

“FICHE CONTRADICTOIRE”

Evaluation of the Implementation of Regulation 2666/2000 (CARDS assistance to the Western Balkans)

Recommendations :

Responses of Commission Services :

Follow-up (one year later) :

<p>1. Decentralise CARDS, as partner capacity grows To increase ownership and sustainability, and respond to the partnership framework following the Thessaloniki summit, decentralisation of CARDS should be pursued in accordance with the capacity of recipient institutions.</p> <p>To prepare for greater decentralisation, technical assistance should be provided to build a learning process in recipient institutions, with specific actions in each country/entity to support the capacity of partners to run consultations, draft strategic documents, prepare projects and train staff.</p>	<p>The Commission agrees with the need to increase ownership of the beneficiary countries. Decentralisation could be one way of increasing this ownership.</p> <p>Decentralisation however needs to be linked to the capacity of the national administrations to deal with it from the programming, financial and technical view point. It has therefore to be correctly timed and gradually implemented. Article 164 of the Financial Regulation stipulates under which conditions decentralisation can be applied.</p> <p>Particular attention is paid to the provision of technical assistance, aiming to develop capacity in the relevant departments of the recipient administrations. This kind of support will be progressively developed in all countries.</p> <p>Existing and forthcoming programmes in public administration reform aim, inter alia, to develop legislation and good practice in the area of public procurement and auditing of national accounts. They enhance capacity in the management of public funds including EC assistance.</p>	<p>The ownership of the beneficiary countries is a key element for the success of assistance efforts in the region. Currently, all the beneficiary countries are regularly involved during the programming and implementation of the assistance. It is also worth mentioning that national authorities are becoming more and more responsible for the initial project identification on which basis the project appraisal has been performed.</p> <p>The development of capacity of the beneficiary administrations is an underpinning element of the assistance provided at national and at regional level. This will facilitate future decentralisation of assistance.</p> <p>Since the publication of the CARDS Regulation evaluation, Croatia has become a candidate country and eligible for Phare with an objective to decentralised implementation of assistance as soon as the necessary conditions have been fulfilled. Moreover, initial steps have also been made for the future decentralisation of implementation of assistance in the former Yugoslav Republic of Macedonia, also a candidate country, where an amount of € 2.3 million has been earmarked for supporting the process. The 2006 CARDS Annual Action Programmes for Serbia and Montenegro also foresee support for this decentralisation process.</p> <p>For the other countries and entities in the region, the Commission is currently conducting an information campaign on IPA and the decentralised implementation system at high level.</p> <p>To conclude, the process towards full decentralisation is one of the objectives of the IPA Regulation <i>see infra</i>.</p>
---	---	---

<p><u>2. Specific policy instruments to support development investment</u></p> <p>Cohesion policies and funds should focus on rural development and local infrastructure as a support to the fight against poverty and to encourage competitiveness in EU markets. A specific regional programme to support these policies should be set up, building on existing local and regional development programmes, with the participation of DG REGIO.</p> <p>A specific regional investment facility should be set up in collaboration with EIB, EBRD and other international financing institutions. This would have a specific allocation from the CARDS programme and would focus on infrastructure projects of regional relevance (transport, energy, environment etc) and support to credit schemes for SME development.</p>	<p>As stated in Regulation 2666/2000 the main purpose of the CARDS assistance is to support participation by the recipient countries in the Stabilisation and Association process. The focus of the assistance has shifted from reconstruction and rehabilitation to institution building and public administration reform, these both being key aspects of the Stabilisation and Association Process contributing to lay the foundations of a functioning market economy hence economic development.</p> <p>Whilst maintaining the overall orientation of the CARDS assistance the Commission will take into account the importance of economic development in its future assistance programmes.</p> <p>In the annual regional programmes 2002 – 2003, the Commission has made available facilities which, under the aegis of the Infrastructure Steering Group, support the regionally relevant IFIs' investments in the areas of Transport, Energy (electricity and gas) and Environment. It is the intention to expand those further in the period 2005-2006.</p> <p>At national level the CARDS assistance is supporting SME development in all the countries of the region except Albania where other important bilateral programmes are in place (Italy and US). Those schemes, some in combination with IFIs, have been combined with technical assistance both for the applicant companies and for the participating banks.</p>	<p>Economic development, also at local level, is one of the priorities of the CARDS Multi Annual Indicative programmes, both at national and regional level.</p> <p>Even though the Western Balkan countries were not directly concerned by the Wider Europe Communication, as potential candidates, they were included in the Neighbourhood Programmes for 2004-06 which developed at their borders with EU Member States and Candidate countries. This led to the inclusion, in 2004, of CARDS countries in 10 Cross Border and Multi-country Neighbourhood Programmes, which were based in INTERREG or Phare CBC Programmes; one of the objectives being to facilitate cooperation on practical problems facing border regions and communities.</p> <p>With regard to regional investment facilities, the CARDS regional programme 2005 has further earmarked € 10 million as an additional project preparation facility aiming to facilitate sustainable regional investment in transport, environment and energy sectors by the major International Financing Institutions and other donors. Additional funds are also foreseen for the 2006 Annual Regional Programme. With regard to support to credit schemes for SME development, two developments are noteworthy: 1) the Commission will extend the SME finance facilities focusing on financial sector institution building, to the Western Balkans, under IPA. Concerning support to micro-enterprises the EC launched its participation in the European Fund for South East Europe on 19 June 2006. EFSE supports private sector development in the Western Balkans – it extends credit lines to banks and microfinance organisations in the region. The Commission's participation took place through a transfer of loans of a nominal value reaching almost €60 million from previously financed revolving loan facilities in Bosnia and Herzegovina, Montenegro, Serbia and Kosovo (under UNSCR1244). EFSE will not only ensure continuity of these operations but leverage private sector capital to the region. It will also contribute to regional co-operation as the beneficiaries are involved in the advisory board of EFSE.</p>
---	--	---

3. Regional Programme

The regional programme should be reorganised with consideration given to assignment to a devolved body, provided that body is linked to the policy process.

Regional guidance should be enhanced to fill in the strategic gaps in various sectors. Key steps would be establishing regional networks of stakeholders, updating and disseminating sector guidelines based on the networks, and ensuring the participation of line DGs.

The Commission agrees with the assessment in the report that the implementation of the CARDS Regional programme is not satisfactory. It does not consider however that setting up a devolved body would be the appropriate response.

Regional cooperation is an integral part of the SAP and an obligation for the countries. It has primarily a political dimension and therefore, beside the operational dimension, it requires political guidance and management.

In order to address the shortcomings identified with respect to its implementation, particular attention will be paid to the management of projects under the regional programmes at the different levels.

Common strategies are in place in the infrastructure sector (transport, energy and environment), at regional and national levels, supported by the IFIs. Consideration is being given to extending this approach to the sector of information technologies. In the case of transport and energy this is formalised in MoUs.

The Commission agrees on the need to reinforce strategic guidance in the JHA sector. This process has already started in the fields of organised crime, border control and through support to regional initiatives such as the SEECP. Such sectoral guidance is now also being provided through specialised CARDS regional projects in the key JHA areas of Asylum, Migration and Visa, Policing and Organised Crime, and Judiciary (with comparable projects to start shortly on Integrated Border Management and on Penitentiary).

The Commission intends to further develop that 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 for 2005 – 2006.

The overall objective of the 2005 Regional Action Programme, reflecting the approved Regional Strategy for 2002-2006, was to support the participation of the Western Balkan countries in the Stabilisation and Association Process and in particular its regional dimension. In order to develop the 2005 Regional Action Programme, a detailed analysis was performed, sector by sector. The analysis took into account the existing policy framework and status of implementation of existing projects/initiatives, at national and regional level.

Progress in regional co-operation is most evident in the web of agreements and sectoral strategies that are beginning to bind the countries together in a framework of agreed and mutually supportive commitments; in some cases it is formalised in form of Treaties eg the Energy Community for South East Europe or Memoranda of Understanding eg for the South East Europe Core Regional Transport Network and energy markets. Due to the importance of these political processes, resources have been allocated for the provision of technical assistance in support of those agreements.

As a result of regional projects, guidelines have been produced in the area of Justice and Home Affairs for supporting the national policies in Asylum Visa and Migration and Integrated Border Management. Ongoing regional projects in the area of police and judicial reform have led to the reinforcement of police co-operation and a proposal for the establishment of a prosecutors' network.

In order to improve ownership regional coordination and networking, the Commission has initiated regular regional meetings involving the representatives of the beneficiary countries and the EC Delegations and EAR, together with staff responsible for implementation of the regional programmes. The first such regional event took place in April 2005 in Skopje, followed by an equivalent event in Sarajevo in March 2006. It has been followed by another regional meeting in Zagreb in June 2006.

<p>4.Programming and programme management</p> <p>The Country Strategy Paper/Multi-annual Indicative Programme (CSP/MIP) approach should be replaced by 2006 with a mechanism similar to that currently used in Enlargement countries, in line with the partnership approach. However, if CSPs and MIPs are maintained, then the new Regulation should state that the Partnership documents and Stabilisation and Association Process (SAP) report recommendations should provide the policy framework for the preparation of annual Action Programmes.</p> <p>Regarding programme execution, EuropeAid, should it continue its involvement, requires increased enlargement expertise, especially in view of future programme decentralisation.</p>	<p>The Multi Annual Indicative Programmes for the period 2005-2006 are largely based on the European Partnerships and the recommendations of the SAP report.</p> <p>In the context of the New Financial Perspective and new Financial Instruments/Regulations, the Commission will reflect on how to programme and implement assistance to the Western Balkan countries. It will take into account experience gained in the enlargement process. The Commission Communication (2004) 626 of 29 September 2004 states: <i>“The instrument for Pre-Accession will replace a range of existing instruments (PHARE, ISPA, SAPARD, CARDS etc.) and will cover Institution Building, Regional and Cross-border cooperation, Regional Development, Rural Development and Human Resources Development and will address the need for a flexible approach in order to accommodate new priorities quickly”</i>.</p> <p>In order to ensure the best possible programmes, EuropeAid offers quality support to the Delegations and the EAR. Thematic support units exist at EuropeAid, delivering advice to thematic aspects of programming. Furthermore, programme managers from the EAR and Delegations are regularly invited to workshops to be updated on the latest development and to exchange know how among one another; this has, for instance, been done in the area of Justice and Home Affairs.</p> <p>The Commission started early to draw on enlargement tools, for instance by using Twinning and requesting TAIEX services well before the Thessaloniki summit.</p> <p>Furthermore it should be noted that many officials at Aidco and also the EAR centres and Delegations have previously worked in the enlargement context in Brussels or at Delegations.</p>	<p>The future IPA Regulation will be the key tool of the Commission’s pre accession assistance strategy. The purpose of IPA is to support countries in their transition from potential candidates to candidate countries and through to membership of the European Union. It will be of application to both, candidate and potential candidate countries and it will provide a coherent framework, taking advantage of the lessons learned from earlier pre-accession instruments as well as from assistance to the Western Balkans.</p> <p>The Enlargement Package will set the overall strategic framework for the pre-accession process (Accession Partnerships or European Partnerships and Stability and Association Agreements, Regular Reports, Strategy Paper presented each year by the Commission to Council and Parliament). A Multi-annual Indicative Financial Framework (MIFF) will be part of this package and will translate the priorities defined within the political framework into financial terms for countries and components. At the strategic planning level, Multi-annual Indicative Planning Documents (MIPDs), will be established for each beneficiary country and for the regional programme by the European Commission in close consultation with the countries concerned. The MIPDs will translate the priorities set out in the enlargement package.</p> <p>Reflecting the political priority of preparation for future membership, the European Commission transferred responsibilities for relations with Western Balkan countries to DG ELARG, a new unit dealing with Financial instruments for the Western Balkans and incorporating staff coming mainly from former AIDCO directorate dealing with the Western Balkans, was also established. This approach is helping an ever increasing cross-fertilisation of expertise and instruments widely used in the accession process. As a matter of example, since the beginning of the operations of TAIEX in the CARDS region in 2004 over 3000 assistance actions have been organised targeting over 6000 officials from the central state administrations, judiciary or parliaments.</p>
---	--	---

5. Implementation arrangements

If the present dual implementation model (European Agency for Reconstruction and de-concentrated delegations) is retained, the respective strengths of each model should be extended to the other. This refers specifically to the policy link of de-concentrated delegations (introduce for annual programming a country/entity level step to allow enhanced involvement of the EAR) and to aspects of autonomy currently applying to the EAR.

Both these implementation models comply with the general principle of devolution of the of EC assistance management. The Commission agrees that the respective strengths of each model should, as far as possible, be combined.

The Agency programmes EC assistance in ever closer and more extensive consultation with the Commission and its Delegations, the governments, EU Member States and other relevant stakeholders. The Agency programmes, on which the EAR Governing Board and the CARDS Committee are consulted, are in line with the EU's policy instruments (e.g. the SAp) and the on-going political level dialogue with governments of the region.

On 23 December 2005, the Commission issued a report to the Council on the future of the European Agency for Reconstruction. The Commission proposed to discontinue the EAR, while seeking extension to 31 December 2008 in order to phase out activities under CARDS gradually. At the same time the Commission will prepare the implementation, from 2007, of the future Instrument for Pre-Accession (IPA) Regulation in a de-concentrated manner through its Delegations in the countries concerned. The report, recognising the success of the Agency in delivering reconstruction aid in the Western Balkans, highlights the importance of an even closer linkage between the political process and political dialogue, on the one hand, and financial assistance and implementation on the other, as well as the need to prepare beneficiary countries on assuming their own financial responsibility for the implementation of EC assistance.

<p>6. Improve co-ordination Increased government ownership will help to build consensus and the evolution of sector-wide approaches.</p> <p>Specific negotiations should be conducted with the World Bank to improve the link between the Stabilisation and Association Process and Poverty Reduction Strategies.</p>	<p>On-the-spot co-ordination as defined in the CARDS guidelines is essential and will continue to be applied.</p> <p>The primary objective of CARDS assistance is defined in the Regulation as: “to contribute to the Stabilisation and Association process”. This goes beyond support of sectorial policies. The European Partnerships provide guidance for financial assistance; the identified measures form the basis of programming.</p> <p>Where appropriate the Commission will consider the possibility of further support to developing sectoral approaches in close co-ordination with all stakeholders.</p> <p>The Commission has set up a Joint Office with the World Bank. Its mandate is to improve cooperation between both institutions in areas critical for EU integration and for economic and social development in the region. It should also facilitate donor mobilisation.</p> <p>The Commission initiated regular contacts with the World Bank. Of particular relevance were the meetings held in June 2002 on the complementarities between SAP-PRSP, and subsequent discussions were held in April and May 2004, shortly after the adoption of the 2004 SAP reports issued by the Commission.</p> <p>This contributed to a better mutual understanding of the Commission’s and Bank’s respective agendas in the region; in particular they clarified commonalities and complementarities in our interventions.</p>	<p>Co-operation with EU Member States takes the form of sharing information and experience in regular scheduled meetings, usually in the receiving country. This provides opportunities to develop common positions on assistance issues of mutual concern, to exchange information on the current implementation status of EC programmes, and increasingly to co-ordinate EC and EU Member States’ bilateral assistance. Co-ordination at national level has also improved with an increasing government ownership of the coordination process.</p> <p>The Twinning instrument is increasingly being used to transfer and apply knowledge, expertise and experience from EU Member States’ institutions in particular, in order to strengthen the administrative and judicial capacities of the Balkan countries.</p> <p>Another type of co-ordination exists in some areas between the EC and other international donors such as the World Bank, the United Nations agencies, etc. As an example by the mid-2005, in Serbia and Montenegro, more than €60 million of EC grant funds had contributed to the mobilisation of some €730 million of EIB loan funds.</p> <p>The work of the Joint Office for South East Europe has continued in 2005, with particular focus on supporting the Infrastructure Steering Group and reporting on overall assistance to the region. The Office has also helped the European Commission to enhance their overall cooperation with the World Bank in South East Europe through the organization and follow up of several country coordination meetings.</p> <p>A Donor Co-ordination meeting took place in Brussels in November 2005 with the aim of fostering cross-country learning about current practices in the Region. The meeting initiated a move towards an agreed definition of co-ordination to guide future activities and helped identify the next steps for advancing the co-ordination agenda across the Region. One conclusion of the meeting was that government ownership on the matter was vital.</p>
--	--	--

