

**ANNUAL ACTION PROGRAMME FOR
CARDS REGIONAL PROGRAMME 2005**

1. Identification

Budget heading	22.05.01 Assistance for the Countries of the Western Balkans
Total cost	€ 40.4m
Legal basis	Council Regulation (EC) N° 2666/2000¹

2. Regional update

The Stabilisation and Association process (SAP) remains the policy framework to help the countries in the process of approximation of the Western Balkan countries towards the European Union. The Copenhagen Council in December 2002 confirmed the European perspective of the five countries of the Western Balkans and it was reconfirmed by the European Council in Thessaloniki in June 2003. Regional co-operation constitutes one of the building blocks of that process.

The Annual Report on the Stabilisation and Association process for South East Europe (SAP) was issued by the Commission on March 2004. The report provided an assessment on the progress of the Western Balkan countries; Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia and Serbia and Montenegro, including Kosovo as defined by UN Security Council Resolution 1244, with respect to the Stabilisation and Association Process.

Since the report has been published, a number of political developments have taken place in the region. Croatia was granted candidate status on June 2004 and, while actual negotiations have not started yet, the country is since January 1st 2005 eligible for assistance from the pre-accession instruments. The former Yugoslav Republic of Macedonia, which applied for Membership on March 2004 has already provided replies to the questionnaire handed over by President Prodi on October 2004. Those replies handed to President Barroso and Commissioner Rehn on 14 February 2005 are currently in process of scrutiny by the Commission services.

The endorsement of the EUs twin track approach lead to the preparation of the Feasibility Report on the "Preparedness of Serbia and Montenegro to negotiate a Stabilisation and Association Agreement with the European Union". This report, which was issued by the Commission in April 2005, states that the Commission considers that Serbia and Montenegro is sufficiently prepared to negotiate an SAA. The Commission also issued a Communication on the European Perspective of Kosovo on April 2005 and has opened a Liaison Office in Pristhina during mid 2004.

The SAP report 2004 made also reference to the substantial progress achieved in what respects regional cooperation. The regional cooperation is materialising by the intensified political dialog amongst the countries of the region as well as on specific progress in areas of importance for the region, like Justice and Home Affairs addressing the

¹ OJ L 306, 7.12.2000, p. 1. Regulation as last amended by Council Regulation (EC) No 2257/2004 of 20 December 2004 (OJ L 389, 30.12.2004 p.1).

challenges of the fight against organised crime; and infrastructures, where significant progress has been achieved by the signature of Memorandum of Understandings in the critical areas of Transport and Energy. In December the EU Member States and 11 countries of South Eastern Europe agreed on the basic principles for a Energy Community Treaty addressing regulatory, trade, economic and environmental issues.

The SAP report included, as Annexes, the first set of European Partnerships identifying short and medium-term priorities which the countries needed to address. The Partnerships for the potential candidate countries were adopted by the Council in June, and the one of Croatia in September 2004. The Partnership priorities will also be the basis for programming of assistance which is provided under the CARDS programme. At the end 2004, the Commission approved the Multi Annual Indicative Programmes for Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Serbia and Montenegro, including Kosovo under UNSCR 1244, and the Regional Programme, they all addressing the period 2005-2006 and complementing the Country Strategy Paper and the Multi Annual Indicative Programmes approved in 2001.

The SAP report paid also attention to the effects of the autonomous trade measures granted by the EU to the Western Balkans. The analysis showed a significant untapped potential and which could eventually lead to exports from the countries of the region to significantly higher levels of exports than currently. To exploit the underlying potential, the countries must attract sufficient levels of investments as a means to broaden the countries export base.

To conclude, Croatia is eligible to pre-accession assistance Phare, ISPA and Shapard, since January 2005. However Croatia remains part of the Stabilisation and Association Process and it is also covered by the CARDS Regional assistance (with the exception of Cross Border Cooperation Programmes which will be covered by the pre-accession instrument).

3. Summary of the Action Programme

The overall objective of the 2005 Regional Action Programme is to support the participation of the Western Balkan countries in the Stabilisation and Association Process and in particular its regional dimension. This Regional Action Programme 2005 reflects the approved Regional Strategy Paper (RSP) for 2002-2006, and its second Multi-annual Indicative Programme (MIP) for 2005-2006.

The regional MIP 2005-2006 identifies the following 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), with focus on the fight against organised crime and corruption and corresponding to political considerations and political commitments made by the Western Balkan countries. This priority is 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. It links to the EC launched initiative of the New Neighbourhood Instrument (co-operation programmes focusing on the external borders of the EU). This is to be 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.

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 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.

As indicated in the regional MIP 2005-2006, some actions of the previous regional MIP 2002-2004 have not been included for addressing in 2005 and 2006. This is the case for support in the field of border management where, once the concepts and approaches applicable to the whole region have been defined, it corresponds now to the national level to implement those. The national MIPs 2005-2006 will also cover the area of democratic stabilisation and return of refugees will be mainly supported through general socio-economic development directed towards regions with big minority populations and with low economic activities. As far as promotion of trade is concerned, measures will chiefly be undertaken at national level, leaving just at regional level the actions necessary to support regional specific activities. This explains why those actions are not proposed in this Regional programme or if proposed with small amounts it is due to the focus on highly targeted, highly complementary actions.

The structure of the 2005 Regional Programme follows the MIP structure and addresses the five priority areas therein identified: Institution building, Justice and Home Affairs, Cross Border Cooperation, Private sector Development and Infrastructure development. Relevant sector fiches are provided in Annexes.

The actions proposed within the several priority areas correspond to priorities identified in the Regional MIP and have been chosen with the Quality Framework criteria of Relevance, Feasibility, and Effectiveness and Management in mind: The actions proposed are fully aligned with the priorities of the MIP and correspond to SAP related

priorities for the several countries. They take into account the countries' policy framework and status of implementation of existing projects/initiatives, at national and regional level. The actions proposed have also been identified with the aim of delivering tangible and sustainable benefits to target groups with an estimation of assumptions and risks, and when necessary identification of prior conditionality necessary for the launch of the action. Furthermore, well proven existing implementation instruments will be used, in some cases of application to candidate countries, to ensure synergies and economies of scale.

This Action Programme proposal consists of projects in the following priority sectors. More information is provided in the relevant sector fiches:

Institution Building

The objective is to contribute to increasing the capacity of the Western Balkans national public administrations to undertake their obligations under the Stabilisation and Association Process (SAP) and in particular to enhance their ability to adapt national legislation to the EC acquis and its enforcement. It is also the objective to enhance the general administrative capacity of the countries in terms of the functioning of the state and improvement of the quality of the services provided as well as their accountability towards the citizens. To this end, it is important that civil servants of the national administrations develop an understanding of the principles and best practices of the EC member states' administrations.

This is to be achieved through technical studies and specialised training and missions. This is all to be performed, in addition of the activities performed at national level, by organisation of regional events, seminars and peer reviews involving representatives of several Western Balkan countries at the same time.

It is proposed to use existing and well proven instruments eg TAIEX and SIGMA which have already demonstrated its usefulness in support of the accession countries. This approach will help to capitalised on already existing experiences and obtain economies of scale and synergies.

As far as the Regional School for Public Administration is concerned, and following the recommendations of the Thessaloniki conclusions, further steps for the creation of a Trans national School for Public Administrations are going to be initiated.

The support to this sector aims also to increase the understanding, and the continuation in the case of the European Environmental Agency, of the content of work and the functioning of key Community Agencies whose work could be of relevance to the Western Balkan countries.

Broadly, the following interventions are foreseen:

- Administrative capacity building including acquis approximation by participation in activities implemented by the Technical Assistance and Information Exchange - TAIEX
- Support to Public Administration reform and in particular to aspects related to financial control, audit and financial management, public procurement and tax administration - SIGMA

- Regional School for Public Administration, Phase I. Initiation of a first set of educational events.
- Prepare for the participation of Western Balkan Countries in selected Community Agencies. Follow up to participation of the Western Balkan countries to activities of the European Environmental Agency.

Justice and Home Affairs

The overall objective of the actions proposed within this section is to bring existing regional cooperation mechanisms eg SECI mechanisms into compliance with EU best practices and developments within the European Union, and to upgrade the Western Balkans national platforms for international police co-operation.

The proposed actions aim to capitalise on activities already existing at regional level eg SECI and/or on assistance provided by the CARDS programmes or other donors eg the support to the National Central Bureaux (NCBs) . Complementarity will particularly be sought with the substantial support provided to the sector as part of the National Programmes.

Due to the subject matter, the implementation will be subject to a number of conditionalities, as explained in the sector fiche. With respect to the regional cooperation mechanisms it is important that the mechanisms proposed / developed are fully aligned with practice within the European Union. A precondition for any type of international police cooperation is also going to be the necessary preparatory work and agreement regarding use and protection of data to be exchanged.

Two projects identified in the MIP 2005-2006 are not proposed as part of the Regional Programme 2005. They regard judicial cooperation, where there is a substantial project in the Judiciary addressing: EC legislation, cooperation and networking, capacity building and development national strategies and specially the setting up of a regional network of prosecutors. This project for an amount of € 5 million is already producing valuable results and it is expected to last till mid 2007. Launching additional activities at this stage in the area would risk straining additionally the limited absorption capacity of the judicial national administrations. It is therefore proposed to address it in the future programming year. The other project indicated in the MIP regards the identification of a number of police and judicial indicators. A preparatory work outside this programme may be launched with 2005 support funds, aiming for a detail action to be proposed during next year's programming exercise.

Broadly, the following interventions are foreseen:

- Support to the SECI centre as a mechanism for regional police cooperation.
- Support for the establishment or upgrade of National Co-ordination Centres in order to facilitate exchange of information and international investigations.

Cross Border Cooperation

The overall objective of the Cross Border Cooperation activities is to support cooperation at regional and local level, both within the CARDS region and between the Western Balkan countries and EU Member States and Candidate countries, thus reinforcing one of the key CARDS objectives of fostering regional, trans-national and cross border co-

operation. The action proposed also aims to continue the support to the Neighbourhood Programmes (NP) launched in 2004.

The fact that Croatia has become, since January 2005, eligible for pre-accession assistance, including Phare CBC, has originated that the contributions for Croatian participation to the NP will be financed by Phare CBC. It is for that reasons that this year's amount foreseen for CARDS contribution to NP is just of 12.2 million, below from the € 15 million originally foreseen. This figure is calculated by deducing the CARDS contribution to the Interreg programme SL/Hu/Cr and a proportional reduction to the multi country programmes CADSES and Italy/Adriatic.

Broadly, the following intervention is foreseen:

- Further contribution to the Neighbourhood Programmes.
- SAP Cross Border Cooperation

Private Sector Development

The overall objective of the actions proposed within this area is to stimulate the substantial untapped potential of the Autonomous Trade Measures (ATMs) and facilitate the attraction of Foreign Direct Investments into the region. This is to be achieved by raising awareness of the possibilities offered by the ATMs and stimulate competitiveness of the economic operators of the region, as well as to facilitate their dialog with their EU member States counterparts. It is also the objective, in parallel, to identify regional target sector and raising their profile for consideration of potential foreign investors.

This actions aim to capitalise on assistance already provided and on activities already existing which promote the potential for Foreign Investment in the region.

Broadly, the following interventions are foreseen:

- Investment Promotion
- Support to business /trade/ investment promotion organisations

Infrastructure development

The general objective of the actions proposed is to encourage and catalyse investment in trans boundary infrastructure related investments (transport, energy and environment). This will be done by the preparation of a Project Preparation Facility which will facilitate the IFI investments in the region. It will be based on the preparatory work done already under the aegis of the Infrastructure Steering Group in what respects identification of regional priority projects which are likely to attract investments and are sufficiently advanced in the three mentioned areas. A single flexible multi-sector mechanism, to reduce administrative costs, is foreseen with no split by sector beforehand.

The second project will aim to continue with the support for the participation of the Western Balkan countries into the REREP, which is currently coming to an end by September 2006.

Conditionality with respect to the first action will be linked to the genuine support to projects of regional character and conducive to investments. An approval mechanism will be devised, in discussion with the ISG, to ensure that projects financed under this facility do correspond to regional priorities and are likely to be conducive to investments. As for the second action, and in order to increase the ownership of the activity, co-financing from other resources shall be required.

Two projects identified in the MIP 2005-2006 are not proposed as part of the Regional Programme 2005. The first regards energy, where the support to the Energy Community for South East Europe has just been launched. With respect to Information Society, and despite its strategic importance, it is too early, given the state of readiness of the beneficiaries, to address regional projects in the ICT sector. However, another existing CARDS support budget line may be used to carry out a feasibility study in support of programming for future regional assistance. Complementary involvement of TAIEX will be sought.

Broadly, the following intervention is foreseen:

- Project Preparation Facility for Transport Energy and Environment
- Further support to the REREP secretariat.

Implementation

The CARDS 2005 Regional Action Programme will be implemented by the European Commission according to Article 53 (1)(a) of Council Regulation (EC, Euratom) n° 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (the Financial Regulation – FR).

The following interventions will be implemented according to Article 53 (1)(c) of the Financial Regulation:

OCDE will implement the SIGMA intervention foreseen in the Institution building sector;

REC will implement the environmental action foreseen in the Infrastructure sector

Parts of the Programme in the area of Cross Border Cooperation will be executed by the European Agency for Reconstruction (EAR) according to Article 53 (2) of the Financial Regulation and Article 4(1) and Article 7 (2a) of Council Regulation (EC) No 2666/2000 of 5 December 2000.

In addition, in order to implement the other interventions foreseen in the sector fiches, call for proposals and technical assistance contracts may be concluded for provision of services. Supply contracts may be concluded for specialised equipment. Further information is provided in relevant sector fiches.

The contracts for services, works and supplies shall be concluded in accordance with the tendering and contract award procedures laid down in the Financial Regulation and other relevant instructions.

Efforts are going to be made to improve the knowledge and ownership of the regional programme by the Western Balkan countries administrations. A regional event took place in Skopje in April 2005, which involved the EC Delegations and representatives of the National authorities and it is the intention to organise similar type of event every six months.

This programme will be monitored and supervised by the European Commission services.

The accounts and operations of the programme components may be checked at intervals by an outside auditor contracted by the Commission without prejudice to the

responsibilities of the European Commission, including the European Antifraud Office (OLAF), and the European Union's Court of Auditors.

4. Past EC assistance and lessons learnt

CSP period programme / Year	Allocated (€)	Contracted* (€)	Paid (€)
CARDS regional 2002	43.5	40.90	19.13
CARDS regional 2003	31.5	20.95	8.13
CARDS 2004 (NP)	15	0	0

* Contracted as at July 2005.

In the management of multicountry programmes a number of general points emerge in terms of lessons learnt, which are of particular importance in the Regional Programme:

- Need to have a clear value-added in terms of the regional dimension.
- Need for an enhanced ownership by the National authorities and the EC Delegations/EAR to ensure complementarity with national activities.
- Concentration on a reduced number of sectors
- Consideration given to activities already initiated to ensure continuity and current status of implementation to avoid overlaps.
- Enhanced participation of stakeholders at the design stage

The proposed activities and the suggested methods of identification / implementation have been designed taking into account those lessons learnt.

5. Complementary actions

This Annual programme aims to complement the actions foreseen at national level. A detailed analysis has been performed, sector by sector on which the current situation both in terms of projects implemented and policy developments have been taken into account. In particular, the earlier regional programmes which are still under implementation are used as inputs for the present programme.

Croatia already participates with national funds to a number of programmes addresses therein ie TAIEX. The particular focus of the regional support to public administration reform, and indeed other sectors, is to ensure that activities funded under the regional budget do corresponds to activities of regional character which involve several SAP countries at the same time, including Croatia. Except in the case of Cross Border Cooperation paid by Phare CBC, Croatia is therefore eligible for activities under this regional programme.

Other countries of the region may be in the same situation during the period of implementation of the programme.

6. Donor coordination

Donor co-ordination as regards national authorities will be ensured by the EC Delegations and the European Agency for Reconstruction as part of the their coordination meetings in country. Furthermore programming mission will involve discussions with national authorities and stakeholders.

Terms of Reference for project implementation will be discussed with the Delegations/EAR which will verify to content with respect to national background.

Commission staff responsible for implementation of the programmes is part of the regional networks, and participate in events of regional character eg the Stability Pact to ensure, inter alia, coordination amongst donors active in the sector.

To conclude, the Commission holds regular coordination meetings with key stakeholders at regional level eg with the IFIs via the Interservice Working Group.

7. Cost and financing

Summary of the AP 2005 allocations

Project	Budget 2005 € million
Institution Building	10
Administrative capacity building including acquis approximation TAIEX	3
Public Administration reform SIGMA	4
School of Public Administration	1
Community Agencies	2
Justice and Home Affairs	2.2
Support to the SECI centre	1
Law enforcement Cooperation Units	1.2
Cross Border Cooperation	17.2
Neighbourhood Programmes	12.2
SAP Cross Border Cooperation	5
Private Sector Development	3
Investment promotion	2
Support to business, trade, investment promotion organisations/ agencies	1
Infrastructure Development	8
Infrastructure Project Preparation facility	7
Environment	1
TOTAL	40.4