well as new equipment, improved training and closer links with their colleagues in neighbouring countries.

The EU assistance has done more than provide new equipment, however. It has helped to devise a new draft law recognising the special requirements for border police and establishing a single management structure, covering ministry, district, and local levels, which dovetails neatly with other law-enforcement agencies. Co-operation has also been established between the Croatian Ministry of Interior, and the ministers for EU integration and foreign affairs.

Further legislative work is in hand to establish agreements that meet EU standards with third countries on international border co-operation. More training is planned too, and an information technology strategy has identified additional equipment needed to meet EU standards.

## The former Yugoslav Republic of Macedonia

Since gaining independence from the former Yugoslavia in 1991, the country has undertaken reforms to move from a centrally managed economy to one based on fully functioning democratic institutions and a market economy. It is a full participant in the Stabilisation and Association process, and was the first country in the region to sign a Stabilisation and Association Agreement in 2001.

Since the signing of the Lake Ohrid Framework Agreement of 2001, which brought to an end the outbreak of hostilities between ethnic Albanians and the Macedonian security forces, the EU has urged the pursuit of the objectives of the Stabilisation and Association process as the best means of ensuring the country's long-term stability and prosperity.

The main challenges over the medium term are maintaining peace and stability and easing inter-ethnic tensions; enhancing the efficiency of the state; alleviating poverty; promoting private sector growth and job creation. The EU agreed to enhance its efforts to promote stability in the country through an EU-led police mission known as Proxima which took over from the military mission Concordia at the end of 2003. Proxima aims to help the authorities in the country develop their police forces to European and international standards through monitoring, mentoring and inspecting the management and operations of the police to uphold the rule of law and fight organised crime.



The former Yugoslav Republic of Macedonia

## CARDS in the former Yugoslav Republic of Macedonia

Support to strengthen civil society and improve inter-ethnic relations benefits from some €3 million under the 2003 CARDS programme, reflecting the importance of bringing stability to the country and reducing the mistrust between its main ethnic groups. CARDS is already funding public information campaigns on tolerance, extra-curricular activities for ethnically mixed groups of school children, and activities targeting young people, students, local authorities, civil society organisations, academics and parliamentarians. Civil society organisations also receive funding to help boost their skills and capacities.

Many projects are helping the economy, by developing public procurement legislation and practices, raising the level of skills of business managers, and improving quality control measurement, particularly for the food sector. Local government capacity is also being supported, along with local vocational education and training facilities. And a €5.6-million credit line through the national bank for development will be used to supply micro-credits to small firms. At the same time, some infrastructure projects are also promoting inter-ethnic co-operation by bringing municipalities together to work on joint projects.

**The former Yugoslav Republic of Macedonia Programme Allocation for 2002 - 2004 (million €)**

| Sector                           | 2002        | 2003        | 2004        | Total        |
|----------------------------------|-------------|-------------|-------------|--------------|
| JUSTICE & HOME AFFAIRS           | 7.0         | 12.5        | 17.0        | 36.5         |
| ADMINISTRATIVE CAPACITY BUILDING | 14.0        | 9.0         | 8.5         | 31.5         |
| ECONOMIC & SOCIAL DEVELOPMENT    | 11.5        | 11.0        | 14.0        | 36.5         |
| ENVIRONMENT, NATURAL RESOURCES   | -           | 1.0         | 2.0         | 3.0          |
| DEMOCRATIC STABILISATION         | 3.0         | 3.0         | 3.0         | 9.0          |
| OTHER                            | 6.0         | 7.0         | 6.5         | 19.5         |
| <b>TOTAL ALLOCATION</b>          | <b>41.5</b> | <b>43.5</b> | <b>51.0</b> | <b>136.0</b> |

Justice and home affairs projects include reform of the police through reorganising the Ministry of the Interior, setting up a police academy and strengthening capacity to fight criminality. The judiciary is also being reformed and trained, and computerisation is being introduced to streamline cases. The EU is providing €2 million for an integrated court information system in courts, and training staff to use it.

Integrated border management is being supported; a specialised border police force is being established to challenge smuggling, illegal immigration and other crime more effectively; the customs service is being modernised and asylum legislation is being adapted to bring it into line with accepted international standards.

In the environment sector, CARDS is focusing on cross-border co-operation with Greece on management and protection of shared water resources. It is also providing the Macedonian Ministry of Environment with €11 million to upgrade legislation, introduce an unleaded fuel campaign, procure equipment for air and water quality, provide training and develop a public awareness campaign on the environment.



Twenty single mothers in Skopje have been providing care to nearly 100 local elderly people in an unlikely but imaginative alliance funded by the EU. This pilot project trained single mothers to visit elderly people living alone, providing much-needed support to isolated and often house-bound older people. At the same time it is helping create a virtuous circle of social protection outside formal institutions.

The project started with a study exploring the problems faced by elderly people with no close family members to support them. It moved on to provide training for administrative staff and for the single mothers, including the award of qualifications. Working in teams of five under the guidance of a social worker, the mothers have been going to the homes of elderly people to provide care, ranging from shopping to personal hygiene.



Caring for the Elderly, Skopje, 2003

These elderly people have until now been largely ignored as a group, and the project has helped provide much-needed contact and care. Those involved have become more involved in the community, boosting their self-confidence and acceptance in society. And since the city centre is a multi-ethnic district, the project also helped build better relations between different parts of the community. According to 73-year-old Blagoja Petkovski, who lives on his own: "Life has changed since these young girls started to come round so bright and full of fun to help with my shopping."

The project has helped create a network of social aid among local people, agencies and non-governmental organisations, with help from professionals. One of the results had been the production of a manual on providing professional home-care to elderly people.

A bus has been criss-crossing the former Yugoslav Republic of Macedonia over recent months, spreading the message about the need for action on the environment. The Eco-caravan is a travelling office and exhibition centre funded by the EU to help the Macedonian Ministry for Environment make direct contact with local citizens.



Eco-caravan, Skopje, 2003

Its primary function so far has been to help boost awareness of the merits of unleaded petrol. The Eco-caravan focused in 2003 on local promotion of an EU-funded and Ministry-led national campaign to promote the use of unleaded petrol. In petrol-station forecourts and other public locations across the country, ministry experts talked with citizens about the benefits of unleaded petrol, handed out promotional materials, and answered questions.

Its educational activities for raising public awareness offer a chance for people to find out everything they ever wanted to know about the environment - and how it affects them and their health. It is building bridges between non-governmental organisations, industry and the Ministry, and there are plans in preparation for a series of different themes every year until 2008.

Overall, the effect of raising awareness helps develop environmental monitoring on everything from noise to waste, and from biodiversity to the use of land. Sixteen-year-old schoolboy Davor Temelkoski from Skopje said after seeing the Eco-caravan: "This was cool. They showed us what leaded petrol is doing to my brain." It also feeds into allocating greater priority to protection of the environment in national politics, as new duties emerge from new legislation.

# Serbia and Montenegro

The advent of democratic leadership in Serbia and Montenegro has allowed the state to benefit fully from the Stabilisation and Association process. Now progress depends heavily on co-operation between the authorities in the newly emerged State Union of Serbia and Montenegro, including dialogue with Kosovo, which is under United Nations administration. The situation is further complicated by nearly 500,000 refugees and internally displaced persons in Serbia and in Montenegro, mainly from Bosnia and Herzegovina, Croatia and Kosovo.

While the policy agenda reflects differing priorities at republic level, there are some common objectives to be achieved. The implementation of an internal market and single trade policy will help economic development, attract investment and assistance, and facilitate a *rapprochement* with the EU. And finalising constitutional issues will allow attention to be focused on reforms that will help build a new future for the State Union as a whole.

Also, the implementation of the UN policy 'standards before status' is a pre-requisite for a democratic, multi-ethnic and prosperous future for all communities in Kosovo.



# Serbia and Montenegro

## CARDS in Serbia and Montenegro

CARDS support is a mix of direct response to immediate problems in a wide number of economic sectors, and guidance and support towards longer-term solutions. In Serbia, CARDS has, *inter alia*, helped boost electricity output, delivered emergency supplies of drugs to hospitals, rebuilt schools, given hundreds of Serbian entrepreneurs advisory and training services, and supported a new agricultural laboratory network. The EU is helping retrain unemployed and redundant workers in Kragujevac, where the region's main employer, the Zastava ('Yugo') car plant, is down-sizing. And EU-funded X-ray machines, breathing equipment, operating tables and surgical equipment is now saving lives in major hospitals all over the country after years of neglect, during which patients suffered through a lack of basic facilities.



**Serbia and Montenegro Programme Allocation for 2002 - 2004 (million €)**

| Sector                               | 2002         | 2003          | 2004         | Total         |
|--------------------------------------|--------------|---------------|--------------|---------------|
| <b>SERBIA</b>                        |              |               |              |               |
| INSTITUTION BUILDING                 | 34.7         | 58.5          | 64.0         | 157.2         |
| ECONOMIC RECONSTRUCTION              | 132.5        | 141.5         | 121.5        | 395.5         |
| CIVIL SOCIETY                        | 9.5          | 24.0          | 21.0         | 54.5          |
| OTHER                                | 13.0         | 16.0          | 11.5         | 40.5          |
| <b>MONTENEGRO</b>                    |              |               |              |               |
| INSTITUTION BUILDING                 | 3.0          | 4.0           | 10.0         | 17.0          |
| ECONOMIC RECONSTRUCTION              | 9.5          | 7.5           | 4.5          | 21.5          |
| CIVIL SOCIETY                        | 0.5          | 1.5           | 2.5          | 4.5           |
| OTHER                                | 2.0          | 2.0           | 2.0          | 6.0           |
| <b>KOSOVO</b>                        |              |               |              |               |
| INSTITUTION BUILDING                 | 24.2         | 12.0          | 15.0         | 51.2          |
| ECONOMIC RECONSTRUCTION              | 101.0        | 46.28         | 31.0         | 178.28        |
| SOCIAL DEVELOPMENT AND CIVIL SOCIETY | 9.8          | 5.0           | 4.0          | 18.8          |
| OTHER                                | 19.9         | 13.0          | 10.0         | 42.9          |
| <b>TOTAL ALLOCATION</b>              | <b>359.6</b> | <b>331.28</b> | <b>297.0</b> | <b>987.88</b> |

At the same time, new programmes in Serbia are delivering training and reorganising the civil service, upgrading the country's Ministry of Finance with new information technology, and boosting the capacities of certification and standards agencies. In the justice and home affairs area, efforts are being directed at upgrading the court system, and developing coherent police and judiciary services that link into the rest of the country and with its neighbours. And the health ministry is being assisted in developing a new national health-care plan.

The energy, environment and transport sectors, the rural economy and the agriculture sector, enterprises and municipal development are all benefiting from CARDS projects too. For example, the heavily polluted industrial town of Pančevo, just outside Belgrade, is being helped to confront the health problems that air-pollution causes there with EU input on a local environment action plan. Youth projects at the Roma Information Centre in Kragujevac have promoted discussion of many issues which are still largely taboo in Serbia, such as racism, gender equality, or homophobia, as part of a €31,000 democracy micro-project.

## CARDS in Action

In Serbia, the EU supports the reform of public administration and finance through technical assistance and the provision of related IT equipment. In addition, the establishment of a national blood transfusion service is a priority.

In Montenegro, CARDS has, among other things, created audit functions in the Ministry of Finance; modernised the statistical office; helped in the rehabilitation of municipal infrastructure; prepared restructuring plans for the energy utility company; improved service and safety on key road links; prepared feasibility studies for sewage and wastewater for the coastal region; provided business advisory services and loans to smaller firms; and helped draft new media laws and public administration legislation. New programmes are reinforcing the judiciary and border police, developing energy efficiency, expanding waste water treatment, upgrading animal health controls and promoting non-governmental organisations. Technical assistance also supports investments worth up to €26 million to upgrade the airports at Podgorica and Tivat to international standards, and assistance is being provided to improve the business environment to support SMEs and promote investment.

In Kosovo, CARDS has rebuilt houses, boosted energy production and begun the training of family doctors as a precursor to reforming the whole sector. It has provided loans to farmers and small traders, and improved the delivery of public services at municipal level. New programmes also cover public administration reform, crime-fighting support to police, tax administration and revenue collection, job-creation and business start-up help to rural economies, and projects to develop civil society.



Radio and Television of Kosovo (RTK) has received €4 million of EU funding with the aim of helping it become an independent public service broadcaster properly committed to providing quality information serving the interests of the public, regardless of their political, ethnic or religious affiliations. It caters for the general TV audience in Kosovo - Albanian, Serbian, Bosnian, Turk, Roma - and for sections of society not covered by commercial broadcasters, such as the agricultural community.



Support to Media in Kosovo, 2003

The funding was part of wider efforts that continue to support the building of a democratic and pluralist Kosovo. The central aim was to make RTK economically viable so it can sustain its

independence in the long term. Preparations are now in hand for it to rely on a licence fee system for its revenue, supplemented with income from advertisements and subscriptions from the Kosovar Diaspora.

RTK was the first service to start broadcasting again in Kosovo after the conflict in 1999, and was formally identified as the public service broadcaster mandated to provide a wide range of programming serving all sections of the population in Kosovo. Under the project, international media experts were seconded to RTK, providing training for senior and middle management as well as technical training in news reporting, editing, graphics and marketing. The funding also covered programming and production costs to ensure quality and an accurate reflection in content of the population's diversity.

The funding helped cover essential running costs of RTK, including the purchase of new terrestrial transmitters. And advice was given on preparing the draft Broadcasting Regulation for UNMIK.

Some 300 Kosovar staff were trained to modern professional standards under the scheme. "We have tried to create a multi-ethnic atmosphere in a very short time," says Bukurie Gjonbalaj, one of the station managers. RTK has further to go to meet the project's aims of helping it assume its full responsibilities as a public broadcaster.

Ježdimir Kuč's family has been making dairy products in Kragujevac, in central Serbia, for 200 years, but he only opened his own dairy in 1992. Since then he has built a business marketing milk, cream, yogurts and cheeses at premium prices as quality 'home-made' products. And now he has obtained a five-year €200,000 loan to help boost performance.

He is one of the beneficiaries of the 'Revolving Credit Fund', set up in the country's central bank in July 2001, with €15-million start-up capital from the European Agency for Reconstruction. The fund supports small- and medium-sized firms via loans from commercial banks on favourable terms, and has so far disbursed €14 million to more than 170 businesses - helping to create more than 1,700 new jobs. But the Fund only supports potentially profitable investments to foster the development of the banking system.

The Kuč dairy is now the biggest in the area. Most of the loan has been used to buy equipment for production and quality control. Milk-processing capacity has been doubled to 30,000 litres a day, and new equipment for making a UHT version of a local cheese has tripled production to 1,000 litres per hour. The workforce has doubled too, to 60, to handle the higher volumes. And products are now sold throughout Serbia and as far away as Croatia, the former Yugoslav Republic of Macedonia and Bosnia and Herzegovina. The dairy is also trying to win an EU export licence for its own up-market version of the regional speciality, kajmak (a type of local cheese), and hopes to launch it in Germany and Denmark in 2004.

The dairy's 1,000 suppliers of milk in the surrounding villages and farms have also benefited, stimulating the local economy. And Mr Kuč has further plans for expansion, including improvements to its distribution system. He could, he says, have obtained a commercial loan, but it would have taken longer and been less efficient in boosting his business.



Kuč Dairy in Serbia, 2003

Fire-fighters in Montenegro work under very difficult conditions and fires are a constant hazard, particularly in the hot summer months. Between June and August 2003, there were more than 1,200 fires in Podgorica alone. Most of the fire-fighting equipment used in Montenegro dates back to the 1970's and 1980's. Montenegro has around 300 firemen, but only a few have received any kind of training. Different municipal fire departments are not formally linked to each other and often rely instead on good relations and co-operation between the municipalities. Many are not even connected to the '93' emergency telephone system.



Fire Brigade in Podgorica, 2003

To support the development of the fire service in the country the EU has stepped in with co-funding totalling €2.2 million to construct a modern fire station in Podgorica, the capital city. The site will be the operational base of the Podgorica

Fire Brigade, as well as housing trade facilities for all the firemen in Montenegro, providing an excellent base for further reforms.

Recently, the European Agency for Reconstruction financed a study by international experts. They concluded that the fire-fighting services in Montenegro need urgent restructuring, reorganisation and modernisation. The report said that firemen needed to be provided with a regular training programme, to be able to fulfil their duties and tasks. Among other things, firemen need to be trained in fighting fires in high buildings and oil tankers, and in providing rescue services following accidents. In addition, the report called for significant efforts to upgrade and standardise equipment across all municipalities, so that a fire engine in Ulcinj contains the same standard equipment as a vehicle in Podgorica, or Bar.

## CARDS in Action

### The Customs and Fiscal Administration Offices (CAFAO)

As an example of intelligence developed on a regional basis, customs officers in Rožaje, in Serbia and Montenegro, recently seized forged customs stamps, certificates of origin, transit documents, customs release notes and number plates. And by pooling intelligence with the Albanian authorities, Serbia and Montenegro's customs services have been able to dramatically cut the number of tankers coming in with undeclared fuel.



The former Yugoslav Republic of Macedonia, 2003

These are just two examples of the improvements being achieved in the region in the area of customs - largely through a dedicated CARDS programme that is bringing new coherence to the way that customs services operate.

The Customs and Fiscal Administration Offices (CAFAO) are providing a framework for consistent upgrading of national services, ensuring not only that customs can operate more effectively within their own territories, but also that they function on the basis of common EU-compliant procedures that allow for immediate co-operation between countries and help them prepare for eventual EU membership.

Better customs and fiscal administration at national level can boost government revenues by cutting out smuggling and ensuring that legitimate traffic pays legitimate duties. In Bosnia and Herzegovina, improved levels of compliance led to a trebling of annual revenue from customs collection between 1996 and 2001.

And at regional level, these improvements are helping to increase trade and transit, for instance, by introducing "red" and "green" channels in airports, accelerating border checking procedures, or creating inland clearance centres for goods. But at the same time they are raising the countries' abilities to combat the cross-border crime that has for so long undermined the region's economy and the authority of the forces of law and order.



Border Crossing Horgoš, Serbia and Montenegro, 2003

The EU is helping re-establish the physical authority of the customs service on borders, and has funded equipment and increases in staffing. Now the focus is shifting towards longer-term institutional development and capacity building.

Everywhere new customs legislation - codes and implementation provisions - in line with EU standards have been drafted and brought into effect. New computerized trade information management systems are being introduced to allow modern processing of customs clearance, including comprehensive trade reports. Task forces are being set up to develop intelligence, mobile anti-smuggling and investigation components, while investigators are being encouraged to further develop "post clearance audit" skills and move into the area of proactive criminal investigations. Close day-to-day co-operation with other agencies to tighten up enforcement and security at key sites has also boosted efficiency. At the same time, confidence in fighting large-scale tax and customs fraud and corruption is growing as competence to prepare successful cases for the prosecution of offenders is increased.



The former Yugoslav Republic of Macedonia, 2003

Staff management and career development policies - mixing productivity incentives with a comprehensive disciplinary system - are raising efficiency and reducing the risk of fraud and corruption that weakens customs services. Making clear the obligations and rights of customs officers - and those of traders and the general public - is a vital step towards ensuring legislation is enforced fairly. Regular and close co-operation with trade organisations encourages compliance.

The assistance is being provided in the form of on-the-job training, with EU experts working alongside customs officers on the ground and managers in national administrations. It forms part of an integrated approach the EU is promoting in all aspects of border management at regional level, which ranges from simply agreeing common opening times on either side of a border crossing to sophisticated co-operation on customs and border control, and includes links with other agencies, such as veterinary or plant-health control, border guards, police and judiciary, and ministries responsible for transport and transport infrastructure or trade.



Bosanski Šamac, Bosnia and Herzegovina, 2003

# Regional programmes

Regional co-operation has been at the heart of international efforts to stabilise the Western Balkans. It is also a central feature of the SAp, which is much more than a bilateral process with each country. The Zagreb Summit emphasised regional co-operation as part of the EU's "contract" with the SAp countries, and each Stabilisation and Association Agreement includes a clear commitment to closer links between neighbours. This is reflected both by the funding of a regional CARDS programme and the shared objectives of national CARDS programmes.

The regional framework is vital because the EU wants to welcome the entire Western Balkans region into the European Union, with none of the barriers that have caused so much suffering in the past. As European Commission President Romano Prodi said in July 2003: "It is time to build bridges in the Western Balkans, not destroy them. To open borders, not to close them. To restore relations and trade links, not to sever them."



## CARDS in the Region



CARDS helps to advance the EU's policy objectives, including encouraging closer co-operation between the countries in the region, developing a network of free trade agreements, bringing the region back into the transport, energy, and border management networks of the wider Europe, and promoting joint responses to common threats to security from organised crime, illegal immigration and other forms of trafficking.

Multilateral and bilateral contacts among the five countries of the region have covered energy, trade and transport, border management, the fight against corruption, citizenship, refugee return, pension and social security rights, and economic co-operation. Regional co-operation to fight crime is helping pave the way for closer links between the countries of the region and Europol and Eurojust - the EU's own police and judicial agencies. Disputes have been resolved on border crossings between Bosnia and Herzegovina and Croatia, and closer understanding reached on the dispute between Croatia and Serbia and Montenegro. And all five countries of the region have signed up to regional agreements on energy and the environment.

Under the CARDS programme, €75 million has been allocated for 2002-2004 for regional programmes, focused on key priorities for the region.

In addition, the promotion of integrated border management is to receive a further €105 million. Integrated border management aims to allow people to live in security and freedom, while they can travel freely across the region, and their businesses can trade more easily across borders. The money is intended directly to help cut crime and boost economic growth. Indirectly, it should help reduce poverty, and promote tolerance and appreciation of the cultural, religious and linguistic differences across the region.

**CARDS Regional Programme Allocation for 2002 - 2003 (million €)**

| Sector                       | 2002        | 2003        | Total       |
|------------------------------|-------------|-------------|-------------|
| INTEGRATED BORDER MANAGEMENT | 1.0         | 1.0         | 2.0         |
| INSTITUTION BUILDING         | 19.9        | 21.8        | 41.7        |
| DEMOCRATIC STABILISATION     | 7.6         | 5.0         | 12.6        |
| REGIONAL INFRASTRUCTURE      | 14.0        | 3.7         | 17.7        |
| RESERVE                      | 1.0         | -           | 1.0         |
| <b>TOTAL</b>                 | <b>43.5</b> | <b>31.5</b> | <b>75.0</b> |

An additional amount of €105.15 million from the regional funds has been allocated to the country programmes for integrated border management for the period 2002-2004.

Stabilising democracy is widely supported. Specific measures focus on promoting good governance and the rule of law; developing an independent media and freedom of opinion; protecting minorities; promoting respect for cultural, linguistic and religious diversity; fighting racism and xenophobia; and preventing and resolving conflict. In addition, non-governmental organisations dealing with sustainable development are being assisted.

Technical assistance and funding for networking and meetings is provided for civil service reform and for improving civil service procedures in fiscal and financial management, procurement, justice and home affairs, statistics, trade agreements and trade facilitation. This is complementary to national CARDS support for institution building.

CARDS has produced detailed assessment reports on all the areas covered by justice and home affairs, and provided recommendations for reform in all five countries. CARDS is also helping enhance police co-operation capacities by, for example, the rehabilitation of the National Central Bureaux of Interpol across the region.

## CARDS in Action

In addition, regional projects from 2004 will provide training on European standards and best practice in areas such as asylum, migration, policing, the fight against organised crime and border management.

Regional approaches to infrastructure are supported, notably the development of coherent and internationally-oriented strategies for transport, energy and environment. Studies are underway to extend the Pan European Network System in the Western Balkans, and to strengthen air traffic safety and control.

The European Training Foundation supports higher education and vocational training in the region. And programmes such as TEMPUS encourage co-operation between educational institutions, the EU Member States and the partner countries providing grants to allow academics and officials to work in other countries.

Administrative reform also receives support from SIGMA - Support for Improvement in Governance and Management - which was set up by the European Commission and the Organisation for Economic Co-operation and Development to help countries in transition. Its Western Balkans programme is financed through CARDS, and trains the civil service in areas such as public expenditure management, external audit, financial control and public procurement. Furthermore, a school for higher education on public administration reform is to be established in the region. TAIEX (Technical Assistance and Information Exchange) has begun to provide short-term technical assistance in the field of approximation, application and enforcement of legislation.

Twinning is increasingly being made available through CARDS: civil servants are seconded from EU Member States to work as advisers to help build specific capacities in government institutions. Twinning was developed to assist EU enlargement, and is being adapted to reflect the differing needs of the countries in the Western Balkans. Currently more than a dozen twinning projects are running or are in preparation in Albania and Croatia, covering prisons, statistics, internal audit, asylum, customs, border police, criminal intelligence system and border sanitary inspection.



Efforts to boost transport networks at regional level are one of the most successful ways of reinforcing links between peoples, and involvement in regional transport development is a tangible demonstration of EU assistance. Without an adequate transport network people and goods cannot move around the region easily, and trade and economic growth cannot be fully exploited. At the same time, transport links are essential to help the region emerge from isolation and gain a sense of regional identity.

So far, the EU has funded a €2.45-million study in close co-operation with local administrations to define a regional transport core network to provide links between capitals and with the pan-European corridors that cross the region. The study has also identified bottlenecks, including border crossings, and produced costings for upgrading the network to EU standards.

Senior officials from across the region have been meeting regularly to develop the plan, and agreement was reached in 2003 on a single policy which will focus principally on upgrading the road network at an estimated cost of €3 billion. Out of the common political will that the exercise has promoted, a joint technical office has been established with EU assistance - the South East Europe Transport Observatory - to ensure co-operation between the ministries involved.

Meanwhile, the EU is providing €3 million for feasibility studies on key aspects to help win early backing from international financial institutions. Training is also being provided to officials unfamiliar with the procedures of international tendering and procurement.

## Conclusion

The EU involvement in the Western Balkans is a long-term process, with a heavy EU commitment.

The engagement is on a number of levels: strategic, holding out the prospect of EU membership to all the countries in the region; military, with 38,000 peace-keeping troops in the region; political, in responding to crises such as in southern Serbia or in the former Yugoslav Republic of Macedonia over recent years; institutional, to build up the capacity for the countries in the region to manage their own affairs and enable them eventually to apply the EU *acquis* and other European and international standards; economic, with budgetary assistance and the opening up of EU markets to the region; and financial, with some of the highest per capita assistance in the world.

This is also an ongoing process.

It operates via a continual process of analysis, planning and assessment of delivery, maximising involvement with the beneficiary partners in the region. And within the EU itself, it is constantly under review to ensure that it matches perfectly the EU's own strategy for the region, and that tactical adjustments are made as the situation there evolves.

And it is a practical process.

The assistance the EU is delivering to the region is geared to meeting priority needs, both in the medium and long term. It is a coherent programme, whose different components complement each other, and which is aligned as a whole with the EU's other policies. But it is a flexible and evolving programme, which can respond to changing circumstances in the region while retaining its fundamental objectives.

It is a process that has a fixed objective.

Assistance is vital now to the region, but as stability and security are attained, and the countries move closer to their own goals of peace and prosperity, they will increasingly take on fuller responsibility for their own development.

It is too soon to say when any of them may become members of the EU. Until they do so they will - like those countries which recently joined the EU - continue to benefit from EU assistance. But the ultimate objective of assistance is to promote self-reliance; so the longer-term goal is to see the countries in the region become full and equal partners in an integrated Europe of the future.



## Useful terms

### **Dayton Agreement:**

The Dayton Agreement (General Framework Agreement for Peace in Bosnia and Herzegovina) was initiated in November 1995 and signed in December 1995. It brought an end to the conflict in Bosnia and Herzegovina.

### **European Union Enlargement:**

On 1st May 2004, the European Union extended its membership from 15 to 25 states. The new members are: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia.

### **Europe Agreements:**

The Europe Agreements provide the framework for bilateral relations between the European Communities and their Member States on the one hand and the EU acceding countries on the other. The Agreements cover trade-related issues, political dialogue, legal approximation and other areas of co-operation, such as industry, environment, transport and customs, as well as progressively establishing free trade areas between the EU and the associated countries.

### **Framework Agreement:**

The main political parties in the former Yugoslav Republic of Macedonia signed the Framework Agreement at Lake Ohrid in August 2001. This Agreement provides a basis for the resolution of the crisis that affected the country in 2001.

### **High Representative:**

The position of High Representative was created under the General Framework Agreement for Peace in Bosnia and Herzegovina in December 1995 to oversee the implementation of the civilian aspects of the Agreement.

### **Stability Pact:**

The Stability Pact for South Eastern Europe was adopted in June 1999. It brings together more than 40 partner countries and organisations. Its goal is to strengthen the capacities of the countries of south-east Europe in their efforts to foster peace, democracy, respect for human rights and economic prosperity across the whole region.

### **The European Partnerships:**

These Partnerships, modelled on the Accession Partnerships, are tailored to each country's specific needs, setting out priorities for the short term (12-24 months) and the medium term (3-4 years) for further integration with the European Union. The Partnerships help governments concentrate reform efforts and available resources where they are most needed to achieve these objectives.

### **The Zagreb Summit:**

The Zagreb Summit called by the French Presidency and co-hosted with Croatia on 24th November 2000 mapped out a vision for the closer integration into the European Union of the five Western Balkan countries. In return for a clear commitment to sustained reform, regional co-operation and respect for democratic standards and international obligations, the EU offered these countries a road to Europe as potential candidates for membership.

### **The Thessaloniki Summit:**

The European Union - Western Balkans Summit of Thessaloniki held on 21st June 2003, provided an opportunity for the EU and the Western Balkan countries to assess three years of work in stability, democracy and economic recovery in all countries of the region. The EU underlined once again the prospect of EU membership and pledged full support to the endeavours of the countries of the Western Balkans, introducing European Partnerships and other support structures, inspired by the work with the accession countries.

### **European Union Police Mission:**

The European Union Police Mission (EUPM) is based in Bosnia and Herzegovina and started operations on 1st January 2003. It follows on from the UN's International Police Task Force. The EUPM is helping the authorities to bring the standard of the police force in the country in line with EU standards and to strengthen the institutional framework of the police.

### **Concordia and Proxima:**

The European Union launched a military operation in the former Yugoslav Republic of Macedonia on 31st March 2003. The core aim of the operation was to contribute further to a stable secure environment and to allow the implementation of the August 2001 Ohrid Framework Agreement. On 15th December 2003 an EU Police Mission, PROXIMA, took over. Within this mission, EU police experts monitor, mentor and advise the former Yugoslav Republic of Macedonia's police to help them to fight organised crime as well as promote European policing standards.



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