

CARDS
Regional Multi-annual Indicative Programme (MIP)
2005-2006

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Acronyms

- **BERCEN:** Balkan Environmental Regulation Compliance Enforcement Network
- **CBC:** Cross-border co-operation
- **CBRN:** Chemical biological radiological nuclear, applies to weapons which use processes of these natures to produce a significant destructive effect
- **DABLAS:** Danube/Black Sea Initiative
- **CSO:** Civil Society Organisation(s)
- **EASA:** The European Aviation Safety Agency
- **EEA:** The European Environment Agency
- **EMCDDA:** The European Monitoring Center for Drugs and Drug Abuse
- **EMSA:** The European Maritime Safety Agency
- **ENU: Europol national Unit;** a structure that is defined in the Europol convention to replace Europol contact points
- **EUMC:** The European Monitoring Centre for Racism and Xenophobia
- **FDI:** Foreign Direct Investment
- **IFIs:** International Financial Institutions
- **ILOs:** Immigration Liaison Officers
- **ISG:** The Infrastructure Steering Group for SEE
- **IMPEL:** The EU's environmental enforcement network
- **Interpol NCB:** National central bureau of Interpol; in each country the unit that is in charge of relations between the various police services and Interpol (Lyon HQ and other NCB)
- **JHA:** Justice and Home Affairs
- **NCC: National co-ordinating centre;** a structure that incorporates Interpol NCB, the national office of the Schengen information system, ENU, implementation of regional and bilateral agreements, national liaison officers stationed abroad, liaison officers from foreign countries
- **PPF:** Project prioritization/preparation/implementation facilities
- **REM:** Regional Energy Market
- **REReP:** The Regional Environmental Reconstruction Programme for South Eastern Europe
- **SAP:** Stabilisation and Association process
- **SEE:** South East Europe
- **SHEPAR:** School for Higher Education on Public Administration Reform
- **SECI TCC:** South Eastern Europe cooperative initiative trans-border crime center
- **SEECP:** South Eastern Europe Co-operation Process
- **SEEPAG:** South East European Prosecutor Advisory Group: initiated with US support and covering prosecutor co-operation in organised crime investigations and some witness protection activities. This initiative is now one of the co-ordination mechanisms under the South Eastern Europe Cooperative Process (SEECP)
- **SIGMA:** A joint initiative of the EU and the OECD, principally financed by the EU, providing support to partner countries in their efforts to modernise their public governance systems
- **TAIEX:** Technical Assistance Information Exchange Office

CARDS Regional Multi-annual Indicative Programme (MIP) 2005-2006

Executive Summary

Regional co-operation is an essential element of the Stabilisation and Association process, and this was confirmed in the Thessaloniki Agenda for the Western Balkans, endorsed at the Thessaloniki European Council of June 2003. The capacity and readiness of an individual Western Balkan country to fully and constructively engage in regional co-operation is a key indicator of its ability to cope with European obligations and to eventually join the European Union. The Thessaloniki Agenda set down a number of areas in which regional cooperation should continue to be developed. The European Partnerships with the Western Balkan countries, adopted in 2004, set the reform agenda for the countries of the region and indicate the main priority areas in which concrete steps need to be taken, including in the context of regional cooperation.

Within this strategic framework, and on the basis of the analysis of the Western Balkan countries' situation in the 2004 Annual Report on the Stabilisation and Association Process, the CARDS regional MIP 2005-2006 identifies priorities and provides further detail on the actions where CARDS regional funds will be focused, aiming to bolster the regional cooperation-related policy objectives.

The priority actions of the regional MIP 2005-2006 correspond to initiatives with a regional dimension where objectives can be better achieved and support can be better delivered at regional level.

The Regional MIP 2005-2006 is designed to ensure continuity with regional actions initiated under the previous MIP 2002-2004, and provides a complement in areas which need reinforcement.

The recent CARDS evaluation finds that CARDS assistance made a significant contribution to reconstruction in the Western Balkans, and that it remains relevant in the context of the goals of the Stabilisation and Association process. The main weaknesses identified refer to ownership by the countries and the lack of strategic guidance.

With respect to ownership by the countries, concerning the transport and energy infrastructure development the Western Balkan countries have been involved in the identification of priority needs, the establishment of response strategies and the implementation mechanisms.

In the Justice and Home Affairs sector, the Western Balkan countries participate in a number of regional initiatives where regional and international responses to the challenges facing the countries are developed, together with implementation and follow-up mechanisms. In the framework of the EU-Western Balkans Forum of JHA Ministers, the countries of the region presented plans for implementation specific action oriented measures for the fight against organised crime. This Forum constitutes also a structure of implementation follow-up.

The responses to the challenges facing the countries in the area of institution building (administrative capacity building through TAIEX services, public administration reform through a School for Higher Education, and co-operation with Community Agencies)

correspond to specific objectives of the Thessaloniki Agenda, which is a shared agenda endorsed by the Western Balkan countries.

With respect to the need for stronger strategic guidance, the CARDS Regional Strategy 2002-2006 defines the specific objectives that can be reached through enhanced regional co-operation: building of functioning institutions, combating organised crime and corruption and promoting economic development. In order to attain these objectives, the regional MIP 2005-2006 identifies a number of sectoral priority areas for support, which are closely inter-linked, have a strong regional dimension and are instrumental to pursue the overall strategy.

Common strategies are in place in the infrastructure sector (transport, energy and environment), at regional and national levels, supported by the IFIs. In the case of the transport and energy sectors this is formalised in Memoranda of Understanding (as a follow-up to this, an Energy Treaty is currently being negotiated). The process of reinforcing strategic guidance in the fields of organised crime and border control has started, with the involvement of the SEECF and the SECI Centre. The Commission intends to further develop this practice enhancing its participation in support to the relevant regional initiatives. Support for the development of networks of stakeholders is foreseen under the Regional MIP 2005-2006.

The CARDS evaluation report concludes also that, in order to strengthen CARDS regional dimension, it is needed to make available a specific capacity to promote intra-regional (among Western Balkan countries) and interregional (between the Western Balkans, candidate countries and Member States) co-operation. An annual allocation of € 15 million to cross-border co-operation, started in 2004, responds to the concern to promote interregional co-operation and is accompanied by an increase in means allotted to intra-regional co-operation.

The regional MIP 2005-2006 identifies five priority areas where regional CARDS funds will be focused for the reference period:

1. **Institution building.** The national CARDS programmes will be the main route for institution building support but will be complemented by Regional CARDS actions in this area that are most efficiently delivered at the regional level. This regional MIP priority comprises the following actions: administrative capacity building, including EC *acquis* approximation; public administration reform; and, co-operation with Community Agencies.

2. **Justice and Home Affairs.** Various sectors in the Justice and Home Affairs area are covered in the European Partnerships. The challenges faced in this field are often of a trans-national nature and actions already initiated under the previous MIP need to be complemented. This regional MIP priority comprises the following actions: enhanced police regional cooperation; judicial regional cooperation; development of monitoring instruments.

3. **Cross-border cooperation**, which is by definition a regional priority. This regional MIP priority, which provides a complement in areas that need reinforcement, covers action in the field of border region cooperation that is comprised of two components: one for the external borders of the Western Balkan countries with either Member States or Candidate Countries, and the other for borders internal to the Western Balkan region.

4. **Private sector development.** This priority of the regional MIP covers action aimed at facilitating investment, which is seen as a tool to promote private sector development at regional level.

5. **Infrastructure development**, which has by its nature a regional dimension. This priority will ensure continuity to preparatory action undertaken under the previous regional MIP. This priority of the regional MIP comprises actions in the following sectors: transport, energy, environment, and information society.

Detailed programmes and projects will be derived from this MIP and will be set down in Annual Action Plans in 2005 and 2006.

The amount of the CARDS regional financial allocation for the period 2005-2006 is € 85 million.

The indicative **allocations per priority** are as follows (as per budget available; range of *circa* +/- 10%):

PRIORITIES	€ million
INSTITUTION BUILDING	16-18
JUSTICE AND HOME AFFAIRS	5-6
CROSS BORDER CO-OPERATION	33-39
PRIVATE SECTOR DEVELOPMENT	2.5-3.5
INFRASTRUCTURE DEVELOPMENT	21-26
RESERVE	0.7-0.9
TOTAL	85

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CARDS Regional Multi-annual Indicative Programme (MIP) 2005-2006

Preamble

The overall strategic basis of the CARDS Regional Programme is the CARDS Regional Strategy Paper (RSP) 2002-2006. It is complemented by a Multi-annual Indicative Programme (MIP). The current MIP covers the period 2002-2004. The new MIP covers the period 2005-2006.

Regional and Country Strategy Papers (CSP) and corresponding MIPs for the Western Balkan Countries were prepared and approved at the end of 2001. A Mid Term Review of the RSP/CSPs 2002-2006 and the MIPs was implemented in April 2003. In this context, consultations took place with EC Delegations in the countries of the region and, through the Delegations, with Member States' Missions locally, as well as with the most concerned EC Directorates-General. Furthermore, the countries of the region were regularly consulted through the existing mechanisms (such as the Consultative Task Forces and the Enhanced Permanent Dialogue).

Of particularly high relevance to the Mid Term Review was the Stabilisation and Association Report 2003, containing an Annex on the "Assessment of the Instruments of the Stabilisation and Association Process". This confirmed that the strategic priorities identified in the RSP/CSPs corresponded to critical areas of support to the region and, from an operational point of view, that CARDS still was a relatively new instrument, as implementation of the strategic orientations effectively started in 2002.

On the basis of the above mentioned input, the Mid Term Review concluded that the Strategy Papers did not need modification. The driving EU strategy for the Western Balkans, the Stabilisation and Association Process remains the same. The type of activities and priorities stated in the Strategy Papers still were considered as the most suitable for supporting the policy strategy for the region. The decision that the strategic orientations did not need to be amended applies both to the Country Strategy Papers and to the Regional Strategy Paper, as they form integral parts of a coherent whole.

The Regional MIP 2005-2006 identifies priorities and provides further detail on the actions where CARDS regional funds will be focused. It is designed to provide strategic guidance for implementing CARDS regional assistance, in order to achieve the policy objectives, primarily those related to regional co-operation, of the Stabilisation and Association Process and of the Thessaloniki Agenda for the Western Balkans. In addition, it is designed to ensure continuity with regional actions initiated and to provide a complement in areas which need reinforcement.

The amount of the CARDS regional financial allocation for the period 2005-2006 is € 85 million. Detailed programmes and projects will be derived from this MIP and will be set down in Annual Action Plans in 2005 and 2006.

The context

The Stabilisation and Association process and CARDS

The objectives and mechanisms of the Stabilisation and Association process (SAp), which is the EU's policy for the Western Balkans, are bolstered by assistance provided through CARDS (Community Assistance for Reconstruction, Development and Stabilisation). As defined in the CARDS Regulation ((EC) No 2666/2000), the overall objective of the assistance is to support the participation of the Western Balkan countries - Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro - in the Stabilisation and Association process.

The political context

The European Council of Thessaloniki (June 2003) confirmed the Stabilisation and Association process as the policy framework of the European course of the Western Balkan countries all the way to their future accession. It reiterated the EU's determination to fully and effectively support the European perspective of the Western Balkans and endorsed the Thessaloniki Agenda. The Thessaloniki Agenda has strengthened and enriched the SAp with elements from the enlargement process, so that it can better meet the new challenges, as the countries of the region move from stabilisation and reconstruction to sustainable development, association and integration into European structures. Although Croatia has been given the status of a candidate country, it is covered by the regional MIP 2005-2006 (except for the Cross Border Cooperation component, which will be covered by the pre-accession instrument) whereas the country remains an integral part of the Stabilisation and Association process and considering the political relevance of Croatia's effective participation in the regional co-operation to the country itself and the other Western Balkan countries.

Mechanisms of the Stabilisation and Association process

The Commission reports annually on the Stabilisation and Association process. The SAp Annual Reports assess the political and economic situation in the Western Balkan countries, and monitor the implementation of reforms and the development of co-operation within the region. The 2004 SAp Annual Report was endorsed by the Council of General Affairs and External Relations. The Commission presented with the Annual Report 2004 its proposal for the first European Partnerships, as set down in the Thessaloniki Agenda. The European Partnerships identify also regional short and medium term priorities which the countries of the region need to address at regional level. The Council has adopted the European Partnerships for the Western Balkan countries.

Regional co-operation

Regional co-operation constitutes an essential element of the SAp and was confirmed in the Thessaloniki Agenda as a principle of the highest importance. The EU-Western Balkans Summit of Thessaloniki (June 2003) reiterated that "rapprochement with the EU will go hand in hand with the development of regional co-operation. The countries of the Western Balkans and, where applicable, other regional participant countries, commit to promote concrete objectives and initiatives along the lines prescribed by the Thessaloniki Agenda".

The text of the Stabilisation and Association Agreements (SAA) – which are one of the building blocks of the SAp for the Western Balkans - defines the framework of the regional co-operation, the corresponding principles applying to all the countries of the region, and makes explicitly a reference to Community assistance. Article 1 of the SAA states that one of the aims of this Association is “to foster regional co-operation in all the fields covered by this Agreement.” Article 4 stipulates that the signatory country of the Western Balkans “commits itself to enter into co-operation and good neighbourly relations with the other countries of the region [...]. This commitment constitutes a key factor in the development of the relations and co-operation between the Parties and thus contributes to regional stability.” Article 11 specifies that “[...] the Community will also support projects having a regional or cross-border dimension through its technical assistance programmes.”

During the period 2002-2004, much progress has been made regarding regional co-operation in the area of trade, further to the setting up of a complete network of bilateral Free Trade Agreements. Significant progress has been made also regarding regional co-operation in the areas of transport and energy. In the field of transport, an integrated regional transport strategy was drawn up, an institutional framework (Transport Observatory) was established, and action for the harmonisation of legislations was initiated. The countries of the Western Balkans sealed their commitment by signing, with the Commission, a “Memorandum of Understanding on the development of the South East Europe Core Regional Transport Network”. A similar integrated regional approach has been pursued in the sector of energy, with a view to establishing a regional energy market. In this context, the countries confirmed their intention to negotiate an Energy Treaty, to which the Commission will be a Party, embodying trading and market regulation rules.

In the area of Justice and Home Affairs, the fight against organised crime, different forms of trafficking and terrorism are considered as priorities for regional co-operation, both by the EU and the Western Balkan countries. In this respect, the Thessaloniki Agenda makes explicitly a reference to meetings of the ministers responsible for Justice and Home Affairs to be held annually, in the framework of the EU-Western Balkans Forum.

The Regional Strategy Paper 2002-2006

Priority areas were selected in the CARDS Regional Strategy Paper (RSP) 2002-2006 on the basis of their contribution to SAp objectives. They correspond to critical areas of support for the region and are still suitable for supporting the EU’s policy strategy for the Western Balkans. Further to the Mid Term Review of the Country and Regional Strategies Papers, in April 2003, it was decided that the Strategy Papers did not need to be amended. Subsequent regional elements included in the Thessaloniki Agenda, the European Partnerships and the SAp Annual Reports are also covered by the general objectives and the priority areas established by the Regional Strategy 2002-2006.

Evaluation of CARDS assistance

The recent CARDS evaluation report indicates in its conclusions that CARDS’ regional dimension is weak, mainly due to the lack of strategic guidance and the absence of a specific capacity to promote intra-regional and interregional co-operation.

These remarks, which are justified to a large extent, refer more to the implementation than the very substance of the programme. It is beyond the scope of the indicative programme to define operational mechanisms. It should be pointed out, however, that the execution of the programme requires a resolute commitment by all services concerned.

The European Partnerships for the Western Balkan countries, proposed by the Commission and adopted by the Council, provide precisely the necessary strategic guidance regarding EC support to the countries. The Council Regulation on the establishment of the European Partnerships specifies that the Partnerships “identify priorities for action in order to support [the countries’] efforts to move closer to the European Union”, and that they are “adapted [...] to the specificities of the Stabilisation and Association process, including regional co-operation.” The European Partnerships “are needed in order to assist the Western Balkan countries in preparing for membership within a coherent framework [...]”. Furthermore, it is specified that “it would be appropriate for Community assistance to focus on the challenges [...] defined within the framework of the European Partnerships.”

At sectoral level, strategic guidance is already provided in the sector of regional infrastructure (transport, energy and environment) and this will continue. In the area of Justice and Home Affairs, the strategy is based on the development of national capacities to combat criminal phenomena, supported by regional instruments in the field of judicial and police co-operation. EC services concerned have already engaged in regional initiatives aimed at developing common regional approaches.

An annual allocation of € 15 million to cross-border co-operation, started in 2004 within the general framework of the Neighbourhood Strategy, responds to the concern to make available the necessary capacity to promote interregional co-operation and is accompanied by an increase in means allotted to intra-regional co-operation.

Strategic design of the Regional MIP 2005-2006

The priorities and actions in the CARDS Regional Multi-annual Indicative Programme (MIP) 2005-2006 are based on the CARDS RSP 2002-2006 and derive from the Thessaloniki Agenda, the SAp Annual Reports and the European Partnerships. The CARDS regional MIP 2005-2006 reflects continuity and enrichment, complementing past measures in the light of political reporting and policy directions subsequent to the adoption of the RSP 2002-2006.

The MIP 2002-2004 established four priority areas for support at the regional level: integrated border management, democratic stabilisation, institutional capacity building and regional infrastructure development. The major weakness in the implementation of the CARDS regional programme, as identified by the recent evaluation, is that appropriate strategic guidance was not provided. The MIP 2005-2006 responds to this shortcoming by strengthening the strategic approach of the regional programming, by implementing common instruments in the region and enhancing their participation in initiatives of regional co-operation.

In the area of cross-border co-operation the Commission envisages to increase support for networking activities and the involvement of civil society. Although the implementation of programmes of cross-border co-operation is not advanced, this priority area is maintained in the MIP 2005-2006 in the context of the recent EU enlargement and also on the basis of the Thessaloniki Agenda and the major objectives of stabilisation and reconciliation in the

Western Balkans region. The implementation of cross-border co-operation programmes will require an increased commitment both by the beneficiary countries and Commission services. Regional networking initiatives will also receive increased support in the area of institution building.

The CARDS Regional Programme functions particularly well in the area of infrastructure development. In the field of economic development close co-operation is taking place with the International Financial Institutions, in full association with the Western Balkan countries, with a view to improving the investment climate in the region and thus enhancing the impact of the CARDS Regional Programme. In the Justice and Home Affairs area the Commission has increased its efforts in close co-operation with other international or regional initiatives.

The regional MIP 2005-2006 contributes to the SAP objectives, primarily to the objective of regional co-operation and, through this, to other policy priorities with a regional dimension, such as Justice and Home affairs or economic development. In the regional MIP 2005-2006, priority actions are established on the basis of: (a) strategic considerations derived from the relevant EU policy directions and mechanisms (Thessaloniki Agenda, SAP Annual Reports, European Partnerships). A number of actions programmed correspond to concrete policy objectives and commitments made by the EU and the countries of the Western Balkans; (b) The regional nature of both the challenges faced by the Western Balkan countries and instruments implemented to address them. This criterion corresponds to the regional dimension which certain initiatives have by their own nature and the fact that a number of objectives can be better achieved at a regional level, and support can be best delivered regionally, providing inter alia economies of scale. (c) Operational reasons, in order to ensure continuity with regional actions initiated under the previous MIP 2002-2004, and to provide a complement in areas which need reinforcement. Most of the actions programmed combine more than one of these criteria, if not all of them. Concrete justifications are provided below for each specific action.

Projects under the CARDS Regional Programme to support regional processes/frameworks in which the Western Balkan countries participate along with other SEE countries will be designed to benefit primarily the CARDS countries. Moreover, CARDS assistance shall not be used to fund measures directly related to another participant country (such as mission expenses, fact finding missions relating to that country or technical assistance to the benefit of that country).

Priority areas in the regional MIP 2005-2006

The regional MIP 2005-2006 identifies the priority areas where regional CARDS funds will be focused for the reference period:

1. institution building (administrative capacity building including EC *acquis* approximation, public administration reform, co-operation with Community Agencies). This priority area is justified by the regional dimension of the instruments implemented, i.e. the regional dimension of the actions proposed or the fact that assistance in this field can most efficiently be delivered at regional level, and by operational reasons, i.e. continuing and/or complementing actions already initiated in this area.

2. Justice and Home Affairs (enhanced police regional co-operation, judicial regional co-operation, harmonised indicators to assess the public safety and crime situation and measuring instruments). Actions proposed in this field have a special focus on the fight against organised

crime and corruption and correspond to political considerations, namely fundamental political commitments made by the Western Balkan countries and EU concerns, to criteria linked to the nature of the challenges to be tackled, i.e. the trans-national nature of organised crime and the links between organised crime and corruption which require regional and international counteractions, and to operational reasons, i.e. ensuring continuity or providing a complement to actions initiated under the previous MIP.

3. Cross-border co-operation (border region co-operation). This priority is regional by its own nature and also corresponds to concrete political commitments made by the countries of the Western Balkans and the EU. In the light of the recent enlargement, the EC launched its initiative of the New Neighbourhood Instrument (co-operation programmes focusing on the external borders of the EU). This is complemented by a cross-border co-operation component focusing on the borders internal to the region, supported by CARDS under the SAP. In this area, local civil society organisations will play a major role.

4. Private sector development. This priority action is established on the basis of policy objectives - economic development being a goal also beneficial to other policies in the region -, and also because of the regional dimension of the challenge to be addressed: this action aims at attracting foreign direct investments through regionally establishing sector specific information on costs of key factors of production, structure constraints and comparative advantages to be made available to potential investors.

5. Infrastructure development (Transport, Energy, Environment, Information Society). The Western Balkan countries have agreed to fundamental common approaches on regional infrastructure. This priority area corresponds also to a strong regional dimension which the priority actions proposed have by their own nature and to the linkage between infrastructure development and economic development, given the necessity that external operators perceive the region as a common economic space.

Some actions of the previous MIP 2002-2004 have not been included in the MIP 2004-2006. Further to the definition of concepts and approaches applicable to the whole region, carried out under the previous MIP 2002-2004, support in the field of border management provided at national levels was considered to be more appropriate than support at regional level. The national MIPs 2005-2006 will also cover the area of democratic stabilisation. Return of refugees is not included as a specific action area, and will be supported through general socio-economic development, assistance being directed towards regions with big minority populations and with low economic activities. As far as promotion of trade is concerned, measures will be undertaken at national level, based on the multi-annual indicative programmes for 2005-2006, to exploit each country's export potential in order for them to take greater advantage of the significant benefits the trade measures offer.

The regional dimension of the EU strategy in the Western Balkans is of utmost importance for three different sets of reasons:

- Regional co-operation is key for the stability of the region. In this context growing regional ownership and mounting sense of responsibility of the countries of the region constitute very important elements.
- Regional co-operation is also high on the agenda because it is a necessary condition for a sustainable economic recovery and expansion and is therefore pursued both within the region

and between the region and its neighbours, EU included. In this regard, it is very encouraging that the areas of trade, energy and transport are among those where regional co-operation is the most substantial.

- Regional co-operation is considered by the EU as an essential element of the SAp, as it is clear that the capacity and readiness of an individual country to fully and constructively engage in regional co-operation will be a key indicator of its ability to cope with European obligations and to eventually join in the European family.

The regional MIP 2005-2006 reflects the priority areas of the Regional Strategy Paper and constitutes a response to the regional co-operation-related objectives of the Thessaloniki Agenda, the European Partnership priorities with regional dimension and the relevant assessments of the SAp Annual Reports. It establishes a clear link between policy framework and assistance and provides strategic concept for programming the regional CARDS assistance, thereby strengthening the regional dimension of CARDS and increasing its capacity to promote intra-regional and interregional co-operation.

Consultation

With Member States

Through various formal and informal channels the Commission has kept, both at Headquarters level or locally in the countries of the region, Member States informed about the implementation of the CARDS Regional Programme and received feedback and suggestions from the Member States regarding its functioning and future orientation.

In the area of Justice and Home Affairs the Commission is part of the group “friends of the Presidency” which received a mandate of the EU Justice and Home Affairs Council on 19 February 2004 to make recommendations on the measures to be taken to enhance the fight against organised crime in the Balkans.

With the Governments of the Western Balkan countries

Consultations have taken place regularly with the governments and administrations of the Western Balkan countries on the priorities and functioning of the CARDS Regional Programme.

In the area of Justice and Home Affairs, the existing regional fora (the Stability Pact, the South Eastern Europe Co-operation Process (SEECP), the Ohrid process) have been used to identify needs and to agree on priorities. At a SEECP Ministerial Meeting of Justice and Home Affairs Ministers in Bucharest on 18 May 2004, a joint statement was adopted on the full use of existing co-ordination mechanisms at national and regional levels for the fight against organised crime and corruption. The relevant national bodies will be linked with the regional instruments available in this domain, such as the Stability Pact’s Initiative to Fight Organized Crime (SPOC), the Stability Pact’s Anti-corruption Initiative (SPAI) and the SECI Centre for fighting trans-border crime.

There is also an ongoing dialogue at ministerial level on actions to be implemented in the area of border management as a follow up process to the Ohrid conference on border security and management.

With Civil Society

Prior to the establishment of the present MIP, the Commission's services have held a series of meetings with representatives of civil society organisations, both at Headquarters level and locally in the countries of the region. Civil society organisations transmitted also contributions to the formulation of the programme.

Furthermore, in the framework of the South Eastern Europe Co-operation Process ministers have made commitments to actively inform and involve civil society on policies and measures in the fields of fighting organized crime and corruption.

With other stakeholders

The implementation of the CARDS Regional Programme has been subject to co-ordination and dialogue on an on-going basis between the Commission and other relevant actors in the region, in particular other international organisations. The Stability Pact is a useful framework in that regard.

In the area of institution building, regular meetings are held with other key actors such as the Council of Europe and the World Bank.

In the area of Justice and Home Affairs most of regional fora involve other key stakeholders such as the Council of Europe, the UN, OSCE, NATO, the US, Norway and Switzerland. These regional fora have also been used to establish proper co-ordination among these international stakeholders, including with the contribution of the Stability Pact, and regular EC co-ordination and information meetings with the Council of Europe also take place.

In the area of economic development regular meetings take place with the EBRD, the EIB and the World Bank and other relevant actors such as OCDE.

Co-ordination between the EC and the IFIs is well-developed at regional level in the sectors of transport, energy and environment within the Infrastructure Steering Group for SEE (ISG), with the participation of the Stability Pact, and should be pursued in order to optimize the impact of regional projects under CARDS.

Co-ordination takes place on a regular basis with the Stability Pact (in the framework of Working Table 1) regarding cross-border co-operation activities.

Priorities and actions

1. Priority

Institution building

One of the major priorities of the Stabilisation and Association process is strengthening the administrative capacity of the Western Balkan countries' administrations while promoting the EU standards and best practices in Public Administration reform. "Enhanced support for institution building" is a major objective set down in the Thessaloniki Agenda. In the 2004 SAP Annual Report, emphasis is put on the need to strengthen the Western Balkan countries' capacity to implement reforms. Concrete short and medium term priorities in the field of institution building are included in the European Partnerships with the countries of the region.

Against this background, institution building is a priority area of the Regional MIP 2005-2006 on the basis of policy directions derived from the Thessaloniki Agenda, the SAP Annual Report and the European Partnerships.

Furthermore, the regional MIP 2005-2006 focuses on institution building for reasons linked to regional aspects of the challenges in this area and the regional nature of the policy instruments to address those challenges. The national CARDS programmes will be the main route for institution building support (including "twinning" arrangements) but will be complemented by CARDS Regional Programme actions in this area that are most efficiently delivered at the regional level.

National and regional CARDS support shall be focused primarily on overall civil service reform and on strengthening public administration capacities in fiscal and financial management, procurement, Justice and Home Affairs, trade agreements and related trade facilitation activities and, possibly, in social sectors. Familiarisation with the Community *acquis* as set out in the Stabilisation and Association Agreements must also be addressed in terms both of enacting harmonised legislation, introducing relevant standards and ensuring their enforcement.

Indicative allocation to priority "Institution Building": € 16-18 million

Actions proposed

1.1 Action	Administrative capacity building, including EC <i>acquis</i> approximation
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1.1.1 Background and past assistance

The regional MIP 2005-2006 identifies administrative capacity building, including EC *acquis* approximation, as a priority action for support, essentially on the basis of policy strategies and operational reasons. In this area, the Technical Assistance Information Exchange Office (TAIEX) is considered to be a suitable policy instrument.

The second SAP Annual Report (March 2003), whose recommendations were “fully endorsed by the Council” in the Thessaloniki Agenda, specifically mentioned the need for support “by facilities similar to those provided to the candidate countries under TAIEX”. This was particularly related to “review and assessment of the countries’ legislation and of its conformity with EU standards.”

The Commission’s Communication on “The Western Balkans and the European Integration” (COM (2003) 285 final), mentioned that “...the Technical Assistance Information Exchange Office (TAIEX) was set up as part of the pre-accession strategy to provide targeted technical assistance to the candidate countries on the *acquis*. Its services are also suited to the needs of the countries of the Western Balkans.”

The Thessaloniki Agenda indicates that “SAP countries will become eligible for technical assistance by TAIEX, including for monitoring the compatibility of national legislations of SAP countries with the Community *acquis*. This technical assistance will be delivered through activities adapted to their specific needs and level of rapprochement to the EU.” The priorities for this measure will be derived from the short-term priorities of the European Partnerships.

An amount of 5.15 m€ was allocated from the 2002 and 2003 CARDS regional budgets to this action (2002 budget: 3.9 m€ , 2003 budget: 1,25 m€). TAIEX has been operational in the Western Balkans since December 2003. Therefore, this policy instrument designed to strengthen administrative capacity building, including EC *acquis* approximation, will be supported also in order to ensure continuity with and to complement action undertaken under the previous MIP.

As demand from the countries will undoubtedly grow with time it is proposed to slightly increase the allocation to this measure compared to the level of the 2002/2003 allocations, still focussed on the short-term priorities of the respective European Partnerships. In addition, over and above the financing of this specific measure, a limited amount of financing should be available to support networking activities and studies in the area of administrative capacity building.

1.1.2 Objectives

- To contribute to institution building in the countries of the Western Balkans;
- to contribute to transposing, implementing and enforcing EU legislation in the Western Balkans countries;
- to enhance transparency and facilitate the flow of information between the Western Balkans countries and the European Commission (AIDCO) as assistance provider.
- to promote the involvement of different stakeholders, including civil society representatives.

1.1.3 Expected results

- Enhancement of the general administrative capacity of the countries;
- Increased quality and frequency of transposition of EU *acquis* in the countries of the region;
- Enhanced level of implementation and enforcement of the said legislation;
- Increased transparency between the administrations of the countries and EC Delegations regarding transposition of legislation.

1.1.4 Programmes to be implemented

Actions such as documentation, information and advice on EC legislation, workshops and seminars, study visits to the European Commission and Member States, expertise to advise the beneficiary countries and the creation and maintenance of relevant databases may be financed through this programme. Furthermore, a limited number of appropriate networking activities and studies may also be financed.

TAIEX was conceived as a “one stop shop” to assist the countries in understanding and drafting legislation related to the Single Market and to help them with implementation and enforcement. The role of TAIEX as regards technical assistance is that of a broker and TAIEX is a main instrument for mobilising expertise from the European Commission and the Member States.

1.1.5 Indicators of achievements

Indicators of performance will be:

- the level of transposition and implementation of EC legislation in the priority areas identified in the European Partnerships;
- a functioning database for SAp countries covering key SAp related *acquis* and policies;
- the level of networking and contacts between officials in the SAp region and counterparts in the EU member states and candidate countries.

1.1.6 Link to regional strategy and other EC instruments

Strengthening of administrative capacity is an important element in the institution building process in the Western Balkans, which is a common challenge for the countries of the region.

The work of TAIEX will be based on the priorities set out in the European Partnerships for each of the countries and should, to the greatest extent possible, concentrate on these priorities. As these priorities are not identical for the various countries, it will be necessary for TAIEX to tailor a number of activities specifically to individual countries.

1.1.7 Risks and Assumptions

In order to make full use of the assistance to this priority action, national and regional authorities should concentrate on the priorities set out in the European Partnerships. This specific action should, in this context, assist in ensuring adequate co-ordination and

complementarity with other projects aiming to develop legislative and administrative capacity in the national and in the regional administrations.

Indicative allocation to action “Administrative capacity building, including EC *acquis* approximation”: € 6-8 million

1.2 Action

Public Administration Reform

1.2.1 Background and past assistance

Beyond the policy priority of supporting institution building in the Western Balkans, this action is justified by operational reasons, allowing continuation of initiatives already taken in the region.. Generally, administrative capacity remains poor throughout the region at state and lower levels of government and the 2004 SAp Report points out that there has been limited progress in public administration reform.

In relation to public administration reform, a **joint initiative by the EU and the OECD (SIGMA)** had gained a lot of experience in transition in Central and Eastern Europe. In order to obtain thorough analyses of the status of public administration reform in the various Western Balkans countries, the Commission and the OECD extended the SIGMA initiative to cover also the Western Balkans.

The Commission asked SIGMA to report on the basic situation in a selection of sectors of public administration, on donor activities and on implications for future work. Reports were delivered in August 2002 and in line with SIGMA’s mandate, the following sectors were covered for each SAp country: civil service, legal framework and public administration reform; public expenditure management systems; tax administration; financial control and internal audit; external audit; and public procurement. The reports were intended to contribute to the Commission’s country and regional strategies for the Western Balkans in the framework of the Stabilisation and Association process.

It is proposed to continue support for this initiative in relation to public administration reform in the Western Balkans with a view to provide regional updates on progress made by the countries and analyses within specific priority areas. This measure was allocated € 2m under the 2003 CARDS regional budget for a contract which terminates in mid-2005.

In order to provide enhanced support to Public Administration Reform in the Western Balkans, a regional **School for Higher Education on Public Administration Reform** is also identified as a priority measure under the MIP 2005-2006 due to policy priorities, and also on the basis of criteria linked to the substance of this measure, as it has by definition a regional dimension and its objectives can only be achieved at a regional level.

The Thessaloniki Agenda, in the framework of efforts to support the implementation of necessary reforms in the field of public administration, invited the Commission to examine ways that would offer students from the SAp countries the opportunity to develop legal thinking and understanding of the principles that form the basis of Western democratic systems and the EU. It was specifically indicated in the Thessaloniki Agenda that the

establishment of a regional School for Higher Education on Public Administration Reform (SHEPAR) and the establishment of a scholarship scheme could be considered.

As a first step, at the end of 2003 the Commission asked for a study to be carried out aimed at examining the feasibility of such a project. The report was delivered to the Commission in early May 2004 and outlines several possible solutions for establishing such a school combining academic and/or professional schools with the possibility of establishing single or twinned institutions, a network of centres of excellence or a corporate institution with national branches.

The Commission committed itself to having a school up and running as soon as possible, at least in a preliminary form. In view of the priority accorded to this initiative by the Commission and its potential impact on the political will and efforts of the countries' administrations to further public administration reform, proposed support to this measure is intended to cover the initial phases of a step-by-step adaptive strategy for establishing SHEPAR, at first focusing on in-service training and practical programmes related to every day work skills, particularly those for implementing the SAp and EU accession processes.

1.2.2 Objectives

The overall objective of this action is to provide support to the Western Balkans countries in their efforts to modernise public governance systems. This support includes: assessing reform progress and identifying priorities; assisting in the process of co-ordination of institution-building and setting up legal frameworks; and facilitating assistance from the EU and other donors by helping to design projects and implement action plans.

As far as SHEPAR is concerned, the overall purposes will be:

- to offer civil servants from the SAp countries the opportunity to develop thinking and understanding of the principles, values and norms governing European public administration
- to provide those civil servants with skills and knowledge to deal with the SAp reforms and the challenges of EU integration.

The key objectives of this specific measure will be:

- to create a trans-national School for Higher Education on Public Administration Reform that will support sustainable regional capacity building, co-operation and links to the EU for developing civil service education and training to deal with the SAp reforms and the challenges of EU integration.
- to design, ensure funding for and initiate SHEPAR as quickly as possible, based on a long-term development plan to be outlined in consultation with key stakeholders from the SAp region and the Commission and then further developed.

1.2.3 Expected results

The expected results of the initiative providing support to the Western Balkan countries in their efforts to modernise their public administration systems are:

- to improve information gathering and analysis of the situation re. public administration reform in the Western Balkans;
- to contribute to an agreed strategy for public administration reform in the Western Balkans;
- to improve priority setting for technical assistance;
- to improve co-ordination with other donors.

The expected results of the measure regarding the establishment of SHEPAR are:

- Increased understanding in the administrations of the Western Balkans countries of the principles, values and norms governing European public administrations.
- Increased level of skills and knowledge among the civil servant of the Western Balkans countries to deal with the SAp reforms and the challenges of EU integration.
- Long-term institution-building and strengthening of the current and future administrative capacity of the countries of the Western Balkans, in particular with a view to their implementation of the SAp reform process and the Community *acquis*.

1.2.4 Programmes to be implemented

In the context of the initiative providing support to the Western Balkan countries in their efforts to modernise their public administration systems:

- Regular reporting providing an overview of public administration reform in the region
- Preparation of reports providing specific analysis within specific priority areas re. public administration reform

Regarding SHEPAR:

A modulated and gradual establishment of a regional School for Higher Education on Public Administration Reform, including a scholarship scheme.

1.2.5 Indicators of achievement

Indicators of performance of the initiative to provide support to the Western Balkan countries in their efforts to reform their public administration systems will be:

- the establishment of a set of criteria on progress in public administration reform;
- regular availability of reports on the state of play regarding public administration reform;
- the level of co-ordination capacity between national and regional authorities and external actors.

Indicators of performance of the action related to SHEPAR will be:

- the progress made towards the establishment of a regional School for Higher Education on Public Administration Reform;
- the level of regional co-operation / networking between public administrations of the region.

1.2.6 Link to regional strategy and other EC instruments

Support to the Western Balkan countries in their efforts to modernise their public governance systems is an important element in the administrative reform process in the region. It allows the administrations of the Western Balkan countries to identify priorities and measure progress in the area of public administration reform, which in turn should pave the way for further reform initiatives and improve the countries' ability to fulfil their obligations under the European Partnerships. This measure should therefore take into account the priorities set out in the European Partnerships for each of the countries and should concentrate mainly on these areas.

SHEPAR's work will constitute an important element in the administrative reform process in the Western Balkans. It will allow officials from the administrations of the Western Balkans countries to obtain a common platform for their future work on public administration reform,

which in turn should pave the way for further reform initiatives and improve the countries' ability to fulfil their obligations under the European Partnerships. The work of SHEPAR should therefore take into account the priorities set out in the European Partnerships for each of the countries.

In parallel, this action will contribute to enhancing regional co-operation / networking between public administrations of the region, and promoting reconciliation in the Western Balkans.

1.2.7 Risks and assumptions

In order to make full use of the support to the Western Balkan countries in their efforts to modernise their public administration systems, it is important that national and regional authorities in the countries provide adequate information, documentation (including translations) and reporting.

Regarding the SHEPAR, it is assumed that it will draw upon all available expertise from existing public administration schools and networks in the region and in the EU Member States. The success of this action will first of all depend on the support of the governments of the countries of the region without which the project is bound to fail. Furthermore, the necessary strategic vision, sustainable funding and collaborative commitment from the EU and each of the countries in the region are also elements of primary importance. Well-drafted civil service laws need to be in place across the region as there would otherwise be no proper legal context for merit-based civil services, within which SHEPAR, its partners and graduates could operate. Without such laws and their enforcement the risk of training but subsequently losing qualified civil servants is considerable. Furthermore, a clear framework for recruitment, promotion and other aspects of human resource management in each of the countries is necessary. The decision on the physical location of the school is a sensitive one which, however, is of major importance for the success of SHEPAR. The political, economic and social context of the Western Balkans region and intra-regional mistrust has to be balanced against the need to ensure appropriate ownership by the countries.

Indicative allocation to action “Public Administration Reform”: € 4-6 million

1.3 Action

Co-operation with Community Agencies

1.3.1. Background and past assistance

The EU agreed in the Thessaloniki Agenda to encourage participation of the Western Balkan countries in the work of Community agencies. The Commission, in its Communication on “Preparing for the participation of the Western Balkan countries in Community programmes and agencies” (COM (2003) 748 of 3.12.03), underlined the need for a selective and gradual approach and proposed:

- a) To focus first on those agencies which have a field of action which is directly relevant to the SAP, such as the European Environment Agency (EEA), the European Maritime Safety Agency (EMSA), the European Aviation Safety Agency (EASA), the European Monitoring Centre for Racism and Xenophobia (EUMC), the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA);
- b) To start, similar to the approach taken with the candidate countries, by launching cooperation programmes in 2005 and 2006 as part of the CARDS regional programme to familiarise the SAP countries with the Agencies' work. The aim would be to carry out the required preparations in terms of adoption of the Community *acquis* and upgrading administrative capacity, where this is pre-condition of participation. Only then, with the benefit of the experience gathered during the cooperation programmes, would it be appropriate to consider whether to conclude an agreement on full participation in the work of individual agencies.

Support to co-operation with Community Agencies is further justified by criteria linked to the nature of the objective aimed. Co-operation with a number of Community Agencies (EEA, EMSA, EASA) has a regional dimension in the fields of environment and transport.

Cooperation with the European Environment Agency has begun with OBNOVA funding and was also foreseen under the previous MIP (2002-2004) with the *EIONET* project (AP 2002, 2 m€), expected to start in June 2004 for a 30 months duration. In this context, this action is also justified by operational reasons, ensuring continuity and complementing action initiated in this area.

1.3.2 Objectives

- To initiate work of the Western Balkan countries with a selection of Community agencies, as a first preparatory step to eventual full participation.
- To raise understanding of Community *acquis*, methods and procedures in the field of action of the selected Community agencies.
- To dwell on the relevant experience gained in comparable programmes with the candidate countries.

1.3.3 Expected Results

- To set up an initial networking of the Western Balkan countries with those Community Agencies which are the most in relation with SAP priorities.
- To facilitate information sharing with, awareness raising and training of key interlocutors of agencies within national authorities.
- To initiate and plan preparatory measures for eventual full participation of Western Balkan countries in a selection of Community Agencies, in line with line followed with candidate countries in Central and Eastern Europe.
- To initiate Western Balkans coverage in Agencies specialized reporting.

1.3.4 Programmes to be implemented

- Follow-up support, as from December 2006 onwards, to the existing cooperation with the European Environment Agency, in particular continuation of *EIONET*.

- Support to the countries involvement in the work of other Community agencies, under the form of a grant direct agreement to a selection of 3 to 5 Community Agencies, subject to the submission for each Agency of a tailored regional cooperation programme.

1.3.5 Indicators of achievement

Indicators of performance will be:

- Set-up of a reliable network, consisting of identified and trained officials, and supported by adequate electronic information network, for each of the selected Community agencies;
- the level of awareness in public administrations of each Agency's field of action and enforcement methodologies;
- the level of information dissemination incl. reference material and expanded internet portals;
- the creation of sections or items, covering the Western Balkans, in agencies' reporting.
- the initial participation in Agencies' proceedings and other necessary meetings.

1.3.6 Link to regional strategy and other EC instruments

Although this priority was not foreseen as such in the Regional Strategy – since it was decided by the Thessaloniki Agenda in June 2003 – comparable actions were already taken in the MIP 2002-2004 eg. co-operation with the European Environment Agency (EIONET), statistical cooperation with EUROSTAT, Air traffic control cooperation with EUROCONTROL.

Expanded cooperation with Community agencies is therefore in its essence in line with the wider objectives of the regional strategy, in particular its emphasis on institution building and on (re-)connection to European networks. Cooperation with the EEA and with EASA and EMSA could complement effectively the regional strategies in environment and transport.

1.3.7 Risks and assumptions

Appropriate inter-ministerial coordination and sustained commitment on the partner country's side will be instrumental

Institutional/constitutional complexities of the Western Balkan countries might be delicate to bear.

Indicative allocation to action “Co-operation with Community Agencies”: € 3-4 million

2. Priority Justice and Home Affairs

Justice and Home Affairs constitute a priority area in the regional MIP 2005-2006, since they correspond to fundamental aspects of the EU policy for the Western Balkans. In addition, challenges faced by the Western Balkan countries in this area have a strong regional dimension and need regional and international responses. The inclusion of this area in the

regional MIP 2005-2006 is also dictated by operational reasons, in order to ensure continuity with and complement actions initiated under the previous MIP 2002-2004.

The Thessaloniki Agenda (endorsed by the European Council of Thessaloniki and the EU-Western Balkans Summit of Thessaloniki, in June 2003) points out that combating organised crime and corruption is a key priority for the governments of the region. Particular focus should be placed upon fighting all forms of trafficking, particularly of human beings, drugs and arms, as well as smuggling of goods. Although the SAp countries have made some progress, continued efforts at all levels will be crucial to advance further in fighting organised crime

The EU-Western Balkans Summit in June 2003 established the EU-Western Balkan Forum. In this framework, the first meeting of the Ministers responsible for Justice and Home Affairs issues was held in November 2003. At this meeting each country presented their plans for implementing specific action oriented measures for the fight against organised crime. Two regional priority measures were included in the country strategies. One of these concerns co-operation among Financial Intelligence Units in combating money laundering, and the other concerns the development of co-operation between prosecutors in the region.

The European Partnerships refer to the Thessaloniki commitments on regional co-operation . Aside the fight against organised crime they cover different sectors of the JHA area such as border management, terrorism, trafficking in human beings and illegal migration. When it comes to the fight against *corruption*, the European Partnerships for each of the countries prioritise enhancement of the capacity to investigate and prosecute corruption. The “Friends of the Presidency” report on organised crime in the Western Balkans clearly underlined the need to strengthen the regional operational cooperation for police and prosecution and viewed it as a key prerequisite for a closer relationship with the EU.

The CARDS Regional Strategy 2002 – 2006 gives a special priority to integrated border management and following the OHRID conference on border security and management the countries in the region committed at the JHA Ministerial in November to specific actions. At the same time this regional strategy emphasised the need to support national police forces, judiciary and national migration authorities of the region to be more effective in fighting national and international crime, including illegal migration, and in developing common visa, migration and asylum approaches.

A functioning Interpol network in the region with associated networks of judiciary (both civil and criminal) throughout the region have been established with a CARDS 2001 support in order to facilitate joint investigations and prosecutions dealing with cross-border crime. The relevant achievements can be seen as sound basis for further development in these matters.

As regards regional frameworks/frameworks in which the Western Balkan countries are participants along other SEE countries, CARDS assistance will be geared to benefit primarily to the Western Balkans countries. When support to horizontal measures is necessary, it will be justified by the particular benefits it will bring to the Western Balkans countries.

A particular attention is given to existing regional cooperation instruments and mechanisms (e.g. SEECP, SECI center, ...) to make full use of and strengthen the regional ownership.

Indicative allocation to priority “Justice and Home Affairs”: € 5-6 million

Actions proposed

2.1 Action

Enhanced Police Regional Cooperation

2.1.1 Background and past assistance

The previous MIP and 2001 regional “bon de commande” have laid down the basis for the police cooperation mechanisms either nationally by directly building the relevant capacity (Interpol NCB reactivation project) or regionally by developing commonly agreed standards (Executive training project, policing and crime project,). The relevant achievements have indeed laid down the basis for regional cooperation but have to be enhanced to support the leading role of Europol and Eurojust and to bring the national instruments to the necessary relevant standards especially as regards personal data protection.

A special attention has been given in the regional projects Police and Justice for supporting the implementation of the two regional priority measures (cf above). The relevant operations have just started but concrete achievements should be completed in time to provide the appropriate basis for further development from 2005 onwards.

The focus on organised crime should not prevent from taking advantage from existing assistance in the other sectors of the JHA area. The regional programme 2002-2004 includes assistance in matters of asylum, visa, migration, of border management, of penitentiary. Relevant projects have already started or are about to start.

As long as the countries of the Western Balkans cannot fully cooperate with Europol and Eurojust, existing regional instruments are the only alternative to support regional cooperation. Therefore they could be beneficial to improve law enforcement co-operation at regional level and with the EU. The SECI center is for the next couple of years when it comes to the police co-operation the most realistic alternative to direct co-operation with Europol and Eurojust. The wider SEE geographical framework of these instruments cannot hide the fact that, especially for the SECI center with the exception of Moldova, they operate mostly for the Western Balkans since all other participating states due to the enlargement process can use the EUROPOL/EUROJUST instruments.

2.1.2 Objectives

In order to fulfil the present priority two objectives have to be achieved to complement the past achievements. First it must bring existing regional mechanisms into compliance with EU standards, mainly as regards the protection of personal data and in compatibility with Europol. Secondly, it must similarly upgrade the national capacities when necessary. This is to be done

with a view to enhancing not only the efficiency of regional cooperation against overall crime but also against specific security risks such as terrorism (including its financing), weapons of mass destruction including chemical-biological-radiological-nuclear (CBRN), trafficking of human beings and drugs.

2.1.3 Expected results

A first result at regional level will be the upgrading of the South Eastern Europe Cooperative Initiative trans-border crime center (SECI-TCC) not only institutionally but also with a view to comply with the EU acquis in matters of police cooperation especially as regards personal data, and to be in a position to work in close cooperation with EUROPOL and, in accordance with the relevant EU regulation, with EUROJUST.

At national level two more results are expected to allow the establishment and full efficiency of the EUROPOL/EUROJUST-SECI cooperation mechanisms:

- to develop and implement a national strategy for personal data protection (national supervisory body, proper data processing and IT systems operations in the police supported by appropriate training and regulation);
- to put in place National coordinating centres to support exchange of information and international investigations. These centres encompass at least the Interpol NCB, EUROPOL contact points and the SECI liaison officers. The EUROPOL national unit (ENU) should serve as a model for these coordination centres.

2.1.4 Programmes to be implemented

The foreseen objectives will be achieved through technical assistance, complemented by limited investments that would benefit of the ones under CARDS 2001 Interpol NCB reactivation project. Technical assistance will encompass advice on regulations, operational procedures and definition of equipment. This can be achieved at regional level or specifically at national level Ad hoc awareness assistance could be delivered on specific risks (terrorism, weapons of mass destruction including CBRN, trafficking of human beings and drugs) to ensure in these sectors the effective use of existing capacities.

2.1.5 Indicators of achievements

Indicators of performance will be:

- an increase in the number of regional and international cases successfully processed by the national services with the support of EUROPOL/SECI;
- the number of suspects, identified, arrested, prosecuted and where relevant sentenced, the number and volume of seizures and confiscations as regards drugs and criminal assets. The assessment of these figures should pay particular attention to cases to terrorism (incl. financing of terrorism), weapons of mass destruction including CBRN, trafficking of human beings and drugs.

2.1.6 Link to regional strategy and other EC instruments

The development of the regional cooperation has been a key line of the regional strategy. This has been underlined by the Thessaloniki agenda and emphasised in the 2004 SAp strategy paper. As mentioned, two of the specific action-oriented measures against organised crime presented at the EU-WB ministerial meeting are dedicated to regional cooperation.

Police cooperation against organised crime cannot be isolated from judicial cooperation in criminal matters and to a lesser extent from border management. It has also to rely heavily on national institutions and instruments (criminal procedure and criminal code) which have to be harmonised for regional efficiency. Lastly, it has to be coordinated with the regional action-oriented measures against money laundering (exchange of information between financial investigation units (FIU) on suspicious transactions) which initially will be implemented through the CARDS regional project addressing police and crime and may have to be incorporated in the relevant Europol process.

2.1.7 Risks and Assumptions

In order for this programme to reach its full impact it has to be supported by relevant efforts at national level fully coordinated with cross cutting activities.

The programme is based on the assumption that the beneficiary countries support the use of the EU instruments EUROPOL and EUROJUST for the regional and EU oriented operational cooperation. The 28 October 2004 SECI JCC (Joint Consultative Committee) resolution of the SECI member states set out their commitment to upgrade the legal and operational framework of the centre. The projects to be launched within this programme will take into account the results of the evaluation on SECI which was made available at the end of August 2004.

Indicative allocation to action “Enhanced Police Regional Co-operation”: € 2-3 million

2.2 Action Judicial regional cooperation

2.2.1 Background and past assistance

The previous MIP 2002-2004 had as objectives to increase the efficiency of the judicial systems and to improve regional judicial co-operation together with the possibility of building connections with European judicial networks. The assistance which has just started to be delivered and which has a duration of 36 months will focus on the establishment of independent, reliable and well-functioning judicial systems and on the enhancement of judicial co-operation and networking. It aims to create a better understanding of EU and international standards and to support the development of regional and national strategies based on these standards. The assistance will among other benefit from the Council of Europe’s Programme against Corruption and organised crime (PACO) networking projects. The regional CARDS assistance in this field will support actions which facilitate prosecutor co-operation in investigations of organised crime and corruption. The assistance will also cover mutual legal assistance between courts. The project will focus on training of judges, prosecutors, officials in ministries and other parts of the national administrations, staff dealing

with court administration, law clerks etc but will also provide technical assistance for gaps and needs analysis and the drafting of legislation.

2.2.2 Objectives

Through a more efficient regional co-operation between prosecutors the national capacities to conduct criminal investigations and prosecute suspected criminals will be improved. Such co-operation is a necessary complement to the aforementioned police co-operation and it will in the same way cover overall crime with a particular focus on the specific criminal activities listed under 2.1.2.. Investigations in criminal cases related to corruption have also to be made more efficient.

2.2.3 Expected results

The investigation of cross-border related crime will be made more efficient through the establishment of co-operation between EUROPOL/EUROJUST and the-SECI-centre or other co-operation mechanisms that may be established for the prosecutor co-operation. In addition to the enhanced co-operation on cross-border related crime in general, the investigation and prosecution of corruption cases will be more efficient through regional co-operation and the application of commonly-agreed standards and best practices.

More specifically the prosecutors specialised in the investigation and prosecution of corruption-related crimes will obtain better results with further improved regional exchange of experience and co-operation on investigations. The efficiency of such specialised prosecution units will also be increased through the application of common working methodologies and common organisational set-up.

2.2.4 Programmes to be implemented

The activities mentioned under 2.1.4 are also applicable to the prosecutorial co-operation. The technical assistance will also support the increased harmonisation of working methods and of the institutional set-up of the prosecution services specialised in corruption cases as well as the regional co-operation between these services.

2.2.5 Indicators of achievements

Indicators of performance will be:

- an increase in the number of regional and international cases successfully processed by the national services with the support of EUROPOL/SECI;
- the number of suspects, identified, arrested, prosecuted and where relevant sentenced, the number and volume of seizures and confiscations as regards drugs and criminal assets. The assessment of these figures should pay particular attention to cases to terrorism and its

financing, weapons of mass destruction including CBRN, trafficking of human beings and drugs.

2.2.6 Link to regional strategy and other EC instruments

The development of the regional cooperation has been a key line of the regional strategy. This has been underlined by the Thessaloniki agenda and emphasised in the 2004 SAp strategy paper. As mentioned, two of the specific action-oriented measures against organised crime presented at the EU-WB ministerial meeting are dedicated to regional cooperation. The June 2003 Action Plan on Drugs between the EU and the Western Balkans calls also for regional action.

Police cooperation against organised crime and judicial cooperation in criminal matters are closely linked and to a lesser extent have also some links with border management since all intend to address the same criminal phenomena. Judicial cooperation has also to rely heavily on national institutions and instruments (criminal procedure and criminal code) which should be made more uniform to enhance regional efficiency. Lastly, it has to be coordinated with the regional action-oriented measures against money laundering (exchange of information between financial investigation units on suspicious transactions) which initially will be implemented through the CARDS regional project addressing police and crime and may have to be incorporated in the relevant Europol process.

2.2.7 Risks and assumptions

In order for this programme to reach its full impact it has to be supported by relevant efforts at national level fully coordinated with cross cutting activities.

The programme is based on the assumption that the beneficiary countries support the use of the EU instruments EUROPOL and EUROJUST for the regional and EU oriented operational cooperation.

Indicative allocation to action “Judicial Regional Co-operation”: € 1.5-2.5 million

2.3	Action	Development of monitoring instruments
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2.3.1 Background and past assistance

Previous regional and national assistance has focused on developing the capacities of the national JHA institutions and of the regional cooperation instruments. While attention has been given to the institution-building process, the development of instruments that would enable the institutions in the Western Balkans countries to monitor and assess their activities results and performance has been left behind. This gap is deepened by the current status of the national capacities to collect and process data to measure results that are still weak and not harmonised with the EU standards.

2.3.2 Objectives

The core objective is to build a corpus of regionally harmonized and coherent indicators. This is done in order to help further develop the management of institutions, to contribute to give the JHA institutions of each country a capacity to measure themselves the public safety and the crime situation as well as the activities of the different services of the police and of the judiciary. This would enable the countries to better target their efforts and evaluate their effectiveness. This may also feed the assessment of the overall performance of the JHA institutions. More indirectly it will also help assess the impact of the relevant CARDS projects and, for each country, develop common and regional strategic analysis with bodies like EUROPOL and SECI.

2.3.3 Expected results

The programme is expected to improve regional level understanding for a regionally harmonized and coherent indicators in order to support in each country the build-up of a national capacity to assess the public safety and crime situation. As regards drugs this capacity has to be built with a view to later integrating the network of the European Monitoring Center for Drugs and Drug Abuse (EMCDDA)

In parallel this capacity has to be supported by the capacity of the various police, judicial and prosecutorial services to measure their various activities with a view to help their management to improve efficiency especially against the most sensitive risks and to ensure their full accountability.

2.3.4 Programmes to be implemented

The definition of statistical items, of performance indicators and techniques for collecting, processing, analysing and delivering data as well as cooperation with EMCDDA are the main topics of this assistance. It could be delivered at regional level by seminars as far it is necessary to raise consensus on harmonised standards and mechanisms or to provide information and training. Support to implementation at national level will also be necessary.

2.3.5 Indicators of achievements

The key indicators of performance will be:

- The level of development of a corpus of regionally harmonised and coherent monitoring instruments.

The regular production of reliable, coherent and complete statistical and performance information, their use in strategic cooperation in the region and with the EU to be validated by peer experts from the relevant bodies of EU-MS institutions or from EMCDDA.

2.3.6 Link to regional strategy and other EC instruments

The capacity to assess the situation as regards crime and public safety as well as the capacity to measure the efficiency of the JHA institutions is the core of the regional and strategies and SAP reports to fix goals and evaluate progress.

The building of the targeted capacity is also relevant to the assessment of most of the commitments of the countries of the region as well as of the output of many of the CARDS JHA projects. The definition of the statistical items therefore has to be coherent with the approaches that have been developed in the EU-WB JHA political dialogue and in the definition of the CARDS projects. Along with the adoption of performance indicators this is part of the overarching monitoring exercise.

2.3.7 Risks and Assumptions

The development of a culture of statistics which confuses results with indicators should be avoided. The programme is based on the assumption that the countries will see the achievement of this capacity as a conditionality to present progress.

Indicative allocation to action “Development of Monitoring Instruments”: € 1 million

3. Priority Cross Border Co-operation

In the framework of the SAP, Cross Border Co-operation constitutes by definition an important priority in order to enhance regional co-operation, thereby promoting reconciliation and stabilisation in the Western Balkans. It corresponds to major political commitments made by the countries and the EU (political criterion), it has by its own nature a regional dimension (substance criterion) and provides a complement in areas which need reinforcement (operational criterion).

With a view to enhanced regional co-operation, the Thessaloniki Agenda points out that “the EU supports the development of cross-border co-operation between the SAP countries, as well as between these countries and EU members, acceding and candidate countries.” Furthermore, “it stresses the relevance for the region of ongoing efforts to co-ordinate the various EU cross-border initiatives.”

Co-operation amongst countries, and their border regions, was, in addition of being one of the essential elements of the Stabilisation and Association Process, of substantial importance to address common issues. Border Region Cooperation was addressed in the CSP and MIP 2002-2004 as part of the Integrated Border Management (IBM) integrating three other major sub-headings: Development of strategies and Regional co-ordination, Border Control and Trade facilitation. A Cross Border Institution building programme has been foreseen as part of the Institution building component of the 2003 regional programme.

Later, the Commission Communication on “Wider Europe”¹ proposed “...to develop a zone of prosperity and friendly neighbourhood with whom the EU enjoys close, peacefully and cooperative relations...and building on the experience of promoting cross-border co-operation within the Phare, Tacis and INTERREG programmes...and help to avoid drawing new dividing lines in Europe and to promote stability and prosperity within and beyond the new borders of the Union”. The ensuing Commission Communication “Neighbourhood Instrument”² introduced the concept of “Neighbourhood Programmes” for the external borders of the enlarged Union for 2004-2006.

Even though the Western Balkans were not directly concerned by the Wider Europe Communication, as potential candidates, they were included within the Neighbourhood Instrument in order to ensure a comprehensive approach of border regions cooperation at the external borders of the EU for the period 2004-2006. It led to the inclusion, of CARDS countries in 10 Cross Border and Multi-country Neighbourhood Programmes.

The modification to the CARDS Regional MIP 2002 – 2004, to address the Neighbourhood Programmes within the sub-section Border Region Cooperation, and increasing by € 15 M the 2004 allocation, in order to finance the New Neighbourhood Instrument programme in 2004, was approved on 26 July 2004. The same amount of € 15 million is foreseen respectively for 2005 and 2006.

The CARDS Annual Programme 2004 encompassing 2004 CARDS countries’ participation in the Neighbourhood Programmes was approved by Commission Decision on 28 July 2004. Complementary Phare CBC and INTERREG decisions are expected end of 2004 and early 2005, aiming for launching of Joint Call for Proposals shortly afterwards. In parallel, two sets of implementation guidelines (one for INTERREG/TACIS/CARDS and the other for Phare CBC/TACIS/CARDS) have been approved.

Indicative allocation to priority “Cross Border Co-operation”: € 33-39 million

Actions proposed

3.1 Action Border Region Co-operation

3.1.1 Background and past assistance

The funds earmarked for IBM on a de-concentrated basis have been, in most of the cases, closely associated to national activities in the areas of Justice and Home Affairs (Border police and Border control etc, linked to the national programmes on Justice and Home Affairs) or Trade Facilitation (Phytosanitary and food control at border points, linked to the National programmes on customs and trade support). This approach complementing national programmes for Border Control/Management and Trade Facilitation has produced positive results, both in the areas of trade facilitation and border management. The continuation of

¹ COM (2003) 104 final, of 11 March 2003

² COM (2003) 393 final, of 1 July 2003

programmes relating to Border Control and Trade facilitation is foreseen under the different national programmes. The implementation of the programmes on border region cooperation is less advanced due to the limitations of the administrative capacities at local and regional levels and the fact that a priority was given to more pressing issues as border control and trade facilitation.

Border region cooperation however remains a policy priority and a joint commitment by the countries and the EU as stipulated in the Thessaloniki agenda. From an operational point of view, this priority action in the MIP 2005-2006 combines an “external approach” (Neighbourhood Programmes) with an “internal approach” (SAP countries Cross Border Co-operation). The programme is comprised of two components, one for the external borders (11 external borders with either Member States or Candidate countries), and the other for the internal borders (4 borders internal to the region).

3.1.2 Objectives

The long term objective of the Border Region Cooperation activities is to support cooperation at regional and local level, thus reinforcing one of the key CARDS objectives of fostering regional, trans-national and cross border co-operation¹ amongst the Western Balkan countries, complemented by interregional co-operation between them and EU Members States and Candidate Countries (Neighbourhood Programmes).

The immediate objectives are:

- to strengthen economic and social cohesion in peripheral regions;
- to promote economic and social cooperation of border regions;
- to address common challenges affecting both sides of the border;
- to contribute to the consolidation of democracy and democratic behaviour at grass root level to promote local people to people actions;
- to develop capacity at local and regional level and
- in particular for the Neighbourhood Programmes, to ensure efficient and secure borders, facilitating trade and crossings, while ensuring its security.

3.1.3 Expected results

- Greater levels of cooperation amongst border regions of neighbouring countries.
- Greater levels of cooperation amongst regions/municipalities for addressing common challenges.
- Increased role of civil society organisations in support of the democratisation process in the Western Balkans.
- Greater understanding and cooperation amongst local communities.
- Build capacity for an eventual future participation on Community cross border trans-national and interregional cooperation programmes.
- Improved border management control and efficiency (of special application for NP).

¹ Regional co-operation = within the CARDS region; trans-national co-operation = amongst two countries; cross border co-operation = amongst adjacent areas across the border.

3.1.4 Programmes to be implemented

The following actions may be financed through this programme:

- a) Support to economic activities, and to the development of necessary enabling administrative conditions. Development of joint activities, and the provision of joint services of economic, social and health character. Joint cooperation activities. Development of co-operation amongst associations etc.
- b) Projects to address common challenges in fields such as trans-border environmental and health issues, and joint civil protection activities *inter alia* for the prevention of and fight against natural disasters.
- c) Activities which promote local 'people to people' actions addressing, *inter alia*, civil society activities as well as cross border cooperation in the social and conflict resolution spheres.
- d) In the specific case of the Neighbourhood Programmes, actions aiming to ensuring, in complement to relevant national strategies, efficient and secure borders, aiming to facilitate border crossing traffic and at the same time fight against organised crime, terrorism and other illegal activities and traffics.

The projects will be identified after the Call for Proposals has been concluded and the selection process has been completed.

Most of the support will be provided for technical assistance and preparatory studies. Some investments of preparatory character might be necessary, as well as small grants e.g. on the basis of call for proposals, to allow seed funds for launching of activities.

Particular attention will be devoted to development of capacity of human resources, including training, of the local and regional authorities and other stake holders, in complementarity to capacity development activities at national level.

The two components of the Border Region Cooperation activities will be based on joint definition by the national/regional/authorities of the objectives and scope of the several programmes, either at the external or internal borders. Currently, NPs for the period 2004-2006 are in process of launching. As for the CBC, a number of Cross Border Programmes will be identified at the outset, by border. Joint structures for programming, monitoring and running of the secretariat will be established. The Commission will approve the individual programmes, and arrange for necessary funding in accordance with the standard procedure for INTERREG (NP), for Phare (NP) and CARDS (NP and CBC).

3.1.5 Indicators of achievements

- In the area of economic and social development achievements will be measured on the basis of relevant economic and social indicators.
- In the area of common challenges impact will be measured on the basis of nature and number of joint activities performed (studies, services provided or facilities established).
- Achievement in the area of local people to people actions will be measured on the basis of information (number, nature, impact) relating to the actions supported (joint events organised by Civil Society Organisations and its attendance).
- In the area of efficient and secure border crossings achievement will be measured on the basis of statistical data on condition and usage of facilities aiming to support border crossings,

number of agreements amongst local / regional and national authorities aiming to facilitate border crossings, and trade and police related statistics.

3.1.6 Link to national strategies and other EC instruments

The activities proposed are complementary to the support provided within the national programmes in the areas of Justice and Home Affairs, economic development, trade and border management in particular. The national programmes on public administration reform are also of relevance due to their impact on capacity development at the local administration.

Complementarity and synergy will also be sought amongst the two components proposed: CBC, focusing on the Western Balkans internal borders, and NP, for the external borders. The fact that the type of activities foreseen, and the modalities for definition of scope and objectives of the programmes, apply to them both will contribute to that end.

The development of implementation mechanisms which are coherent with INTERREG and Phare CBC programmes will contribute to developing capacity both at local/regional/national level in line with Community Interregional Cooperation programmes.

Complementarity will also be sought with respect to projects launched in the area of European Initiative for Democracy and Human Rights as well as conflict prevention measures which might be launched within the region.

3.1.7 Risks and Assumptions

Limited local/regional administrative capacity is one of the risks associated with this programme. Attention will therefore have to be paid to the provision of adequate preparation and training both within these two components and within the national programmes. In order to increase the sense of ownership, a certain degree of de-centralisation, at least at programming level, should be sought. More advanced stages to partial/full decentralisation, covering also the area of financial management, will need to be analysed on a case by case basis and will be subject to the provision of adequate guarantees. In addition, the fact that, in the case of the NP, the activities are jointly performed with partners who have already developed this expertise for a number of years ie by participation in INTERREG or Phare CBC programme provides a certain guarantee that the risk of bad performance will be minimised.

Another risk related to this type of activities is associated with delayed or poor implementation in part due to inadequate or not well developed delivery mechanisms. To minimise this risk, an alignment with the implementation mechanism developed for the Neighbourhood Programmes, itself based on INTERREG and Phare-CBC, is proposed.

Indicative allocation to action “Border Region Co-operation (NP+CBC)”: € 33-39 million

4. Priority *Private sector development*

Economic development in the Western Balkans is a priority policy goal. In the Thessaloniki Agenda, the EU urges the countries of the region to promote private economic activity and foreign investment and states that it will continue to provide assistance in this area, in coordination with international financial institutions (IFIs). Trade and investment are fundamental tools in order to generate economic development. The 2004 Annual Report on the Stabilisation and Association process notes that while trade measures have served to create an enabling environment for an increase in exports the Western Balkan countries must attract sufficient levels of foreign direct investment to broaden their export base and to increase their production capacity and productivity to exploit their export potential. This regional priority is seen as a tool to promote regional private sector development through an increase in direct foreign investments.

The CARDS Regional Strategy Paper recognizes that investments shied away from the Western Balkan countries throughout the 1990s, while flows to Central- and Eastern Europe increased substantially. Considerable efforts are on-going to improve the investment climate in the region. Donors are working with the authorities and the private sector to implement reforms aiming to reduce the administrative and regulatory barriers to economic activity to facilitate domestic- and foreign direct investment (FDI) and accelerate private sector growth. FDI in the region as percentage of GDP is now reaching levels similar to those in the new member states of Central- and Eastern Europe. It is however lagging significantly behind in terms of FDI per capita. The bulk of FDI has been driven by privatisation and in some cases single major projects. The privatisation process is coming to an end and an increase in greenfield investment will be key in coming years.

FDI implies transfers of technology and know-how with associated beneficial effects on productivity which in the long term should lead to an increase in production and export capacity and to the creation of employment opportunities.

By facilitating foreign direct investment, this regional priority will create upstream favourable conditions for the countries of the region to develop trade and promote exports. In this context, this regional priority is complementary to future trade-related assistance planned in the national programmes. The National MIPs foresee continued support in the area of trade and export promotion during the period 2005-2006. This support is structured along the following main lines of activity: Capacity building support for the development and implementation of trade policies and related legislations; support to the institutes and agencies responsible for technical standards and norms and certification in industrial and agricultural products; enforcement of industrial and intellectual property rights and improvement of the awareness of economic operators. An amount of more than € 40 million is foreseen for the two years. This is complementary to the substantial support foreseen at national levels both in the areas of support to the investment climate (more than 75 million) and in Customs and taxation (more than 30 million).

Indicative allocation to priority “Private Sector Development”: € 2.5-3.5 million

Actions proposed

4.1 Action Investment facilitation

4.1.1 Background and past assistance

The EU has previously indirectly supported economic and private sector development through its regional programme. The regional multi-annual indicative programme for 2002-2004 has sought to increase economic growth and social development within border regions inter alia through developing business related infrastructure for the local business environment (Border Region Co-operation). Efforts have been devoted to create linkages between the Western Balkan business organisations and organisations in the EU and to facilitate private sector implementation and understanding of new rules and regulations (Institution Building). Assistance has also been provided to develop a trade-related regulatory and policy framework to encourage trade and investment (Institution Building) and to facilitate a more efficient processing at frontiers, increase regional trade and enhance key institutional capacities to make and implement trade policy consistent with WTO obligations (Trade Facilitation). In the long run, Community assistance to Regional Infrastructure Development (in co-operation with IFIs) will also result in a positive impact on economic development.

For the period 2002-2004, substantial support, with varied emphasis depending on the country, has been provided in trade-related areas, mainly with funds of the CARDS national programmes but also with part of the regional funds allocated to Trade Facilitation. The purpose of the assistance has been, generally, to improve ability to trade with the EU and regional partners in accordance with the Stability Pact Memorandum of Understanding, to progressively integrate the countries in the international trading system, and to support the development and strengthening the role of the relevant institutions involved in facilitating and liberalising trade.

While trade and export promotion is covered in terms of assistance, this has not been the case for the attraction of investments to the region. Investor surveys have shown that market size is among the most important determinants for FDI. Following the conclusion of a network of bilateral free trade agreements in the region, combined with the proximity to the EU market, the Western Balkans has become a non-negligible market for investors. National investment promotion agencies supported by donors at country level lack detailed sector specific information and are too small to establish a sustainable foreign presence in the near future which is needed to support and reach investors. If the Western Balkan countries are to attract future greenfield FDI, they need to further strengthen their communication to prospective foreign investors to ensure that the progress made to date in the region is adequately conveyed. Investment sector specific information on the opportunities at hand in the Western Balkans region needs to be made available to potential investors. This programme would build on previous support to economic and private sector development and complement and reinforce efforts by national investment promotion agencies to reach out to foreign investors using a regional approach. The WB's FIAS (Foreign Investment Advisory Service) studies on reduction of barriers to investments for each Western Balkan country will also be taken into account.

Investment related activities have not been directly supported through the regional CARDS program previously.

4.1.2 Objectives

Contribute to private sector development through an increase in FDI.

4.1.3 Expected results

Transfer of technology and know-how leading to increased productivity. Increase in production and export capacity and creation of employment opportunities. Increase local competition. Improve the understanding in the countries of the region of which sectors are competitive, which are not, and the reasons behind. Generate interest among potential foreign investors of business opportunities in the Western Balkans

4.1.4 Programmes to be implemented

Benchmarking of the costs of key factors of production of importance to the countries' economies and structural constraints or comparative advantages within those sectors and conditions for investing in them. Compile detailed sector-specific investment profiles in view of investors' short-listing of site locations. Develop and implement investor outreach programs in a few priority sectors.

Projects to be implemented, when defined, will be implemented in line with EU competition (including State Aid) rules.

4.1.5 Indicators of achievements

Indicator of performance will be:

- an increase in the number of investor inquiries through the outreach program and the generation of associated investments.

4.1.6. Link to regional strategy and other EC instruments

The program complements and reinforces efforts at national level to improve trade, the investment climate and attract investors.

CARDS' support to institution building, including functioning of the judiciary, provides fundamental support for any investments into the region. An increase in investments should lead to an improved economic situation in the countries and raised living standards across the populations. Synergies with the South East Europe Regional Roundtable on Investment Promotion should be sought.

4.1.7 Risks and Assumptions

New outbreak of violence would dampen economic activity in the economies of the region. Growth and economic development in the rest of the world and in particular in the EU should not be subject to any significant downturn. The EU will remain the most important export market for all the countries of the region in the foreseeable future.

Efforts to develop a friendly business environment for foreign investors like entailing streamlined business procedures, flexible labour markets, effective contract enforcement and protection of industrial and intellectual property rights notably by improving its enforcement require a strong commitment from the countries. They, together with the fight against corruption, are, inter alia, necessary pre-conditions for unlocking the flows of FDI.

Since the degree of trade liberalisation constitutes an important element for FDI-attractiveness, the full implementation of the bilateral Free Trade Agreements and a truly integrated market in the region are crucial.

Indicative allocation to action “Investment Facilitation”: € 2.5-3.5 million

5. Priority Infrastructure development

The Thessaloniki Agenda stresses the relevance for the Western Balkan countries to develop regional co-operation through initiatives in the areas of energy, environment and information and communication technology. In the Thessaloniki Declaration, the Western Balkan countries and the EU recognised “the importance of developing modern networks and infrastructures in energy, transport and telecommunications in the region”. This priority, which constitutes a key policy objective, is included in the MIP 2005-2006 because of its regional dimension and the fact that initiatives in these fields can be instrumental to the creation of a common economic space in the Western Balkans. Furthermore, this priority will ensure continuity to preparatory action undertaken under the MIP 2002-2004.

One of the key objectives of the CARDS regional strategy for 2002-2006 is “to assist the countries in developing coherent strategies for infrastructure with an international dimension in transport, energy and environment”. The focus of the CARDS regional programme since 2001 has been to assist in the development of regional strategies with the necessary studies, to support sector related institution building and regulatory measures and to undertake investment project preparation, including needs/projects identification/prioritisation exercises. It thereby contributed to an environment conducive for infrastructure investment and notably paved the way for operations involving the IFIs. Coordination of the EC and the IFIs is indeed well developed at regional level in the sectors of transport, energy and environment, with the Infrastructure Steering group for SEE (ISG) as a central component, and should be pursued, not least in order to optimize the impact of regional projects under CARDS.

As a result, and although each sector has its specificities (see sections below) similar developments have occurred in the three sectors of transport, energy and environment:

- A regional process is in place, backed up by political agreement and commitment (ministerial meetings, MoUs,...) and based on regional bodies and mechanisms (regional ownership), networking, peer review, benchmarking, related institution building measures and strategic donor coordination;
- Regional sector strategies have been completed or are in progress, building on comparable experience with the CEECs in the enlargement process, and comprising notably investments prioritization exercises and comprehensive approach to institution building, regulatory and legislative measures;
- Support is being provided to the preparation and implementation of IFI-led investment projects.

Building on these significant assets, the CARDS Regional Programme shall in the next programming phase aim for each of these sectors to further intensify support to investment project prioritization/ preparation/implementation facilities (PPF). While in the period 2001-2004, the effective launch of project preparation facilities was constrained by the progress in the development of the corresponding sector strategy, this will not be the case in the coming period: as the EC and IFIs have in the meantime gained a considerable knowledge of the needs and priorities within each sector, it should be possible to make rapid and effective use of additional and expanded PPF funding. For those PPF which are already underway, first results have been very promising: as an indication, the € 2.7 m *TPPF* will enable a total € 200m projects to take off.

Consideration should also be given to set up a single flexible multi-sector mechanism to reduce administrative costs entailed by several sector PPF and instead spare resources and time to enable more effective steering of the facilities. The indicative allocations foreseen will therefore not be split by sector beforehand. However, given the current rates of implementation of existing facilities under CARDS¹, it would seem reasonable to tend to reach the following proportions between sectors: Transport (45%); Environment (30%); Energy (25%).

In addition, the CARDS Regional Programme shall contribute to necessary institution building measures and possibly substantiate the sector strategies on specific issues. It is also suggested to initiate a similar regional strategic approach in the Information society sector, which would build on its important analogy with the Energy sector and aim primarily to set up the right regional regulatory environment for the economic development of that sector. Conversely, and given the availability of private investors in this sector, it shall not be included in the PPF.

Indicative allocation to priority “Infrastructure Development”: € 21-26 million

of which

- **Project Preparation facility (Transport, Environment, Energy) : € 15-19 million**
- **Additional Energy specific measures: € 3-4 million**
- **Additional Environment specific measures: € 1-2 million**
- **Information Society: € 1-2 million.**

¹ Between 2001 and 2003, 3m€ went to Transport – (100% underway, expiry end 2004), 7,5m€ to Environment (underway, except one project), and 1,5m€ were initially planned to Energy Networks (reformulated into a new project, see section 5.2.1).

Actions proposed

5.1	Action	Transport
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5.1.1	Background and past assistance	
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Drawing up an integrated regional transport strategy that is consistent with the Trans-European Networks and takes into account the Pan-European Corridors, in particular Corridors V, VII, VIII and X, has been a high priority, as underlined in the Thessaloniki Agenda. The result is an agreement to work together to enhance regional transport within a regional framework, to hold reciprocal consultations on transport policy and to introduce the institutional reforms needed to make investments sustainable. It was agreed that efficient planning of public investment in the transport sector hinges on the development of four main building blocks: the establishment of a Core Regional Transport Network as a jointly agreed reference for planning investment of regional relevance; a process to prioritise investments of regional importance and which are financially affordable and suitable for international financing; a commitment to policy reforms, notably to improve sector management and address cross border issues; and the establishment of an institutional framework to coordinate efficiently among the countries of the region. On 11 June 2004, the countries of the Western Balkans signed, with the Commission, a “Memorandum of Understanding on the development of the South East Europe Core Regional Transport Network”. This MoU foresees the creation of a co-ordination structure based on a Steering Committee of high level representatives aided by a full-time secretariat and a Transport Observatory to collect and collate transport data. The Secretariat and the Observatory will be based in Belgrade. The primary task of the Steering Committee will be to implement the core network, as defined by the Commission, by developing the already agreed priority projects.

CARDS assistance, steered collectively under the auspices of the ISG, contributed substantially to the development of this transport strategy with three main components: *Regional Balkan Infrastructure Study (REBIS-Transport)*, 2,45m€ under CARDS 2001, completed July 2003; *Transport Project Preparation Facility (TTPF)*, 3m€, CARDS 2001, underway until December 2004; Support to the *SEE Transport Observatory (SEETO)*, 1,9m€, AP 2003, under preparation (back up to regional mechanism set up by MoU, to last 42 months); An *Air traffic control* institution building programme (AP 2002, 5m€) is underway and will last until end 2006.

As a result, it will be possible to focus on the following assets: a comprehensive analysis of all transport modes and key sectoral reforms; a documented assessment of long-term investment needs based on comparable methodology applied to CEECs with *TINA*; a substantiated short/medium term investment plan, including a prioritized list of 137 projects, of which 20 were further examined in detail (pre-feasibility); an analysis of bottlenecks on 25 border crossings; key inputs provided by *TTPF* to the operational development of 8 projects.

Given these assets and the fact that the *SEETO* project will last until end of 2007 (and *Air traffic control* until 2006) and in line with the above-mentioned strategic orientations, investment project preparation/implementation facility shall represent the primary focus of assistance in the forthcoming period. Initial stages of cooperation with the Maritime Safety and Aviation Safety EU agencies are also envisaged (see section 1.3) and would provide targeted and complementary institution building measures in the transport sector.

5.1.2 Objectives

- To catalyse the development of infrastructure investments on the SEE Core Transport network.
- To support a sustainable development of the transport system based on a multi-modal balance.

5.1.3 Expected Results

- To expedite the short-term investment plan on the SEE transport Core network, and observe a relative geographical balance throughout the Western Balkans.
- To provide back up to transport authorities and IFIs on project planning, development and implementation;

5.1.4 Programmes to be implemented

Measures in support of the preparation and implementation of investment projects¹.

5.1.5 Indicators of achievement

Indicators of performance will be:

- the completion and delivery of pre-investment documentation i.a. in the form of economic feasibility studies and tender documents for construction works;
- strengthened national public institutions, responsible for transport planning and project implementation.

5.1.6 Link to regional strategy and other EC instruments

This priority was foreseen under the Regional strategy and directly follows-up a similar priority under the previous MIP. It is also in line with the priorities of the Thessaloniki Agenda as regards regional cooperation in the transport sector.

5.1.7 Risks and assumptions

Sustained commitment to regional cooperation is needed.

Limited borrowing capacity of recipient countries, possible geographical imbalances, competition with other priority sectors.

5.2 Action Energy

5.2.1 Background and past assistance

¹ Including - subsidiarily, and subject to agreement by the SEE Transport Steering Committee established by the June 2004 MoU - possible complementary specific analysis of investment needs/priorities

The Regional Electricity Market process was initiated in November 2002 in Athens with the signing of the “Memorandum of Understanding on the Regional Electricity Market in South-East Europe (SEE) and its integration into the EU Internal Electricity Market”. Day-to-day co-operation has developed between the countries of the region, with full support of the financial institutions and bilateral donors. Coordination, review of progress, the promotion of a common strategy among donors and private sector involvement were enhanced, in particular on the occasion of several “SEE Energy weeks”. The process has also been extended to the gas sector and to develop a basis for regulation of the market¹ and a revised Memorandum of Understanding on the Regional Energy Market was concluded by the Commission and the SEE countries in Athens in December 2003. Furthermore, the negotiation of an Energy Treaty, embodying trading and market regulation rules has been initiated, further to the Council approval of negotiating directives in May 2004. The goal is to establish an “Energy Community in South East Europe” (ECSEE).

The Athens process aims at creating the conditions of a functioning electricity market in SEE: it consists in a comprehensive mid to long term regional plan; it combines institutional and structural reform, regulatory and market rules building, as well as strategic planning of infrastructures investments based on supply/demand analysis, from a regional perspective; it will have positive short term impact through enhanced confidence of public and private investors in the region; it is the only sustainable option for economies of the size of the SAp countries. The regional energy market in South East Europe will be achieved by progressively approximating state policies and by promoting harmonised rules throughout the region and it shall offer the right environment to attract international, public and private, investors.

Under CARDS Regional Programme two projects have been launched to provide a useful and strategic complement to the combined efforts of the international community: *Support to Regional Electricity Market*, 0,75m€ under CARDS 2001, expiry end 2004; *Regional Balkan Infrastructure Study (REBIS – Electricity)/ Generation Investment Study (GIS)*, 2,8m€ under CARDS 2001, underway. A single project² of € 3,3 m “*Facilitating and implementing the Energy Community in South East Europe*” is planned to start in the second half of 2004.

Under the next programming phase, networking means, selected institution building measures and targeted studies and technical assistance will be required to accompany the full development of the regional approach and accompany the implementation of the MoUs and prepare for the entry into force of the envisaged Treaty. Based on consultations with IFIs within ISG, it is also necessary to plan further support to investment project preparation.

As regards the support to the ECSEE regional process, bearing in mind that Bulgaria, Romania and Turkey are also full participants of ECSEE, CARDS assistance will be geared to benefit the Western Balkans participants of ECSEE. When support to horizontal measures is necessary, it will be justified by the particular benefits it will bring to the Western Balkans countries.

5.2.2 Objectives

- To underpin effectively the implementation of the MoUs and Treaty through consolidation and development of the ECSEE cooperation mechanisms, including regional meetings, and

¹ See also the Communication [COM(2003)262] of 13 May 2003 on “The Development of Energy Policy for the Enlarged European Union, its Neighbours and Partner Countries”

² It replaces 2 former projects under AP 2002: *Regional Natural Gas Market*, 1.8m€; *Energy Networks Project Preparation Facility* 1.5m€.

networking; to secure adequate access to information of all actors in the sector, including authorities and potential investors.

- To complement donors efforts in support to the regional strategy and to catalyse the development of infrastructure investments in the energy sector, with a particular emphasis on energy networks projects (regional dimension).

5.2.3 Expected Results

- Progress in establishing a functioning regional market in energy based on agreed principle, transparency and mutual trust i.a. via meeting the deadlines for action contained in the MoUs (and Treaty, upon entry into force).

- Significant leverage of IFIs operations in the energy sector.

5.2.4 Programmes to be implemented

- Follow-up support for sustaining ECSEE from 2005 onwards, incl. support to technical bodies involved in the process; Regional Energy and Information Centre; complementary to other donors programmes, possible targeted studies on selected issues of relevance to the REM.

- Measures in support of the preparation and implementation of investment projects.

5.2.5 Indicators of achievement

Indicators of performance will be:

- Regular meetings of ECSEE bodies, incl. Energy weeks; set-up of an effective and reliable information sharing network/Center; information dissemination incl. reference material and internet portals;

- the completion and delivery of pre-investment documentation i.a. in the form of economic feasibility studies and tender documents for construction works.

5.2.6 Link to regional strategy and other EC instruments

This priority was foreseen under the Regional strategy and directly follows-up a similar priority under the previous MIP. It is also in line with the priorities of the Thessaloniki Agenda as regards regional cooperation in the energy sector.

5.2.7 Risks and assumptions

Continued commitment to regional cooperation is needed;

Limited borrowing capacity of recipient countries, possible geographical imbalances, competition with other priority sectors.

5.3

Action

Environment

5.3.1 Background and past assistance

Environmental issues have a regional dimension in many cases and many challenges in this area can be addressed at regional level in the Western Balkans. The EC has therefore

contributed since 2000 along other donors, to the creation and continuation of the Regional Environmental Reconstruction Programme for South Eastern Europe (REReP).

REReP aims to improve the environmental policy framework in South Eastern Europe and includes institution building, measures for raising environmental awareness in civil society and cross border co-operation. In 2004, the initiative has intensified its assistance to the countries in developing their environmental policies to be in line with the Community *acquis*. The wider donor community also endorsed this programme as the vehicle for co-ordinating environmental actions.

Regional networks of high officials and experts have been set-up, in particular the support, via the REReP, to the countries participation in the Balkan Environmental Regulation Compliance Enforcement Network (BERCEN), along with the development of close ties with the European Environment Agency (in that regard, see also section 1.3.). Under REReP, a Priority environmental investment programme has also been prepared: it has drawn up priorities for the region, identified regional investment programmes, compiled a list of priority investment infrastructure projects and assessed the institutional and policy framework. The PEIP still requires to be brought up to an adequate degree of maturity/bankability, a task foreseen under the ongoing REReP 2002 project.

EC contributed to REReP over 5 m€ under Phare/Obnova in 2000, and a follow-up 2m€ project was included in the Cards Regional Programme 2002 which started in September 2003 for a 36 months duration. A review study of the REReP was commissioned by DG AIDCO and completed in January 2004. It formulated recommendations for future work which will be examined by the next REReP Task-force on 30/9/04.

In addition to REReP, the Danube/Black Sea Initiative (DABLAS) has been supported by a *Danube Regional Investment Support Facility* (AP 2002, 4,0 m€, underway) and the Sava River Basin initiative will benefit from a *Sava River Management Plan* (AP 2003, 2,3 m€, expected to start end 2004). Both initiatives are pursued in reference to the commitment taken by non-EU members of ICPDR (of which BIH, HR, SCG) to implement the EU Water Framework Directive.

Two other project preparation facilities received CARDS support: *Municipal Finance Facility* (AP 2002, 1,7 m€, underway) and *Environment Project Preparation Facility* (AP 2003, 1,8m€, under preparation).

5.3.2 Objectives

- To maintain the REReP cooperation mechanisms, including regional meetings, peer review, and networks; develop the contribution of REReP to SAP challenges and the transfer of relevant experienced gained with CEECs.
- To catalyse the development of infrastructure investments in the environment sector, with a particular emphasis on water and wastewater management.

5.3.3 Expected Results

- Successful operation of the REReP mechanism with full participation of SAP countries; Functioning regional networks of environmental enforcement agencies with linkage to similar networks in the EU and candidate countries; Economies of scale through regional training and exchange of experience.

- Expansion of IFIs operations in the environment sector, including a geographical balance throughout the Western Balkans.

5.3.4 Programmes to be implemented

- Follow-up support, from September 2006 onwards, to REReP secretariat and BERCEN network; support to REReP for complementary regional experience sharing with relevance to the SAP and building on experience gained in the enlargement process, and following decisions in the REReP task-Force.
- Measures in support of the preparation and implementation of investment projects.

5.3.5 Indicators of achievement

Indicators of performance will be:

- Regular meetings of REReP bodies, incl. its Task-force; set-up of a reliable BERCEN network, consisting of identified and trained officials, and supported by adequate electronic information network; information dissemination incl. reference material and internet portals.
- the completion and delivery of pre-investment documentation i.a. in the form of economic feasibility studies and tender documents for construction works; strengthened national and local institutions involved in investment development.

5.3.6 Link to regional strategy and other EC instruments

This priority is a direct follow-up to corresponding priorities under the previous MIP and is foreseen under the Regional strategy. It is also in line with the principles of the Thessaloniki Agenda as regards regional cooperation and transfer of enlargement experience. It shall complement effectively action undertaken at national level to meet the SAP priorities in environment as listed notably in the European Partnerships. Through its work on sensitive cross-border cooperation issues, REReP can contribute to a cooperative resolution of mutually affecting environmental “hot spots” and ease possible tensions.

5.3.7 Risks and assumptions

- Continued commitment enabling the emergence of an adequately supported public administration in the environmental network; commitment to regional cooperation is needed;
- Limited borrowing capacity of recipient countries, possible geographical imbalances, competition with other priority sectors.

5.4	Action	Information society
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5.4.1 Background and past assistance

As stated in the Thessaloniki Agenda for the Western Balkans, the EU “supports projects of regional significance and regional initiatives” in the area of information and communication technology.

The Western Balkan countries need good quality, modern telecommunications sectors if they are to achieve their legitimate economic and social aspirations. This will require considerable improvement in the infrastructure and in the commercial performance of the sector. The task facing each West Balkan country and undertaken by some of them is to formulate a sector policy that is adapted to its present circumstances and takes into account the aim of joining the EU. The underlying economic characteristics of the communications sector enable it to attract all or most of the capital needed from purely commercial sources. However, this can be done only if the potential investors can see a stable, predictable and appropriate regulatory framework in place.

The EU itself has developed a highly sophisticated regulatory model, based on competition law, and which was designed specifically for the situation in the EU15. This framework is “technology neutral” and is now being implemented in the EU25 by the transposition of laws and by independent regulatory bodies in each country.

Challenges in the sector will have to be addressed predominantly at national level, by national authorities for the regulatory aspects and by the economic actors themselves as regards infrastructure investments. However, at regional level, and based on the results achieved in developing regional strategies in other sectors, it is proposed to initiate a similar regional strategic approach which would complement efforts undertaken at national level.

The fundamental goal of a regional strategy for the Information Society field, would be to assist the countries of the Western Balkans to bridge their regulatory and technological gap with the EU. This approach could build on its large analogy with the one followed with the Regional Energy Market and aim primarily to set up the right regulatory environment for the economic development of that sector, and consist of the following elements:

- elaborate an agreed strategy, under the supervision of the EC acting in close liaison with IFIs, in particular the EBRD and the World Bank, and other interested donors;
- secure political commitment to agreed reform orientations;
- set up regional cooperation mechanism insuring adequate overview, proper benchmarking and sequencing of reforms, peer review and networking.

So far, the EU has provided very little assistance to the Western Balkan countries in the Information Society field. Nevertheless, the countries themselves, acting in the framework of the Stability Pact for South East Europe, have started to commit themselves in aspects analogous to eEurope Action Plans, ie. by having adopted information and communication technologies and secured some assistance in that regard for the international community.

Building on what has been achieved with in the Stability Pact framework, it is now needed to have a more orderly and focused approach which takes account of all of the most important needs in the countries concerned at national and regional level focusing primarily on the telecommunications policy, which has a lot of associated *acquis* and complex implementation structures.

5.4.2 Objectives

- Harmonisation with EU regulatory practices in the telecommunications sector, transfer of experience gained with enlargement and contribution to an improved connection of the Western Balkans with the Trans-European Networks in telecommunications.
- Transfer of know-how on regulatory aspects of electronic communications.

5.4.3 Expected Results

- Economic development of the telecommunications sector through investments as a result of the enhanced reliability of the regulatory policies.
- Increased efficiency i.a. in public services.

5.4.4 Programmes/measures to be implemented

Development from 2005 onwards of a regional strategy focusing primarily on the telecommunications sector, including necessary targeted sector studies and including support to meetings and networking in order that governments, IFI's and European Commission discuss and agree on strategic options; set up of light back up to regional cooperation to allow for exchange of knowledge and know-how, benchmarking and peer review.

5.5.5 Indicators of achievement

Indicators of performance will be:

- Agreement of IFIs and donors on EC-led strategy. Countries' commitment to the strategy.
- Benchmarking reports. Studies in support to the strategy

5.5.6 Link to regional strategy and other EC instruments

This sector was not explicitly mentioned in the Regional Strategy amongst infrastructure sectors for which a regional strategy would be supported. This stemmed from the need to concentrate the strategy on the more critical sectors of transport, environment and energy, where a regional approach could also more clearly make the difference. But in the new phase, there would some economy of scale to extend to the Information society filed the positive experience gained with in the energy sector. Moreover, this would correspond to the goal of the CARDS programme to reconnect the Western Balkans to the Trans-European Networks, a reference also made in the Thessaloniki Agenda. This sector is finally also mentioned in the European Partnerships.

5.5.7 Risks and assumptions

- Commitment to regional cooperation and reform.
- Geographical imbalances in investment flows to the Western Balkan region.

6 Reserve

The purpose of the reserve is to cover priority expenditures within the components of the Multi-annual Indicative Programme which may arise in the course of its implementation and which were unforeseeable at the time of its preparation. They may involve inter alia: deployment of short term experts for specific assistance, thematic assessment and meetings within the region, regional networking activities etc.

Cross cutting issues

Gender related issues will be addressed both directly and indirectly: directly, by implementing the necessary legislative instruments (in particular through TAIEX assistance) and also as a common element of public administration reform in all of the countries of the region (SIGMA). Indirectly, gender related issues will receive adequate attention in the framework of the implementation of the regional programme (regional School of Public Administration, trans-border co-operation).

Environmental protection forms the subject of a specific action in the regional programme. Environmental questions will be included in the studies regarding the infrastructure projects. The Regional Electricity Market is aligned on EC environmental *acquis*. Projects selected for finance will be subject to an Environmental Impact Assessment in line with the relevant EC *acquis*.

Besides consultations held regularly with **civil society** organisations, civil society representatives as well as local and regional authorities will be closely associated in the programming and implementation of activities of trans-border co-operation.

Indicative Budget

CARDS Regional Programme 2005-2006 € million

	2005	2006	TOTAL
PRIORITIES			
INSTITUTION BUILDING			16-18
Administrative capacity building, including EC <i>acquis</i> approximation			6-8
Public administration reform			4-6
Co-operation with Community Agencies			3-4
JUSTICE AND HOME AFFAIRS			5-6
Enhanced Police Regional Co-operation			2-3
Judicial Regional Co-operation			1.5-2.5
Development of Monitoring Instruments			1
CROSS BORDER CO-OPERATION			33-39
Border Region Co-operation (NP+CBC)			33-39
PRIVATE SECTOR DEVELOPMENT			2.5-3.5
Investment facilitation			2.5-3.5
INFRASTRUCTURE DEVELOPMENT			21-26
Project Preparation Facility (Transport, Energy, Environment)			15-19
Energy			3-4
Environment			1-2
Information Society			1-2
RESERVE			0.7-0.9
TOTAL	43	42	85¹

¹ As per budget available.
Range of circa +/- 10%.
Higher / Lower amounts in a sector are compensated by lower / higher amounts, within stated range, in other sectors.