

COMMISSION DECISION

C(2007/2205 of 29/05/2007

establishing a Multi-Beneficiary

Multi-annual Indicative Planning Document (MIPD) 2007-2009

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)¹, and in particular Article 14 (2) (a) thereof,

Whereas:

- (1) Regulation (EC) No 1085/2006 creates a coherent framework for Community assistance for candidate countries and potential candidate countries
- (2) Article 7 of that Regulation lays down that this assistance shall be provided through programmes which can be established by country or, as appropriate, by group of countries, in accordance with the priorities defined in the multi-annual indicative planning documents. It is therefore necessary to adopt a multi-annual indicative planning document for those programmes that are destined to assist several beneficiary countries.
- (3) The Multi-Beneficiary Multi-annual Indicative Planning Document (MIPD) 2007-2009 has been drawn up in accordance with the requirements of Article 6 of that Regulation, in close consultation with the relevant national authorities.
- (4) This Decision is in accordance with the opinion of the IPA Committee set up under Article 14 of Regulation (EC) No 1085/2006

¹ OJ L 210, 31.7.2006, p.82

HAS DECIDED AS FOLLOWS:

The Multi-Beneficiary Multi-annual Indicative Planning Document (MIPD) for the years 2007-2009 as set out in the Annex, is hereby adopted.

Done at Brussels,

For the Commission

Member of the Commission

ANNEX

Instrument for Pre-accession Assistance (IPA)

**Multi-Beneficiary
Multi-annual Indicative Planning Document (MIPD)
2007 - 2009**

Table of Contents

| | | |
|---|--|-----------|
| 1. | Assessment of Strategic Priorities and Objectives | 5 |
| 1.1. | Introduction..... | 5 |
| 1.2. | Objectives of Multi-Beneficiary pre-accession assistance | 6 |
| 1.3. | Overview of past and ongoing pre-accession assistance | 7 |
| 1.3.1. | Past and ongoing EU assistance | 7 |
| 1.3.2. | Relevant IFIs and bilateral assistance..... | 8 |
| 2. | Pre-accession Assistance Strategy for the Period 2007-2009..... | 9 |
| 2.1. | Strategic Choices | 9 |
| 2.2. | Multi-Beneficiary Areas of Intervention..... | 10 |
| 2.2.1. | Regional Cooperation..... | 10 |
| 2.2.2. | Infrastructure | 12 |
| 2.2.3. | Justice and Home Affairs | 13 |
| 2.2.4. | Internal Market and Trade | 16 |
| 2.2.5. | Public Administration | 18 |
| 2.2.6. | Supporting Civil Society | 21 |
| 2.2.7. | Education, Youth and Research | 25 |
| 2.2.8. | Market Economy | 28 |
| 2.2.9. | Nuclear Safety and Radiation Protection | 32 |
| 2.2.10. | Interim Civilian Administrations | 34 |
| 2.2.11. | Administration..... | 36 |
| 2.3. | Indicative allocations for the main priorities | 36 |
| ANNEX A: Overview of EU Assistance | | 37 |
| ANNEX B: Cross-cutting issues | | 38 |

Preface

The main objective of the Instrument for Pre-Accession Assistance (IPA)¹ is to help Beneficiaries (Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia including Kosovo² and Turkey) to face the challenges of European integration, to implement the reforms needed to fulfil EU requirements and progress in the Stabilisation and Association Process and to lay the foundations for fulfilling the Copenhagen criteria for EU membership.

IPA consists of five components (IPA-I) the Transition Assistance and Institution Building component³; (IPA-II) the Cross-Border Cooperation component which applies to border regions between beneficiaries from Member States, candidate states and countries in pre-accession status; (IPA III, IV and V) the Regional⁴, Human Resources⁵ and Rural Development⁶ components which are planned for Candidate Countries.

The basic policy documents for setting down the priorities for programming of assistance under IPA are the Accession and European Partnerships, the Strategy Paper, which presents the Commission's overall enlargement policy for the candidate and potential candidate countries, as well as the Annual Report on progress made on the road towards the EU, including implementation and enforcement of EU standards. In addition, the recent Communications from the Commission on Civil Society Dialogue⁷ and on the Western Balkans⁸ have to be taken into account in the programming of assistance under IPA. IPA will allow flexibility in order to respond to possible new priorities identified in annual Progress Reports and Communications of the Commission.

The **Multi-Annual Indicative Planning Document (MIPD)** is the strategic document for IPA. It is established for a three year rolling period, with annual reviews. It follows the **Multi Annual Indicative Financial Framework (MIFF)** which indicatively allocates funds per beneficiary and per component. It draws on the pre-established IPA components. The purpose of this Multi-Beneficiary MIPD is to provide the strategic framework for the Multi-Beneficiary envelope of IPA to candidate⁹ and potential candidate¹⁰ countries. Multi-Beneficiary programme assistance will be provided through component I of IPA.

The areas of intervention set out in the components of this Multi-Beneficiary MIPD will serve as a basis for the annual programming of EU funds in 2007, 2008, and 2009.

¹ Council Regulation (EC) No 1085/2006 of 17 July 2006, Official Journal L210, page 82.

² As defined in UN Security Council Resolution 1244

³ The Transition Assistance and Institution Building Component translates the priorities set out in the European Partnership in 3 sub-components: Political requirements where EC assistance will be used to support a stable, modern, democratic, multi-ethnic and open society based on the rule of law. Special impetus will be given to Public Administration and Judiciary Reform; Socio-economic requirements where EC assistance will be used in support of the development of the socio-economic environment; European standards where EC assistance will support and accompany the country in its European integration plan (legal approximation, administration needs and requirements for DIS).

⁴ The Regional development Component supports policy development as well as preparation for the implementation and management of the European Regional Development Fund and Cohesion Fund.

⁵ The Human Resources Development Component supports policy development and the preparation for the implementation and management of the European Social Fund.

⁶ The Rural Development Component supports policy development as well as the preparation for the implementation and management of the Community's common agricultural policy.

⁷ Communication from the Commission to the Council, the European Parliament, the European Economic and Social committee and the Committee of the Regions - Civil Society Dialogue between the EU and Candidate Countries (COM/2005/0290), 29 June 2005

⁸ Communication from the Commission - The Western Balkans on the road to the EU: consolidating stability and raising prosperity (COM/2006/0027), 27 January 2006

⁹ Candidate countries are Croatia, Turkey, the former Yugoslav Republic of Macedonia

¹⁰ Potential candidate countries are Albania, Bosnia and Herzegovina, Montenegro, Serbia including Kosovo (as defined in the UNSC Resolution 1244)

Executive Summary

The IPA budget for the period 2007-2009 is €4,118.9 million. The bulk of this IPA support to the Beneficiaries will be delivered through the National Programmes. However, around 10% of available funds will be allocated through the Multi-Beneficiary Programmes to support Beneficiaries in their efforts towards EU accession. In the period 2007-2009, this will total €401.4 million.

This Multi-Beneficiary MIPD is designed to complement and be consistent with the National MIPDs. Areas of intervention will only be addressed through the Multi-Beneficiary MIPD where there is a clear comparative advantage to be gained, for instance through tackling cross-border problems or in obtaining efficiencies through establishing harmonised approaches, leveraging established instruments or facilitating networks of experts.

Accession to the EU requires an ability by the acceding country to cooperate with other countries pragmatically in fields of common interest. With respect to the Western Balkans, the development of regional cooperation corresponds to a commitment made by the countries of the region at the EU–Western Balkans Summits of Zagreb (2000) and Thessaloniki (2003). Regional cooperation is a principle of the highest importance for the political stability, the security and economic development of the Western Balkan countries. Many of the challenges facing the Western Balkan countries not only are common to them all but also have a cross-border dimension involving their neighbours. With regard to the candidate countries, the aim of IPA assistance is to support the preparation for EU accession. The Multi-Beneficiary MIPD is designed therefore to support such initiatives and strengthen multi-lateral experiences of the Beneficiaries. They aim to build a network of close cooperation and/or contractual relationships among Beneficiaries in order to deepen cooperation between the Beneficiaries and between them and the EU.

As noted in the Communication from the Commission on the Western Balkans, the region has moved forward in terms of achieving lasting macro-economic stability and increasing its competitiveness, but progress is uneven and much remains to be done. As progress is made on stabilisation and as status issues are addressed, the Western Balkans will increasingly focus on the reforms needed to approach European standards. The economic and social agenda will come to the forefront, as weak economies, high unemployment and inadequate social cohesion are major problems throughout the area. EU policies for the region should therefore focus more on equitable and sustained economic development and on extending the benefits of economic growth to vulnerable groups and communities by combating unemployment, social exclusion and discrimination and by promoting social dialogue.

The Multi-Beneficiary assistance will support political cooperation between countries, such as the Western Balkans; facilitate the participation by Beneficiaries in structures of common interest, and support the implementation of harmonised approaches to facilitate attaining economies of scale. The specific areas of intervention identified for Multi-Beneficiary assistance will build on the progress made to date, particularly with regard to alignment with the EU *acquis* and provide support to economic and social requirements.

Thus, in light of the political context, challenges and objectives referred to above, the following areas of intervention have been identified based on the EU strategic documents and consultations with amongst others the National Authorities, International Finance Institutions, the Stability Pact, Civil Society Organisations and European Commission services: (i) Regional Cooperation, (ii) Infrastructure Development, (iii) Justice and Home Affairs, (iv) Internal Market, (v) Public Administration Reform, (vi) Supporting Civil Society (vii) Education, Youth and Research, (viii) Market Economy, (ix) Nuclear Safety and Radiation Protection, (x) Interim Civilian Administrations and (xi) Administration.

1. Assessment of Strategic Priorities and Objectives

1.1. Introduction

It is noted in the Commission Communication on the Western Balkans of January 2006 that significant progress has been recorded in regional cooperation in the Western Balkans. Beneficiaries are increasingly aware that regional cooperation is not only a key part of the EU's conditionality, but it serves their own interest and has already produced tangible results. The complementarities of regional cooperation with the European integration process have been better understood.

Since the Thessaloniki Summit, the regional cooperation agenda has progressed, with the valuable contribution of the Stability Pact and other regional initiatives. Cooperation is now underpinned by a number of centres hosted in the region, which reflect enhanced ownership - the Transport Observatory in Belgrade, the Sava River Commission in Zagreb, the Regional Centre of the Migration, Asylum, Refugees Regional Initiative (MARRI) in Skopje, etc.

The European Union's engagement in regional cooperation will increase in the future because of the close connection of regional cooperation with European integration. The region as a whole is gradually being associated with key European policies such as trade, justice, freedom and security, transport and energy. The Community is already making a decisive contribution in several areas and is standing ready for enhanced involvement, in the first place in areas where regional cooperation contributes directly to and is indispensable for the European integration agenda.

Coordination and coherence is particularly important in this region, given the large number of players involved. The need for improved coordination and coherence has been highlighted to the Commission during consultations on this Multi-Beneficiary MIPD as a continuing concern by the authorities of the region. The Commission facilitates coordination and coherence through extensive work both at the international level and with the Beneficiaries themselves. Amongst others, the coordination tools identified below will be leveraged to ensure that the Multi-Beneficiary assistance remains coordinated and thus effective. In addition, continued efforts will be made to ensure coordination and complementarities between the Multi-Beneficiary and National Programmes through regular communications with the relevant DG Enlargement services, EC Delegations and National Authorities. The programming of the activities will be performed in close co-operation with the relevant EC Delegations to avoid an overlapping with the national IPA programmes and thus avoiding overstraining the absorption capacity of the beneficiary institutes.

Examples of coordination activities in which the Commission is committed are as follows:

- European Commission maintains a Joint Office with the World Bank to help coordinate and develop support to the region. The Joint Office has been essential in organising regional donor meetings;
- European Commission plays an active role in the Stability Pact for South East Europe;
- European Commission maintains its own bilateral relations with governments to ensure its actions complement and build on national efforts, organised directly by headquarters or through its Delegations in each country;
- European Commission Delegations and the European Agency for Reconstruction (EAR) as appropriate organise regular meetings between Member States, national authorities and other involved organisations (such as International

Financial Institutions) to ensure monitoring and coordination throughout the programming cycle;¹¹

- DG Enlargement organises regular meetings throughout the year with Beneficiaries, Delegations and stakeholders to discuss annual programming, to review progress over the year and to identify any substantive issues on coordination;
- European Commission staff responsible for the implementation of the Multi-Beneficiary programmes participates in regional networks and structures to facilitate coordination amongst donors active in the region.

Facilitating the beneficiaries' sense of 'ownership' over Community assistance is addressed through all phases of the programming cycle. Beneficiaries have been involved in all aspects of the programming cycle of this Multi-Beneficiary MIPD. Discussions have involved amongst others the National IPA Aid Coordinator and Line Ministries, as well as International Financial Institutions, the Stability Pact, Civil Society Organisations, EC Delegations and DG Enlargement. Beneficiaries will also be involved in various elements of the implementation stages of the programme. On the basis of these consultations as well as EU strategic documents and the results of CARDS and Phare evaluations, the Multi-Beneficiary MIPD areas of intervention have been selected to complement the National MIPDs. The following areas of intervention are presented in detail in section 2.2: (i) Regional Cooperation, (ii) Infrastructure Development, (iii) Justice and Home Affairs, (iv) Internal Market, (v) Public Administration Reform, (vi) Supporting Civil Society (vii) Education, Youth and Research, (viii) Market Economy, (ix) Nuclear Safety and Radiation Protection, (x) Interim Civilian Administrations and (xi) Administration

1.2. Objectives of Multi-Beneficiary pre-accession assistance

This Multi-Beneficiary MIPD is designed to assist potential candidate and candidate countries efforts to cooperate with each other pragmatically in fields of common interest as they strive towards membership of the EU. The areas of intervention and proposed activities that have been identified are designed to support such initiatives and strengthen multi-lateral experiences in Beneficiaries. They aim to build a network of close cooperation and/or contractual relationships among Beneficiaries in order to deepen cooperation between the Beneficiaries and between them and the EU.

This Multi-Beneficiary MIPD aims to complement and be coherent with the National MIPDs. Areas of intervention will only be addressed through the Multi-Beneficiary MIPD where there is a clear comparative advantage to be gained.

Two overarching objectives define European Community assistance through the Multi-Beneficiary MIPD:

- i. Tackling cross-border problems: Certain of the Beneficiaries' problems cross frontiers and require truly regional solutions based on close cooperation between beneficiaries. For example: Regional infrastructure strategies whose subject is by definition cross-border and whose development requires agreement between beneficiaries and with the EU Member States.
- ii. Obtaining efficiencies through a Multi-Beneficiary Approach: Certain National issues may benefit from being supported through Multi-Beneficiary programmes rather than multiple national programmes. Examples include:
 - Develop harmonised approaches. The impact of certain actions is enhanced if based on harmonised approaches set regionally or at a Multi-Beneficiary level.

¹¹ Council Regulation (EC) No 1756/2006 of 28 November 2006, Official Journal L332, page 18.

Examples are development of harmonised national statistics' systems, of common visa regimes and of regional refugee return agreements;

- Build regional networks of experts. Multi-Beneficiary programmes require beneficiaries to work together and are thus useful in building concrete links between national authorities to facilitate the sharing of best practices and lessons learned. For example, Civil Society Networks;
- Attain economies of scale. Economies of scale can be obtained through Multi-Beneficiary programmes, including for example the effective and efficient use of limited resources to provide advice and consultancy on the implementation of the EU *acquis* through the TAIEX instrument;
- Coordinate the assistance provided by International Financial Institutions: The central coordination of the action of International Financial Institutions (IFIs) facilitates ease of management and flexibility, for both the Commission and the IFIs, and thus creates economies of scale for the beneficiaries

From a political perspective, the development of regional cooperation corresponds to a commitment made by the countries of the region at the EU–Western Balkans Summits of Zagreb (2000) and Thessaloniki (2003). At the EU-Western Balkans Summit of Thessaloniki (June 2003) it was noted that, "rapprochement with the EU will go hand in hand with the development of regional cooperation". Regional cooperation is therefore a principle of the highest importance for the political stability, the security and economic development of the Western Balkan countries. Many of the challenges facing the Western Balkan countries are not only common to them but also have a cross-border dimension, which involves their neighbours. Furthermore, although the region has moved forward in terms of achieving lasting macroeconomic stability and increasing its competitiveness but progress is uneven and much remains to be done. Particular attention will therefore be attributed under this Multi-Beneficiary MIPD to supporting the region to further develop competitive economies. The aim of IPA assistance to Turkey is to support the EU pre-accession strategy adopted in the conclusions of the European Council of December 2004. Assistance is therefore defined according to three principal objectives: progress towards fully meeting the Copenhagen political criteria, adoption and implementation of the EU *acquis* and promotion of an EU-Turkey Civil Society Dialogue.

This Multi-Beneficiary MIPD focuses not only on ensuring complementarities with National MIPDs but also with other Community support, especially in the areas of democracy (e.g. with the European Initiative for Democracy and Human Rights) and Justice and Home Affairs (e.g. police cooperation initiatives through the Council of Europe). The areas of intervention targeted under the Multi-Beneficiary MIPD serve not only the direct goals of IPA as required by the IPA Regulation but also the critical objectives underpinning the cross-cutting issues of EC support. These cross-cutting issues are: support for civil society dialogue, assessment of the environmental impact of activities, respect for equal opportunities and non-discrimination, inclusion of minority and vulnerable groups' concerns and good governance with particular attention to fight against corruption. Further details on these cross-cutting issues are included in Annex B of this document.

1.3. Overview of past and ongoing pre-accession assistance

1.3.1. Past and ongoing EU assistance

The European Community has allocated over €1,475.5 million to the candidate and potential candidate countries which are now beneficiaries of the IPA Regulation over the period 2000-2006. This assistance has been allocated on the basis of the priorities

identified in the Annual reports, Regional Strategy Paper 2002-2006 and the Multi-Indicative Planning Document for 2005-2006.

Additional details on the assistance allocated under CARDS regional and Phare multi-country programmes are provided in Annex A (overview of EU assistance) of this document. The international community's willingness to continue to provide substantial financial support particularly during the reconstruction phase where the focus of assistance has specified the preparation for accession has been highlighted during recent funding conferences.

Significant progress is being made by the Beneficiaries through past assistance and support. Examples of progress made include: (i) the TAIEX instrument which has provided several hundred training sessions on EU legislation targeting public sector officials, (ii) representatives of the Western Balkan countries signed a Protocol on the creation of a Regional School of Public Administration (ReSPA), (iii) Project Preparation Facilities (PPF) covering transport, energy and environment sectors are supporting beneficiaries to complete project dossiers to a sufficient high level that International Financing Institutions (and other sources of financing) would be able to allocate funds to selected project proposals, and (iv) ongoing regional police and judicial reform cooperation projects have continued to develop the regional and international police cooperation capacities and have started to build up a regional prosecutor cooperation and mutual legal assistance between the courts.

In the management of previous and ongoing CARDS Regional and Phare Multi-Country programmes a number of pertinent lessons have emerged through the project monitoring and evaluation reports as well as the evaluation report on the implementation of CARDS assistance to the Western Balkans which are applicable to this Multi-Beneficiary MIPD. The lessons learned include:

- Engage stakeholders at the programme design stage;
- Facilitate enhanced ownership by the National authorities and the EC Delegations and/or EAR of the regional programme to ensure complementarities with the National programmes;
- Demonstrate the added value of the regional programme vis-à-vis the national programmes;
- Concentrate resources on a limited but key number of priority sectors areas;
- Ensure continuity and completion of activities already initiated.

Lessons learned from these earlier programmes have been taken into account in the drafting of this Multi-Beneficiary MIPD and will be further considered in the drafting of the Multi-Beneficiary Annual Action Programmes. With respect to improving the knowledge and ownership of the regional programme by the Beneficiary administrations, Multi-Beneficiary programming events have taken place with Beneficiaries and Delegations to discuss the strategic priorities for 2007-2009. Further Multi-Beneficiary programming events are foreseen to discuss the Multi-Beneficiary Annual Action Programmes.

1.3.2. Relevant IFIs and bilateral assistance

In addition to CARDS, Phare and pre-accession financial assistance for Turkey, substantial resources are being provided to the candidate and potential countries from amongst others the international financial institutions (i.e. International Monetary Fund, European Investment Bank, the World Bank, the Council of Europe Development Bank in cooperation with Kreditanstalt für Wiederaufbau and the European Bank for Reconstruction and Development), various United Nations agencies and bilateral aid programmes of EU Member States, US and other governments.

The main actors by area of intervention include:

- Institution Building (incl. public administration reform, public finance, local government): Austria, France, Germany, Greece, Sweden, the Netherlands, DFID/UK, Sida/Sweden, Council of Europe (CoE), the Organisation for Cooperation and Security in Europe (OSCE), UNDP, IMF and the United States Agency for International Development (USAID);
- Justice and Home Affairs: Criminal Investigative Training Assistance Programme (ICITAP) and USAID; Integrated Border Management (France)
- Civil Society Dialogue (including People to People Actions, Return of Refugees and Social Inclusion): United States Agency for International Development (USAID), Sida/Sweden, the Council of Europe (CoE), the Organisation for Cooperation and Security in Europe (OSCE), International Organisation for Migration (IOM), World Bank and UNHCR;
- Economic Development (including financial intermediation, the rural and the labour market): Sida/Sweden, KfW, GTZ/Germany, DFID/UK, European Training Foundation, EIB, EBRD, IMF, the World Bank, FAO, UNDP, USAID, Norway, Switzerland;
- Infrastructure (including energy, information society, environment, and transport): the Netherlands, Finland, Austria, Italy, KfW, GTZ/Germany, DFID/UK, EIB, EBRD, World Bank, Japan, USAID and Canada;
- Nuclear Safety and Radiation Protection: The International Atomic Energy Agency, USA;
- Market Economy (European Fund for South East Europe, a Municipal Finance Facility, an Energy Efficiency Facility): European Investment Bank, the World Bank, the Council of Europe Development Bank in cooperation with Kreditanstalt für Wiederaufbau and the European Bank for Reconstruction and Development¹².

2. Pre-accession Assistance Strategy for the Period 2007-2009

2.1. Strategic Choices

The IPA budget for the period 2007-2009 is €4,118.9 million. The bulk of this IPA support to the Beneficiaries will be delivered through the National programmes. However, around 10% of the available funds will be allocated through the Multi-Beneficiary Programmes to support Beneficiaries in their efforts towards EU accession. In the period 2007-2009, this will total €401.4 million.

Under Council Regulation (EC) No 1085/2006 establishing an Instrument for Pre-Accession Assistance, “assistance for candidate countries as well as for potential candidate countries should continue to support them in their efforts: to strengthen democratic institutions and the rule of law, reform public administration, carry out economic reforms, respect human as well as minority rights, promote gender equality, support the development of civil society and advance regional cooperation as well as reconciliation and reconstruction, and contribute to sustainable development and poverty reduction in these countries, and it should therefore be targeted at supporting a wide range of institution-building measures”.

¹² European Bank for Reconstruction and Development is not active in Turkey

The areas of intervention identified in this Multi-Beneficiary MIPD are in line with the objectives of IPA assistance and aim to address the priorities and challenges outlined in section 1.1. (Assessment of Strategic Priorities and Objectives). The provision of assistance to these identified areas of intervention will facilitate continuity with actions already initiated under the CARDS regional programmes, Phare multi-country programmes and pre-accession financial assistance for Turkey. Furthermore, these areas of intervention will enable the development of a fully functioning market economy. In order to utilise resources effectively and efficiently, it is intended to address a limited number of activities on an annual basis through the Multi-Beneficiary annual action programmes. The Multi-Beneficiary Annual Action Programmes will provide further details of the context, priorities and projects to be implemented in support of the Multi-Beneficiary MIPD in the specific programming year.

In order to avoid any duplication between Multi-beneficiary and National Programmes, a mechanism has been established through the Multi Beneficiary Programming events which enable the EC in Brussels, the EC Delegations and the Beneficiaries to exchange information during the programming phase (see examples of coordination activities, point 1.1.). It is foreseen to extend this mechanism to the implementation phase.

2.2. Multi-Beneficiary Areas of Intervention

The areas of intervention for the Multi-Beneficiary IPA funds are outlined in detail below. For each area of intervention the background objective(s), expected results, proposed activities, complementarities with the IPA national programmes, risks and assumptions are identified.

To facilitate the implementation of the Multi-Beneficiary Programmes, administrative support by the European Commission is foreseen in the areas of information and communication as well as audit, monitoring and evaluation.

Activities foreseen in the areas of nuclear safety and radiation protection, education and customs and taxation are National in scope. However, in view of the economies of scale to be attained in programming interventions in these areas, they are included in the Multi-Beneficiary MIPD but will be financed from the National budgets.

2.2.1. Regional Cooperation

Background:

European Community assistance to regional cooperation has been provided mainly through support to the Stability Pact for South Eastern Europe and its Special Coordinator. The Stability Pact was adopted upon the initiative of the European Union in Cologne on 10 June 1999 by more than forty partner countries and organisations who committed themselves to strengthen the countries of South Eastern Europe “in their efforts to foster peace, democracy, respect for human rights and economic prosperity in order to achieve stability in the whole region”.

By focusing on regional cooperation, the Stability Pact primarily complements the EU Stabilisation and Association Process (SAp) with the Western Balkans. The “Thessaloniki Agenda” endorsed by the Thessaloniki EU-Western Balkans Summit in June 2003 further highlighted the complementary role of the Stability Pact with the Stabilisation and Association Process, and specifically called on the Stability Pact to explore ways to fully develop the regional cooperation element of the Stabilisation and Association Process.

The Special Coordinator of the Stability Pact chairs the most important political instrument of the Stability Pact, the Regional Table. Three Working Tables operate under the Regional Table, including: Democratisation and Human Rights (Working Table I), Economic Reconstruction, Cooperation and Development (Working Table II), and Security

Issues, including Sub-Tables on Security and Defence, and Justice and Home Affairs (Working Table III).

In the course of 2007-2008, the Stability Pact will be phased out and transformed into a more regionally owned cooperation structure. During this period, its operations will be streamlined and regional cooperation activities will be gradually undertaken by a regional set-up with increased local ownership. It will be established in the framework of the South East Europe Cooperation Process (SEECP), on the basis of the "Roadmap towards a Regionally-Owned Cooperation Framework in South Eastern Europe" endorsed by the Regional Table of the Stability Pact at its meeting on 30 May 2006. The Regional Table decided to establish a Regional Cooperation Council (RCC) to take over the responsibilities of the Regional Table and the Working Tables of the Stability Pact by early 2008.

The future regional set-up and in particular the secretariat that will support it are expected to be co-financed by the countries of the region, the European Community and the interested donor community. At its meeting in November 2006, the Regional Table is due to decide on the financing of the Secretariat, while further decisions on the structure and location are to be taken at the SEECP Summit in spring 2007. It is likely that for a certain period the Stability Pact and the new Secretariat will co-exist to ensure proper coordination of the handover of regional cooperation activities.

Objective: The objective of interventions in this area is to support the operation of regional cooperation structures.

Expected Results:

- i. Full functioning of the South East Europe Cooperation Process;
- ii. Increased ownership by Beneficiaries of regional cooperation structures;
- iii. Enhanced cooperation between SEE countries in areas requiring a regional approach.

Proposed Activities:

- i. Support the Special Coordinator of the Stability Pact as well as the running costs of his office in Brussels until it is completely phased out in early 2008;
- ii. Provide assistance to the region in the running of the future Regional Secretariat;
- iii. Support cooperation processes in the framework of the Regional Cooperation Council and the South East Europe Cooperation Process

Complementarities of the Multi-Beneficiary MIPD with the National MIPDs:

A regional cooperation structure requires the participation of all the Beneficiaries. These structures facilitate the development of common work plans in line with European Union aspirations guidelines and commitments taken.

Risks and Assumptions:

This Multi-Beneficiary MIPD is drafted on the assumption that the Special Coordinator for the Stability Pact and his office will continue to be supported until early 2008. The timing of the phasing out of the Stability Pact depends on the progress made in establishing a regionally owned cooperation structure. This structure should be fully operational by early 2008 and co-financed by the countries of the region participating in the SEECP, the European Community and other interested donors.

2.2.2. Infrastructure

Background:

Infrastructure development is of vital importance for developing the economies of the Beneficiaries; it is an essential and indispensable requirement for an increase in economic growth.

With respect to the Western Balkans, the compact nature of infrastructure in the fields of transport and energy contrasts with the disparate authorities that are involved in planning and obtaining investment for the refurbishment of existing infrastructural networks, or for the building of new networks or network components. Past assistance has focused on establishing mechanisms for regional cooperation in the fields of energy, transport and environment.

On 25th October 2005 the Energy Community Treaty was signed by the European Community and all candidate and potential candidate countries with the exception of Turkey who achieved observer status on the 17th of November 2006. The establishment of the interim Energy Community Secretariat was financed from a CARDS regional programme. The Treaty has now entered into force and the Energy Community Secretariat will soon be operational; further support to the Energy Community is foreseen under IPA. Regional assessment of the security of energy supply, including diversification of energy sources may also be addressed as part of the Multi-Beneficiary Annual Programmes.

The South East Europe Transport Observatory (SEETO) Memorandum of Understanding covering the Core Transport Network of the region is being implemented through annual meetings of Ministers, a Steering Committee and the SEETO Secretariat. Support for SEETO was initiated under a CARDS 2003 assistance project.

The European Common Aviation Area (ECAA) Agreement was signed on 20th December 2005 with all South-east European Beneficiaries as partners. It constitutes an important extension of the Single European Sky, and commits the signatories to enhance convergence of their national aviation safety, regulatory and security standards to EU best practice. The SEE FABIA initiative was launched in 2005 with the objective of implementing the Single European Sky regulations in South East Europe under the umbrella of the European Common Aviation Area (ECAA) agreement. Further support to the relevant aviation authorities of the Western Balkans is foreseen under IPA.

In the field of environment, an important regional cooperative mechanism that includes also non-members countries such as the US and Japan, is the Regional Environmental Reconstruction Programme (REReP). The Sava River Commission, with a remit to deal with commercial and other considerations, with a view to re-start of shipping, has been constituted with Commission support for the relevant environmental aspects.

Objective:

To support regional cooperation and facilitate investment in infrastructure with a trans-national dimension. Particular areas of focus are transport, including air traffic safety, energy and environment.

Expected Results:

- i. Improved abilities of civil servants working in the areas of transport, including air traffic safety, energy and environment;
- ii. Alignment of the air transport sector to the EU Acquis in order to comply with the obligations of the ECAA Agreement and adoption and implementation of the relevant Single Sky Acquis;

- iii. Increased awareness of environmental issues, including exchange of best practice in implementation of the transposed *acquis*, and of approaches for mitigation.

Proposed Activities:

While the environmental *acquis* can be readily transposed, compliance with the *acquis* needs enforcement, monitoring and investment. With respect to enforcement, the Environmental Compliance and Enforcement Network for Accession (ECENA), to which all candidate and potential candidate countries are parties, is to be sustained as a regional initiative. In the field of energy the identification of investment proposals for all candidate and potential candidate countries benefits from establishing regional prioritisation criteria. This applies both to those countries which are geographically close and to Turkey whose role as an important energy hub for the region and beyond should be supported in the context of the Energy Community.

Proposed activities include:

- i. Facilitating networking between the National Authorities as well as capacity building, the sharing of best practices and lessons learned (including provision for harmonising aviation security and safety standards);
- ii. Providing continued support to the Energy Community Secretariat, Regional Environment Reconstruction Programme Secretariat and the South East Europe Transport Observatory;
- iii. Supporting the activities of the Sava River Commission in the context of the transposition of the Water Framework Directive;
- iv. Monitoring of environmental *acquis* compliance through support to Environmental Compliance and Enforcement Network for Accession (ECENA) and other approximation, transposition and implementation checking activities.

Complementarities of the Multi-Beneficiary MIPD with the National MIPDs:

This Multi-Beneficiary MIPD complements national infrastructure projects that have a cross-border dimension by facilitating networking and exchange of information (e.g. SEETO, REReP). A collaborative networking environment will encourage beneficiaries to achieve their objectives more effectively and efficiently.

Risks and Assumptions:

The highest risk to sustainability of the assistance comes from the limited financial resources of certain Beneficiaries in the region. Medium risks include insufficient sustained interest by the stakeholders as well as insufficient human resources of the Beneficiaries to address key issues, particularly in the environment field. In some cases, notably SEETO, an important risk, albeit low, is sustaining the interest of the signatories to maintain an established regional cooperation mechanism once its funding becomes the exclusive responsibility of the local authorities. In the context of support to the implementation of commitments from the ECAA Agreements, an important risk is the extent to which national aviation organisations are able to mobilise their own technical and financial resources to absorb the assistance.

2.2.3. Justice and Home Affairs

Background:

Accession and European Partnerships with IPA Beneficiaries contain provisions on Justice and Home Affairs and provide the long-term basis for continued cooperation in this area. Regional cooperation is instrumental in addressing the security challenges facing Beneficiaries, since many urgent issues, such as organised crime and corruption or integrated border management and illegal migration, can be effectively addressed only by a trans-border approach.

In 2004, the third annual Stabilisation and Association Process report highlighted regional cooperation in Justice and Home Affairs as an important area. The 2005 Enlargement Strategy Paper recognises that regional cooperation is increasing in the area of justice, liberty and security, including in combating organised crime at the same time as it emphasises the importance of further regional cooperation. Moreover, the 2006 European Partnerships with the Western Balkan countries confirm the importance of regional cooperation in the Justice and Home Affairs sector. Each European Partnership and each Accession Partnership address these priorities under the Justice and Home Affairs chapter.

The joint statement adopted by the meeting of the Foreign Ministers of the Regional partnership and the countries of the Western Balkans in Budapest in October 2005 identified six specific fields on regional cooperation, under which Justice and Home Affairs was endorsed, with special mention for border protection, migration, organised crime, police and judicial cooperation. The revised Accession Partnership with Turkey, which was adopted in January 2006, identifies the areas of migration and asylum policy, border management, visa policy and practice and the fight against organised crime and drugs as being of particular importance with regard to the transposition and implementation of the EU *acquis*.

The Regional CARDS 2001 project regarding Interpol National Central Bureaux (NCBs) has provided the basis for police cooperation by developing the capacity of the Interpol National Central Bureaux. This project has established the basis for regional law-enforcement cooperation and should be enhanced to support the role of Europol to bring national instruments to the necessary relevant standards, particularly with regard to data protection. The development of international law enforcement coordination units will be facilitated under a CARDS 2005 proposal. Projects either have been established or are in the pipeline at a National level to connect already established Interpol National Central Bureaux to remote access units at border-crossing points. Furthermore, the Regional CARDS 2001 programme has funded the preparation of comprehensive Justice and Home Affairs assessment reports, and an inventory of Justice and Home Affairs assistance in each of the Western Balkan countries. The inventory comprises both EU and other donors' projects and was updated in December 2004.

The Regional CARDS 2002 Justice and Police Training Scheme for high and medium-level decision-makers in the SAP countries raised the awareness of high-level practitioners of EU standards and best practices and developed useful training materials that are being shared with regional and national Justice and Home Affairs projects. Ongoing Regional CARDS 2002 and 2003 police and judicial reform cooperation projects have continued to develop the regional and international police cooperation capacities and have started to build up a regional prosecutor network between the general prosecutors of each country. It is of utmost importance to build on the expertise attained. The 2004 Regional Integrated Border Management project has produced an updated version of the EU IBM Guidelines which is a Commission's staff working document promoting the concept of border management that is integrated in nature, and as such incorporates agencies including police, customs, veterinary and phytosanitary services.

Foreseen assistance under the Regional Action Programme 2005 and 2006 is expected to further police and judicial cooperation in the South-East Europe region. Specifically, technical assistance is intended to be granted to the SECI Centre to upgrade its institutional and operational framework. Ad-hoc technical assistance will be dedicated to the development and implementation of national strategies and action plans for data-protection (national supervisory body, proper data-processing and IT system operations in the police, supported by appropriate training and regulations). Under the 2006 programming schedule a monitoring instruments project to establish guidelines on collecting and interpreting police and judicial statistics is expected to be implemented. The

need for reliable statistics is important for future regional police cooperation especially as regards the exchange of information. In addition, further support to the prosecutors' network established during the 2003 CARDS Judiciary project is envisaged.

In addition, this area of intervention includes a *Disaster Risk Reduction* initiative. South-East Europe is prone to natural disasters (earthquakes, floods, forest fires...) which transcend borders or overwhelm the capacity of a single country to cope. Regional cooperation in this field does not exist to the extent necessary even though the need for a regional response to effectively coordinate the national disaster preparedness activities is acute. Providing a pragmatic preparedness and response framework is imperative to ensure standardisation in language, equipment, warning systems and border-crossing protocols. In line with the Hyogo Framework for Action 2005-2015, the disaster risk reduction initiative under the Multi-Beneficiary IPA programme reflects the continued commitment taken by the international community towards this issue.

The Stability Pact has developed a 'Disaster Preparedness and Prevention Initiative', which includes the provision of training to personnel involved in civil protection/disaster response management and specific regional disaster preparedness schemes. The Disaster Risk Reduction initiative identified in this document complements the activities of the Stability Pact by fostering regional cooperation and coordination in disaster preparedness and prevention.

Objectives:

- i. Support the fight against national and international organised crime, and corruption;
- ii. Continue the enhancement of regional and international cooperation and networking amongst law enforcement bodies, including but not limited to the police and the judiciary;
- iii. Support the relevant services involved in integrated border management including police, customs, veterinary and phytosanitary, as well as migration and asylum;
- iv. Foster regional cooperation and coordination in disaster preparedness and prevention.

Expected Results:

- i. Greater cooperation and exchange of information among national authorities as well as between national authorities and international networks to facilitate activities including investigation and prosecution of organised crime and corruption;
- ii. Improved cooperation and networking between regional police and judiciary authorities;
- iii. Improved regional and international cooperation in the area of integrated border management;
- iv. Higher success rates regarding the detection and prosecution of crimes perpetrated in the IPA beneficiary countries;
- v. Mitigated impact of natural disasters and improved response to crises.

Proposed Activities:

- i. Facilitate networking and the exchange of information between the National Authorities as well as strengthening data protection and the sharing of best practices and lessons learned;
- ii. Establish guidelines and protocols for the sharing of relevant information across borders;
- iii. Strengthen the administrative capacity to develop bilateral/multilateral protocols and sharing of best practices in the area of disaster preparedness.

Complementarities of the Multi-Beneficiary MIPD with the National MIPDs:

Regional cooperation in the area of Justice and Home Affairs complements efforts at a National level particularly as it facilitates networking and sharing of best practices and lessons learned in the region. In addition, this MIPD supports the establishment of harmonised guidelines and protocols for the sharing of relevant information across borders, building upon the achievement of the national projects and other regional initiatives.

Risks and Assumptions:

Lack of adequate political support could adversely affect current administrative capacity to implement reforms and could eventually have a negative impact upon this area of intervention. Closer integration with the EU and ultimately accession stand out as the most effective measures available to mitigate the risks to the reform of the justice and police sector in the IPA Beneficiaries. In order to maximise the assistance awarded under this priority, regional forums and mechanisms are guided by the priorities set out in the European and Accession Partnerships.

2.2.4. Internal Market and Trade

Background:

The Commission Communication on the Western Balkans of January 2006 notes that with progress being made on stabilisation, the EU policies for the region should focus now on the promotion of the economic and social development of the Western Balkans.

The European/Accession Partnerships identify the removal of obstacles to trade and investments as a main area for intervention and one where many challenges remain. In addition, the Stabilisation and Association Agreement negotiations as well as the European/Accession Partnerships require strong administrations and familiarisation with the EU *acquis*.

Considerable progress has been made in developing trade within the Western Balkans region. The network of bilateral Free Trade Agreements (FTAs) established under the Stability Pact has been completed. As a result of this, inter alia, mutual trade has substantially increased. However, intraregional trade is still lower than its potential and in some cases implementation of the bilateral agreements has not been satisfactory. The Commission is working together with the Western Balkans to identify any obstacles to the smooth implementation of these agreements, as well as to find ways to overcome them.

The new CEFTA 2006 Agreement which now includes all the Western Balkan countries was signed in December 2006. Ratification is underway, and the new CEFTA treaty is likely to come into force on 1 July 2007. This Agreement is a big achievement for the region.

In addition, it is important to mention the decade-old Turkey-EU Customs Union which has contributed to the liberalization of trade as well as the Free Trade Agreements between Turkey and most of the Western Balkan countries.

Assistance under this area of intervention of the Multi-Beneficiary MIPD will complement the activities of the European Commission's DG Trade as well as the priorities of the National MIPDs.

In view of the priorities identified in the European/Accession Partnerships, discussions with stakeholders (including National Authorities, Civil Society Organisations, Stability Pact, International Financing Institutions, EC Services) and the results of the CARDS and Phare evaluations, four particular areas of focus have been identified within this area of intervention. These are: quality infrastructure, industrial and intellectual property rights,

information society and telecommunications and customs. The proposed activities in these areas are complementary to those of the National MIPDs.

Quality Infrastructure: In the 1990s beneficiaries received assistance under the Phare Multi-Country programme for Quality Infrastructure (PRAQ). The Regional Quality Infrastructure Project carried out by the European Committee for Standardisation (CEN) under the CARDS programme assisted the Western Balkans to develop the quality infrastructure in the region and to broaden the basis for mutual confidence between beneficiaries and with the European Union. By working together Beneficiaries are pooling their expertise, sharing knowledge, resources and facilities in a variety of fields including technical regulations, standardisation, accreditation, testing-certification-inspection, metrology and market surveillance. However, further support in this area is needed to facilitate alignment with EU standards.

Industrial and Intellectual Property Rights: The Regional Industrial Property Rights Project implemented by the European Patent Organisation (EPO) under the CARDS regional programme as well as the Phare Multi-country programmes for Industrial and Intellectual Property Rights assisted the Beneficiaries to develop the relevant technical capacities. However, further support in this area is needed to facilitate alignment with EU standards.

Information Society, Telecommunications, Postal Services and Media: Substantial European Community support has been made available to Beneficiaries through the national assistance programmes, as well as through the Phare Multi-country programmes for Telecommunications and Posts and CARDS regional programme. However, further support in this area is needed to facilitate alignment with EU standards, particularly in the area of Telecommunications, Post and Media.

Customs: The European Union (EU) launched its Customs and Fiscal Assistance Office programme (CAFAO) in 1996 to enable the creation of a customs service in Bosnia and Herzegovina. The CAFAO programme has since gone on to develop activities in customs, and to varying degrees fiscal administration, in Albania, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro and Serbia. Neither Croatia nor Turkey is part of the CAFAO programme.

Overall, the countries' customs services along with their respective CAFAO programmes have directed their efforts at creating efficient customs services that not only allow for better management of border-crossing points and customs checks at airports and/or ports for public security, but also increase potential revenue from customs and excise duties on legitimate trade. The state of existing national infrastructures for both customs administration and indirect taxation has greatly influenced the extent of CAFAO activities in each country. Thus, in the Republic of Montenegro, which started its migration progress from sales tax to an EU-compliant Value Added Tax (VAT) system in 2000, CAFAO has mainly directed its efforts at ensuring that the system remains EU-compliant. In Bosnia and Herzegovina, CAFAO has been fully involved for some years in preparing the way for the country to migrate to an EU VAT compliant tax system in 2006.

It is foreseen that the CAFAO programme will be phased out in the near future. Therefore activities in the area of customs will eventually be transferred to the National programmes. Until then, implementation of activities in this area will continue to be funded from the National envelopes and implemented under the Multi-Beneficiary Annual Action Programmes.

Objective:

To facilitate the development by the Beneficiaries of harmonised processes and systems in the area of internal market.

Expected Results:

- i. Improved efficiency and effectiveness of sector-related public administrations;
- ii. Greater competence and awareness among beneficiary officials on how to implement EU *acquis*;
- iii. Harmonisation of regulation, particularly within the telecommunications, postal and Media sectors;
- iv. Improved efficiency and effectiveness of the national customs administrations.

Proposed Activities:

- i. Provide advice and consultancy services, particularly with regard to customs, intellectual and industrial property rights management, quality infrastructure and regulation within the telecommunication, postal and Media sectors;
- ii. Facilitate networking between the National Authorities as well as the sharing of best practices and lessons learned in various areas of the internal market and trade;
- iii. Prepare National Beneficiaries for participation in European Standards and Patent Organisation;
- iv. Provide support to the future CEFTA.

Complementarities of the Multi-Beneficiary MIPD with the National MIPD:

This Multi-Beneficiary MIPD promotes coordinated and harmonised actions and methodologies. In most areas of focus within this area of intervention, there are limited resources available to deliver technical assistance as well as limited absorption capacity of the Beneficiaries, a centralised approach to the delivery of assistance through established centralised structures therefore facilitates the implementation and achieves economies of scale.

Risks and Assumptions:

All reforms and participation in the implementation presuppose the cooperation and the commitment of the beneficiaries.

2.2.5. Public Administration

Background:

The recent European and Accession Partnerships for the Western Balkans and Turkey identify short-term reforms in the public administration and personnel policy as necessary to ensure greater efficiency, accountability and transparency. In addition, Stabilisation and Association Agreement negotiations as well as the obligations of the candidate countries require strong administrations, familiarisation with the EU *acquis* and efficient and sustainable statistical systems capable of providing reliable, objective and accurate data.

The proposed activities in this area of intervention to address the challenges facing the beneficiaries in the area of public administration (e.g. development of the statistical data, social security issues and cooperation with Community Agencies) correspond to the specific objectives of the Accession and European Partnerships, the Thessaloniki Agenda, as well as the Commission Communication on the Western Balkans of January 2006.

TAIEX became fully operational in Turkey in 2001 and in the Western Balkans in June 2004. Since then several hundred Multi-Beneficiary seminars on the EU *acquis* have been organised, attended by hundreds of civil servants, to whom various aspects of EU legislation were presented in detail by Commission's and Member States' officials. These seminars covered various areas including Justice Freedom and Security, Customs, State Aid, Transport, Energy. In 2005, TAIEX organised 125 events for the benefit of the Western Balkans with direct participation of over 5,400 officials of the countries concerned. The constant flow of new applications and the positive feed-back provided by the participants indicates the beneficiaries' appreciation of this instrument. Particular praise has been afforded by Beneficiaries to the use of public sector experts in

implementing "peer-to-peer" training. In Turkey, the cooperation with the Secretariat General for EU Affairs (Integration Office), which centralises applications for TAIEX assistance prepared by line ministries, has facilitated a continued increase in demand for and supply of training.

The SIGMA programme is a European Community initiative, implemented through joint management with OECD. The programme has been active in the 10 new Member States since 1993 (under Phare), since 2000 under CARDS and in Turkey since 2004. SIGMA provides support to the reform of public institutions in the Western Balkans and Turkey. The main focus of the SIGMA programme is the horizontal management systems of Government. Examples of activities supported by SIGMA include: the review of legal drafts, the design of the Public Administration Reform strategy, the establishment of civil service management instruments, the establishment of justice and administrative disputes laws, the provision of support to administration in legal drafting and financial management issues and quality control.

According to the findings of the Evaluation report on the Assistance to the Balkan Countries under CARDS, published in June 2004, SIGMA, as a facility that supports the design and implementation of the national sub-programmes is a positive example of EU assistance. The report also mentions positively the opening of the TAIEX assistance to the Western Balkan countries.

The development of a Regional School for Higher Education on Public Administration Reform was first launched in the summer of 2003 at the EU summit in Thessaloniki.

Under several Multi-Beneficiary Phare programmes candidate countries have been assisted in preparing for participation in Community Agencies. In addition to assistance provided through the Phare programme to Croatia and Turkey, the CARDS Regional Programme 2005 has also provided support in this area to potential candidate countries.

CARDS Assistance to the statistical sector has facilitated the improvement in data collection by the National Statistical Institutes, approximation with EU *acquis* particularly in the areas of external trade, purchasing power parities and business statistics, increased confidence in official statistics and raised the public profile of the National Statistical Institutes as part of institution building.

Social support institutions in the Western Balkans and Turkey need to further reform and strengthen their technical capacities. With the opening of borders and the freedom of movement, it is necessary for legal migrant workers and their families to have access to the same social rights as they would have if they stayed and worked in their own countries. Therefore, the coordination of social security schemes to pay benefits across national borders is an important tool for protecting workers, including migrants and refugees. While cooperation on cross-border social protection in the Western Balkans has started, such cooperation needs to be expanded and enhanced as a condition for the further EU integration. In March 2006, the Ministers of Social Insurance of the Western Balkans countries signed the Zagreb Declaration at the occasion of a Ministerial Conference organised by the Council of Europe and supported by the European Commission. By signing this document, the signatory countries committed themselves to develop effective coordination of their administrative practices so as to facilitate their citizens' access to social security rights in the entire region, paying particular attention to the needs of the most vulnerable groups. Past assistance in this area provided under the CARDS Regional Programme, through the Council of Europe, is supporting the coordination of measures to improve the social policies and to reinforce the institutional capacities of the Western Balkans.

Objectives:

- i. Facilitate further reform and strengthening of civil service and public administrations' capacities for efficient and effective reform implementation;
- ii. Contribute to the transposition, implementation and enforcement of EU legislation;
- iii. Continue to harmonise national statistical systems with the EU *acquis*;
- iv. Continue to harmonise public internal control systems and external audit with EU *acquis*;
- v. Improve the coordination of social security systems;

Expected Results:

- i. Improved efficiency and effectiveness of public administrations;
- ii. Greater competence and awareness among beneficiary officials on how to implement EU *acquis*;
- iii. Reliable control and audit structures for and increased transparency in the national budget;
- iv. Improved quality of statistical data;
- v. Improved access of legal workers and their families to the same social rights as they would have had if they stayed and worked in their own countries.

Proposed Activities:

- i. Provide advice and consultancy service, particularly in the areas of: Civil services, Administrative reform and organisation, Policy development capacities, Public expenditure management, Internal Control and External audit, Public Procurement and concessions;
- ii. Provide technical assistance to the National Statistical offices and their partners in the national statistical systems;
- iii. Train civil servants;
- iv. Prepare Beneficiaries for participation in the Community Agencies;
- v. Facilitate the exchange of best practices to improve access to social security benefits and services.

Complementarities of the Multi-Beneficiary MIPD with the National MIPDs:

The impact of certain actions is enhanced when they are based on common approaches set among the beneficiaries and when harmonised with approaches applied in the EU Member States. An example is the development of systems of harmonised national statistics. In addition, the implementation of these activities through established centralised structures (e.g. TAIEX, SIGMA, and ReSPA) achieves economies of scale.

Risks and Assumptions:

All reforms relating to public administration presuppose the cooperation of beneficiaries the commitment by beneficiaries to the European/Accession Partnership priorities.

The TAIEX instrument relies to a considerable extent on the willingness of EU Member State administrations and institutions to make experts available for missions to the beneficiary countries as well as for participation in seminars, training meetings etc.

Lack of political will, political uncertainty as well as the lack of sufficient capacity can slow down the necessary reforms proposed by SIGMA. Lack of support by the Beneficiary governments could endanger the success of the ReSPA project.

Activities in the area of statistics must be supported by relevant efforts at national level and fully coordinated with cross-cutting activities.

In the social sector there is a risk, albeit low, that for political reasons the Western Balkans authorities may be reluctant to pursue their regional cooperation in strengthening the legislative framework and the policy-making processes of social protection policies. In Turkey, a reform package on the social security was adopted in May and June 2006.

There is a low risk that Turkey will not be keen to accept administrative support in this context.

2.2.6. Supporting Civil Society

Background:

The prospect of joining the European Union and meeting the political criteria of the Treaty of Copenhagen, which requires countries to have stable institutions, to guarantee democracy, to guarantee the rule of law, to safeguard human rights and to respect the protection of minorities, is an important basis for civil reforms within candidate and potential candidate countries.

The Communication from the Commission on Civil Society Dialogue promotes civil society dialogue in and between the EU and Turkey and Croatia, particularly with regard to issues and concerns on enlargement. The Communication sets out a general framework on how to create and reinforce links between civil society in the EU and candidate countries. It defines civil society as "all society structures outside of government and public administration (but including local communities)". Annex B, 'Cross-Cutting Issues', provides further details on civil society actors. During its meeting in Salzburg in March 2006, the Council welcomed the Commission Communication on the Western Balkans of January 2006 which extended civil society dialogue to include potential candidate countries.

In addition, the 2006 European Partnership with Serbia and Montenegro including Kosovo recognises as a priority (i) democracy and the rule of law as it relates to the promotion of active participation of non-governmental organisations (NGOs) and other civil society organisations in the government decision-making process, (ii) the development of Civil Society Organisations (CSOs) financially and otherwise, notably by adopting the law on associations and legislation on the legal status of foreign CSOs. The ultimate aim therefore is to facilitate the active participation of Civil Society Organisations in society reflecting the role of EU Member State organisations.

The 2006 Progress Reports note that although human rights violations are diminishing, they continue to occur and there is an urgent need both to implement legislation already in force and, with respect to certain areas, to take further legislative initiatives. Significant further efforts are required as regard fundamental freedoms and human rights, particularly freedom of expression, women's rights, religious freedoms, trade union rights, cultural rights and the further strengthening of the fight against torture and ill-treatment. Bilateral exchange projects, aimed at improving mutual knowledge and ensuring collaboration and exchange of expertise will be a common pattern of projects to be funded. Targets will include NGOs - including women's rights and equal opportunities organisations - professional organisations and business associations, youth, university, culture and the media.

In the light of the priorities identified in the European/Accession Partnerships, discussions with stakeholders (including National Authorities, Civil Society Organisations, Stability Pact, International Financing Institutions, EC Services) and the results of the CARDS and Phare evaluations, four particular areas of focus have been identified within this area of intervention. These are: civil society dialogue, refugee return, social inclusion and media. The proposed activities in these areas are complementary to those of the National IPA programmes and the EIDHR.

Civil Society Dialogue: The European Union has supported candidate and potential candidate countries in their efforts to strengthen civil society through the provision of grants under several national and multi-country Phare and CARDS programmes. Support

to date has focused in particular in the areas of inter-ethnic relations, poverty reduction, environmental protection and social development. The preliminary conclusions of a recent evaluation of the Phare ACCESS and other Civil Society programmes noted that the programmes addressed the development needs of the sector. The report added, however, that although administrative capacity had grown it was not adequate to meet the responsibilities of the sector. More therefore needs to be done to guarantee a supportive legal environment for civil society activities. Furthermore, the conclusions of a recent evaluation on CARDS projects in the area of civil society reiterated the need to strengthen administrative capacity and also to facilitate networking and partnership building. Since 2002, the European Union has financed several programmes contributing to the strengthening of civil society in Turkey. These programmes focus in particular on capacity building and grants schemes. In addition the European Initiative for Democracy and Human Rights has provided support to civil society and the MEDA programme (in the case of Turkey).

Refugee Return: One of the main policy frameworks identified to address the issue of refugee return is the Sarajevo Declaration (or "3x4 Initiative") signed in January 2005 in which the governments of Bosnia and Herzegovina, Croatia and Serbia Montenegro agreed to bring a genuine and successful close to the refugee chapter in South-Eastern Europe by the end of 2006.

The European Union has financed the 3x4 Initiative components i.e. refugee return and local integration. National Programmes relating to refugees and internally displaced persons in Bosnia and Herzegovina, Croatia, Montenegro and Serbia aim at assisting municipalities, facilitating capacity building of local civil society organisations, as well as returns and repatriation. In Kosovo, direct support is provided for the organised return and resettlement of Serb and Roma communities through a multi-sectoral and flexible approach in order to respond to priority needs. Significant sums of money have been spent in Bosnia and Herzegovina on physical reconstruction.

Since the Sarajevo Declaration, certain progress has been made, but the international community has expressed its concern that the process is far behind schedule and that greater cooperation between the governments of the region is still necessary.

In addition, support has been provided by the Community in the area of missing persons, which is an issue with a clear cross-border dimension. Progressing towards the resolution of the missing persons issue will contribute to healing the wounds of the war and to promoting stability in the region.

Social Inclusion: According to the Commission Communication on the Western Balkans of January 2006, "promoting social inclusion and integration by focusing on the marginalised groups and areas most affected by economic, social and ethnic unrest remains an important contribution to stability". The viable existence of minority communities and their non-discriminatory participation in the society is a political requirement of the 2006 European Partnership with Serbia and Montenegro including Kosovo. More particularly, the 2006 European Partnership with Bosnia and Herzegovina insists on starting the implementation of the Sectoral Action Plans of the national strategy for Roma as part as a comprehensive strategy of poverty alleviation.

There is a necessity to move away from targeting minority communities through a fragmented and disparate collection of individual projects, lacking sustainable impact, and to adopt an approach whereby the social inclusion is a mainstream objective which takes into account common regional characteristics. Moreover, by having a regional strategy with common benchmarks, results of national government progress can be shared and allow political dialogue on the issue in the region.

With this component, the EU demonstrates again that the Union is not merely an economic market but also a social area respecting individuals' freedoms and civil rights. In addition to the assistance provided under the 3x4 Initiative, substantial European Union financial assistance has been made available to support marginalised groups inclusion under the Phare multi-country programme. Numerous projects were implemented over the period 1999-2003 targeting primarily education and infrastructure in many new Member States. Within the CARDS Regional Programmes and for Bosnia and Herzegovina under the European Initiative for Democracy and Human Rights (EIDHR), further funds have been made available to support the rights of marginalised groups (i.e. Roma).

Media: The Commission Communication on the Western Balkans of January 2006 notes that "the development of free, independent and professional media is a key element to sustaining stable and functioning democracies in the Western Balkans. Increasing awareness of European media standards in the region and accelerating necessary reforms in the media sector are important priorities." In the same Communication, reference is made to the achievements of the Commission which, in cooperation with the Council of Europe, launched a regional initiative on media reform in 2004, bringing together representatives of governments, broadcasting regulatory authorities, public broadcasters and other stakeholders.

In the last conclusions of the 4th Seminar (May 2006) on Audiovisual Policy in the Western Balkans, the final declaration makes reference to the commitment of the public and private broadcasters who participated in the seminar to "foster regional co-operation in form of information exchange and sharing of experiences".

The European Community has provided support in the area of media at both national and regional levels. The main types of assistance that have been provided to date have been to facilitate the purchase of equipment, the implementation of legislation, the establishment of regulatory authorities and to support media outlets and non-governmental organisations. These activities have strengthened media-operators' professional competencies and broadened their knowledge of EU and the enlargement process. Furthermore, these projects have facilitated the networking of media-operators at a regional and EU level. However, further support is needed to align this sector with EU requirements. The Stability Pact is conducting an evaluation of the assistance to the media in the past ten years. This evaluation will also take into consideration the project financed by the European Community. The first results of the evaluation will be available at the end of November, and will be used in developing the Multi-Beneficiary Annual Action Programmes.

Objective: The overall objective of this area of intervention is to assist the Civil Society Organisations of the Beneficiaries (in areas such as minority rights, women's rights, environmental protection, etc) to develop a pluralistic democracy, respecting the human and social values of the EU.

More specifically the objectives in this area of intervention are to:

- i. Strengthen Civil Society Dialogue
- ii. Strengthen the capacity, competencies and service delivery of Civil Society Organisations;
- iii. Strengthen the operations and actions of Civil Society Organisations and media institutions to create more visibility of the European Union and to facilitate (re) integration between citizens;
- iv. Facilitate the strengthening of media independence, plurality and professionalism.

Expected Results:

- i. Increased involvement of Civil Society Organisations in the definition, implementation and monitoring of policies;
- ii. Greater partnership between the beneficiaries' Civil Society Organisations and between the EU and beneficiaries' Civil Society Organisations;

- iii. Improved socio-economic conditions;
- iv. Enhanced social inclusion of the marginalised groups;
- v. Decreased number of refugees and internally displaced persons through repatriation and integration.

Proposed Activities:

- i. Promote regional cooperation projects involving civil society organisations from both the beneficiaries as well as the EU Member States;
- ii. Provide technical assistance projects to assist Civil Society Organisations in delivering improved services, support and communications;
- iii. Promote European media content and local productions; public service broadcasting and professionalism in the media
- iv. Facilitate the return of refugees and internally displaced persons, and (re) integration of those who wish to remain in their hosting country.

The final beneficiaries of assistance in this area of intervention will be non-profit organisations, in particular non-governmental organisations, foundations and charities, as well as local or regional authorities, inter-governmental organisations, education and research institutes, think-tanks and other non-profit institutions or associations of a social, economic or cultural character in the EU-25 and Beneficiary countries. A limited number of profit-making organisations (notably those in the Media) and public media operators may also benefit from support.

Complementarities of the Multi-Beneficiary MIPD with the National MIPDs:

While the National MIPDs focus on Civil Society Development and Civil Society consultation, activities under the Multi-Beneficiary MIPD aim to strengthen the capacity of Civil Society Organisations through networking and sharing of best practices across Beneficiary and EU organisations. In the light of the fragmented nature of the media sector in the IPA region, a harmonised approach to the establishment of a free and independent media aims to heighten the impact of activities in this area and achieve economies of scale.

Complementarities of the Multi-Beneficiary MIPD with the European Instrument for Democracy and Human Rights:

The Multi-Beneficiary MIPD endeavours to ensure complementarities with the EIDHR programme. Further details with regard to the relevant objectives of the EIDHR are provided below:

- Objective 1 (a) promotes basic freedoms of expression and association in situations most under threat and where civil society can hardly function. This objective is not directly relevant to the IPA Beneficiaries.
- Objective 1 (b) focuses on torture prevention and rehabilitation. Projects in this area are complementary to assistance foreseen under this area of intervention in the Multi-Beneficiary MIPD particularly with regard to refugees.
- Objective 2 aims at strengthening the effectiveness of local civil society in promoting democratisation, political reform and human rights. Activities in this area will be implemented primarily through the National IPA Programmes.

Risks and Assumptions:

Active participation of the Beneficiary public administrations, Civil Society community as well as media operators is expected. In addition, it is expected that the required EU legislation will be adopted and implemented taking into account the necessary reforms. Notably, in the field of refugee return and integration it is expected that Beneficiaries will continue to respect their commitments as set out in the Sarajevo Declaration.

2.2.7. Education, Youth and Research

Education: Higher Education plays a central role in the development of both human beings and modern societies as it enhances social, cultural and economic development, active citizenship and ethical values. According to the Communication from the Commission on the Western Balkans, opportunities for the mobility of teachers and both undergraduate and graduate students will be expanded as from 2007, which makes it necessary to undertake concrete actions under IPA. Furthermore, the European/Accession Partnerships of the Western Balkan countries consider efforts to improve the education system and to ensure the implementation of the Bologna criteria in higher education as a priority.

The two primary programmes through which IPA assistance will be provided in the area of Education are Tempus and Erasmus Mundus.

The Tempus Programme was adopted in 1990 by the Council to encourage cooperation in the field of higher education between the Member States and the Central and Eastern European countries. Progressively, between 1993 and 2000, the Western Balkan countries were included in the Programme. Over the period 2001-2006, the European Community has allocated over €101m to the Tempus Programme for the Western Balkan countries. This programme has supported the development of quality higher education in these countries and should continue to provide assistance for Bologna implementation and reform of higher education, as long as they do not participate in the internal programme in the field of lifelong learning. Turkey is not concerned, as it is already participating fully in the Socrates programme, and will participate in the Lifelong Learning programme as from 2007.

Erasmus Mundus started in 2004 as a Community programme aiming at enhancing the quality of European higher education and at promoting intercultural understanding. It includes a scholarship scheme (Action 2) which allows non-member country graduate students to obtain an Erasmus Mundus master degree in the EU. To address the recommendation of the Communication from the Commission on the Western Balkans, the Western Balkans window, which has been initiated for the first time by the Regional Action Programme 2006 for the academic year 2007-2008 to complement the funds available under the Erasmus Mundus budget for Action 2, should continue.

Youth: Non-formal education and youth intercultural exchanges play an important role in creating an area of peace, stability, prosperity and freedom. The Commission Communication on the Western Balkans of January 2006 indicates that the Commission will also create new opportunities under the Youth Programme. The Youth Programme - established in 2000 – supports projects leading to an enhanced intercultural dialogue and tolerance among young people, social inclusion of disadvantaged youngsters, as well as the strengthening of youth NGOs and the development of civil society.

Since 2000, organisations and young people from countries of the Western Balkans have had the possibility of participating as partners in certain of the activities supported through the Youth programme. In 2005, the Commission launched a pilot initiative aimed at reinforcing the level of participation of organisations from the region in the Youth programme. Through this pilot phase, organisations from the Western Balkans were granted the opportunity to become coordinating organisations of Youth projects and to directly apply to the Commission for a programme grant.

Despite the limited resources, the results of the pilot phase were successful both in terms of number of applications received and quality of projects submitted; such results have

shown that there is a demand for greater opportunities of participation in Youth projects in the region.

Although the modalities of participation of Western Balkan organisations introduced in 2005 will be confirmed under the new Youth in Action programme - covering the period 2007-2013 – the EU is called to further enhance its actions and instruments in the field of non-formal education and youth in the region. In this context, the establishment of a new “Western Balkan window”, funded by IPA within the Youth in Action programme, will contribute to achieve the objectives set in the Commission Communication on the Western Balkans of January 2006 by allowing more projects submitted by organisations from the Western Balkan countries to be supported.

This initiative is open to Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro and Serbia including Kosovo. Turkey is not concerned as it is already participating fully in the Youth Programme¹³, and will participate in the successor programme Youth in action as from 2007.

Tempus (as from 2008), Erasmus Mundus and Youth Programmes will be managed by the Executive Agency for Education, Audiovisual and Culture.

Research: An action plan on research technology development established following the Thessaloniki summit in 2003 among Member States and Western Balkan countries identified how research could contribute to economic development and enhance integration. It was also instrumental in integrating better the Western Balkans in the European Research Area. On 26th June 2006, Commissioner Potočnik set the tone for the role of a new established Steering Platform which focuses on how to strengthen cooperation in science and technology between the Western Balkans and the European Union and to facilitate the integration into the European Research Area. The Steering Platform functions as a clearing house between Western Balkan countries, Member States, Commission and other stakeholders, for ideas and joint activities, intensifying the work already under way since the 2003 EU-Balkan Countries Action Plan in Science and Technology. The Steering Platform identifies priorities and needs in four different areas as awareness actions, benefits of collaborative research, human resources and research infrastructure. Based on identified priorities actions will be pursued.

The Steering Platform goes beyond the 7th European Framework Programme for RTD by creating synergies with other stakeholders. With respect to Turkey, an Action Plan on Research will be established in the beginning of 2007. It will serve as a basis to identify the strengths and weaknesses of Turkey's research capacity and monitor, on a regular basis, its cooperation with EU research partners. The aim of the action plan is to identify areas of interest to Turkey and consider how its participation under the 7th European Framework Programme can be increased.

From 2002 until 2005, approximately 120 research units and institutions from the Western Balkan countries participated in projects under the Sixth Framework Programme (2002-2006). Furthermore, the Joint Research Centre has trained in the past years some hundreds experts from the Western Balkans in workshops and courses and has started including Western Balkan organisations within its European research networks and projects. During this Framework Programme 310 teams from Turkey participated in 255 Research Projects. The EU will continue to strengthen its actions in favour of the Western Balkans Countries and Turkey under the Seventh Framework Programme (2007-2013).

¹³ In the long term, some of the Western Balkan countries will probably participate fully in the Youth in Action programme (2007-2013). This will be achieved in a differentiated time schedule according to each country's preparedness and capacity to put in place the necessary administrative structures for the implementation of the programme at national level (Youth National agencies). In the short term, projects supported through the window will contribute to increase opportunities for beneficiaries in the region until the cited national structures are established.

Objectives:

Education

- i. Support the development of the higher education systems through balanced cooperation between local higher education institutions and those of the EU Member States;
- ii. Facilitate the active participation of the Western Balkans in a common European higher education area;
- iii. Enable highly qualified graduates from the Western Balkans to engage in postgraduate study at European universities.

Youth

- i. Promote youth exchanges and other activities in the field of non-formal education for young people;
- ii. Build long-lasting and solid partnerships as well as promoting the exchange of youth work expertise and know how between non-governmental and governmental organisations established in the EU Member States and in the Western Balkan countries;
- iii. Contribute to strengthening democracy and civil society by facilitating the integration and active participation of young people, and by developing youth structures and the voluntary sector.

Research

- i. Facilitate research capacity building;
- ii. Stimulate research cooperation across beneficiaries and with EU Member State partners;
- iii. Foster regional economic development;
- iv. Facilitate integration into the European Research Area
- v. Facilitate the design of an integrated research policy.

Expected Results:

Education

- i. Further alignment with EU standards;
- ii. Improved university administration;
- iii. Greater regional cooperation between universities;
- iv. Increased mobility of students and academic staff;
- v. Enhanced intercultural understanding.

Youth

- i. Increased number of intercultural exchanges, cooperation and solidarity activities among youth of the Western Balkans region.
- ii. Established partnerships and contacts between youth NGOs in the Western Balkans and in the EU through the Youth in Action Programme.

Research

- i. Increased research cooperation among countries of the IPA region and with EU partners;
- ii. Valorise research potential in the Region;
- iii. Increased awareness of the importance of research to support sustainable economic development
- iv. Better integration of beneficiaries into the European Research Area.

Proposed Activities:

Education

- i. Joint projects based on multilateral partnerships between higher education institutions in the EU and the partner countries, including mobility activities for students, academic staff and university administrators; support to networks of higher education institutions and Ministries of Education in the beneficiary countries for activities seeking dissemination and convergence with EU developments (including studies, seminars, training);

- ii. Additional scholarships to students from the beneficiary countries to participate in master courses jointly organised by EU higher education institutions.

Youth

- i. Support Youth Exchanges offering an opportunity for groups of young people from the region to meet and learn about each other's cultures;
- ii. Encourage youth to take part individually or in groups in non-profit, voluntary activities abroad including, helping in local projects in a wide range of fields: social, ecological and environmental, arts and culture, new technologies, leisure and sports;
- iii. Support training and networking of those active in youth work and youth organisations, and in particular the exchange of experiences, expertise and good practice between themselves, as well as activities which may lead to long-lasting quality projects and partnerships and networks.

Research

- i. Support the mapping of centres of excellence in Beneficiaries on specific thematic fields and built upon that on how to enhance networking and strengthening capacity building ;
- ii. Facilitate further integration into the European Research Area through the exchange of information and best practices and the identification of priorities for alignment with EU requirements.

Complementarities of the Multi-Beneficiary MIPD with the IPA National MIPDs:

The implementation of the activities in this MIPD through established instruments (Tempus, Erasmus Mundus, and Youth in action) and centralised management achieves economies of scale. In addition, this Multi-Beneficiary MIPD facilitates networking and sharing of best practices and learning between youth workers and youth organisations. The identification of research priorities in all the Beneficiaries and the creation of Centres of Excellence aim to achieve economies of scale through the non-duplication of efforts across Beneficiaries. It also facilitates networking, exchanging of best practices and research results between researchers.

Risks and Assumptions:

Risks for Research include: (i) Poor absorption capacity for EU funds. Funding will focus therefore on reinforcing proven instruments, (ii) Investment and acquisition of equipment necessary for the establishment of Centres of Excellence could be prohibitively expensive and (iii) an inventory of best practices needs to be identified in order to facilitate the mapping and sharing of these practices.

Assumptions include: (i) National authorities will remain committed to the achievement of the objectives of the Bologna Declaration which aims to establish a common European higher education area by 2010, (ii) the relevant national authorities in the region will remain committed to encourage people-to-people contacts among their respective civil societies; (iii) the Western Balkans will gradually participate in the 7th Research Programme; some of the Enlargement countries by association to the 7th Research Programme and others, as third countries, on international cooperation basis.

2.2.8. Market Economy

Background:

Candidate and potential candidate countries share the perspective of one day becoming Member States of the European Union. An important step in their move towards the EU is

the fulfilment of the economic Copenhagen criteria – a functioning market economy¹⁴ and the capacity to withstand competitive pressure.

Next to the existence of an enforceable legal system, liberalised prices and trade, private sector development is a key element for the development of a fully functioning market economy. This includes both the creation and expansion of private enterprises, in particular, small and medium-sized enterprises, and the development of a functioning financial sector capable of supporting the expansion of the private sector financially and, therefore, acting as a catalyst for economic growth. Trust in the financial sector also contributes to a reduction of the "informal" economy as economic transactions are increasingly channelled through a functioning banking and payment system.

According to the 2005 regular and progress reports, privatisation is moving ahead in IPA beneficiary countries albeit at different speeds. While privatisation is progressing well in candidate countries, important economic sectors remain under the control of the state, such as shipbuilding in Croatia and the financial and steel sector in Turkey. In potential candidate countries such as Serbia and Bosnia and Herzegovina, for example, the share of the private sector in the Gross Domestic Product remains insufficient. After a standstill of privatisation in Kosovo, the process resumed in 2005.

As in the EU Member States, small and medium-sized enterprises in IPA Beneficiary countries play an overwhelming role in the economy as they are important sources of employment. At the same time their contribution to GDP remains low. Small and medium enterprises (SMEs) have to increase their productivity and modernise if they want to remain competitive. Limited access to finance of SMEs in the IPA region is still one of the major obstacles that enterprises encounter in their efforts to grow. In Turkey for example, with 99.8% of companies consisting of less than 250 persons but employing 77% of the Turkish work force, the contribution to value-added is only 38% and the share in exports is 10%. In the countries of the Western Balkans the SME sector has just recently started to develop in parallel with the privatisation process. Due to the importance of this sector, the Commission Communication on the Western Balkans of January 2006 dedicated a specific chapter to small and medium-size enterprises. The Communication recognises that the creation of favourable conditions for SMEs is paramount for the sustained growth of the Western Balkan economies.

Private sector activity also requires the necessary infrastructure facilitating the activities of economic operators (including transport, energy, and environment). Often the responsibility for such infrastructure lies in the hands of small municipalities with little know-how and limited access to finance similar to small private enterprises. Given the importance of energy security for the region and environmental challenges, financial institutions should be made aware of the importance of financing energy efficiency investments; the implementation of such investments in the area of housing and industry plays a particularly important role.

Limited access to finance for economic operators is directly linked to an underdeveloped financial sector, i.e. the financial sector is not yet able to play its role as an intermediary in the economy and provide the necessary capital for growth. In some countries, this is due to the fact that restructuring and consolidation of the banking sector is still ongoing (Turkey, Serbia). In others, there is a lack of institutional capacity among banks and an underdeveloped regulatory environment (Albania) with the consequence that the share of the informal economy is particularly large.

¹⁴ Croatia and Turkey are recognised as functioning market economies by the European Commission, Annex 2, Enlargement Strategy and Main Challenges 2006 – 2007, COM(2006) 649, 08.11.2006

While Croatia has a rather well developed financial sector, access to credit for economic actors still remains limited in all the other IPA beneficiary countries. This limited access pushes businesses to economic exchanges in the informal economy.

Furthermore, with regard to the financial sector, fragmentation of supervision and regulation is another issue that hinders its development. The strengthening and consolidation of supervision capacities together with the creation of networks between supervisors is another important step improving the financial sector's capacities to fulfil its intermediary function for the economy and reduce the amount of informal activities.

Project Preparation Facilities (PPF) covering transport, energy and environment sectors, etc, support beneficiaries to complete project dossiers to a sufficient high level that IFIs (and other sources of financing) would be able to allocate funds to selected project proposals.

Within IPA beneficiary countries assistance, at a regional level to support the market economy focuses on projects in cooperation with the IFIs in Turkey and Croatia under the SME Finance Facility and the Municipal Finance Facility since 2005. Both Facilities aim to strengthen the financial sector institutions including leasing companies to increase their access to finance for SMEs and municipalities and public service utilities in the long term.

In the other IPA Beneficiaries, assistance at regional level has focused on the facilitation of intra-regional trade and the enhancement of the overall investment climate. For example, the CARDS project "Strengthening the Development and the Implementation of Trade and Investment Policy", implemented since November 2005 is helping the beneficiary countries to improve their capacity to collect and analyse statistical information related to foreign direct investment. Building on this project, a large-scale programme is scheduled to start in the beginning of 2007 aiming at the development and implementation of a regional foreign direct investment strategy in four to six selected sectors accompanied by an active investment promotion campaign towards foreign investors.

At a national level, CARDS, Phare and Pre-Accession Assistance to Turkey have focused on schemes improving access to finance for small enterprises and households, in particular, in connection with the post-war reconstruction phase in the Western Balkans (European Funds). In addition, assistance has focused on cadastre survey and property registration reform, reduction of administrative and regulatory barriers for business investment, competition policy, state aid and public procurement.

In summary, in progressing towards a functioning market economy, private sector activities in IPA beneficiary countries need to be encouraged with a special focus put on actively encouraging the creation and growth of micro, small and medium-sized businesses and the promotion of economic exchanges between them on the one hand and strengthening the financial sector as a general precondition for continuous modernisation and growth of the market economy on the other. Increasing economic relations enhance regional cooperation and contribute to greater political stability.

Objective: The objective of interventions in this area is to contribute to the establishment of a functioning market economy with the capacity effectively to meet competitive pressure and market forces within the EU. This area of intervention puts particular emphasis on strengthening the financial sector and promoting growth and investment in SMEs.

Cooperation with IFIs

Expected Results:

- i. Increased capacity of the financial sector to provide and develop new financial products to economic actors in the long term, in particular micro-enterprises and small municipalities and to effectively play their role as financial intermediaries in the economies, contributing to a reduction of the size of the informal economy in the region and promoting its modernisation;
- ii. Increased number of very small, small and medium-sized businesses as a consequence of better access to finance;
- iii. Increased number of investments, in particular, energy efficient investments due to better access to finance of private and public sector bodies;
- iv. Increased levels of economic relations between enterprises in the IPA region and with enterprises from EU Member States;
- v. Increased levels of investments into the IPA region as a result of investment policies promoting foreign direct investment and increased awareness among EU investors about the potential of the IPA region;
- vi. Established networks between business support organisations/associations of the IPA region and with the EU who provides the necessary support to members;
- vii. Increased number of projects with high investment potential.

Proposed Activities:

- i. Strengthen the capacity of financial sector institutions to develop access to finance to economic actors in the long term;
- ii. Strengthen capacities of and networking between supervisory authorities of the financial sector;
- iii. Promote access to finance for micro enterprises and SMEs, including in the agricultural sector for which the access to loan is still an obstacle;
- iv. Promoting access to finance to induce economic actors to implement energy efficiency investments;
- v. Substantial support is to be allocated to raise the capabilities of local authorities to formulate attractive investment proposals in all infrastructure sectors, paying particular attention to environmental issues;
- vi. Providing advice and consultancy services, particularly with regard to improved project preparation covering the energy, transport sectors (including provision for harmonising aviation security and safety standards), environment, etc.

Support to Enterprises:

Expected results:

- i. Improved regulatory framework and functioning support from business organisation;
- ii. Established networks between business support organisations/associations of the IPA region and with the EU who provides the necessary support to members;
- iii. Strengthened entrepreneurship;

Proposed activities:

- i. Facilitate networking and partnerships between business support organisations/associations and strengthen their capacity to serve the needs of enterprises (it is foreseen to build on the experience and on the recommendation of the evaluation of the Phare multi-country Business Support Programme);
- ii. Facilitate networking and cooperation between enterprises regionally and with relevant EU organisations;
- iii. E-commerce (networking of business subjects, regional cyber market);
- iv. Clusters (economic cross-border networking);
- v. Networking of subsidiary institutions (cross-border incubators)

Complementarities of the Multi-Beneficiary MIPD with the National MIPDs:

With each Beneficiary developing its market economy at an individual pace, assistance measures focusing on adoption and implementation of EU *acquis*-related issues are best placed under the national strategies. On the one hand, activities at a Multi-Beneficiary level are meaningful and add value where the development of regional cooperation plays an important role, such as in the area of trade and investment facilitation and the networking between business support organisations, associations and businesses. On the other hand, important economies of scale can be achieved through the development of regional activities in cooperation with International and Development Financial Institutions and established regional assistance delivery instruments (such as EFSE). Multi-Beneficiary activities in the area of market economy facilitate exchange of best practice and adjustment of assistance measures to the countries needs and individual absorption capacities.

Risks and Assumptions:

Achievement of the expected results is conditional upon (i) maintenance of macroeconomic stability in the IPA beneficiary countries, (ii) continued financial sector reform and commitment to the implementation of BASEL II, (iii) continuation of privatisation, (iv) further progress in improving the regulatory framework for the set-up and development of businesses and (v) resolution of outstanding issues concerning property and land titles.

2.2.9. Nuclear Safety and Radiation Protection

Background:

Like in all countries not producing nuclear energy, the Western Balkans and Turkey are confronted with a number of radiological issues that are connected with the use of radio nuclides for a number of industrial and medical applications and thereby generate so-called institutional radioactive waste. Two countries (Serbia and Turkey) have operated nuclear research reactors that pose specific problems to the management of radioactive waste and spent nuclear fuel. In addition, the Western Balkans and Turkey have the common feature of being vulnerable to illicit trafficking of nuclear materials and radiation sources. In addition, actions in the field of the modernisation of early warning systems in the case of a nuclear accident, and development of emergency preparedness are under preparation in Croatia. For a number of the Western Balkan Beneficiaries, the monitoring of radioactivity in the environment constitutes a significant radiological issue. In some countries like Bosnia and Herzegovina, there is still a need to clean contaminated territories with depleted uranium, which is a legacy of the war and bears the risk of long-term contamination of the environment. Finally, the national safety authorities in place that ought to be regulating nuclear safety and radiation protection are in most cases rather weak in terms of both personnel and level of expertise. Alignment of the national legislations and regulations of the Western Balkans and Turkey on the EURATOM Directives would require significant EU support.

Nuclear safety and radioprotection are a rather new topic for EU technical assistance in the Western Balkans and Turkey. Limited assistance has been provided so far in the field of prevention of illicit trafficking of nuclear materials and radiation sources in the former Yugoslav Republic of Macedonia and in Croatia. A multi-country project on management of radioactive waste in medical establishments covering Bulgaria, Croatia and Romania has just started.

It is considered that the best way to address these radiological issues is through a combination of Multi-Beneficiary and National projects. Multi-Beneficiary projects will identify in more detail the extent of the radiological problems as well as the gaps and deficiencies of the national safety authorities, and then on this basis to define technical assistance projects that may be implemented either regionally (e.g. prevention of illicit trafficking of nuclear materials in Western Balkan Countries) or on a national basis.

Particular attention will be paid to the enhancement of the capacity of regulatory authorities through the development of common approaches for a number of radiological issues (e.g. management of sealed radioactive sources and orphan sources) that will result from the implementation of Multi-Beneficiary projects.

Objective:

To facilitate the strengthening of public administration capacities in the radiation protection and nuclear area, particularly with regard to nuclear safety, radiation protection, radioactive waste management and emergency preparedness.

Expected Results:

- i. Improved efficiency and effectiveness levels of relevant public administrations (radiation protection authority, nuclear safety authorities and other publicly funded bodies);
- ii. Greater competence and awareness among beneficiary officials on how to implement EU *acquis*;
- iii. Greater availability of instruments to combat illicit trafficking of nuclear materials and radiation sources;
- iv. More early warning and efficient emergency systems in place;
- v. Further alignment of the management practices of radioactive materials with EU best practices;
- vi. Better monitoring and cleaning up of contaminated territories with depleted uranium.

As most of the activities to be performed aim to reduce potential radiological risks, quantification of the benefit of the technical assistance projects in the nuclear field is not straightforward. Moreover enhancement of the technical expertise of the national nuclear safety organisations in place or to be created in the Western Balkans and Turkey is a long process that cannot be easily assessed. Indeed, the main indicator of achievement to be considered concerns the alignment of the nuclear safety and radiation protection legislation and regulations in the Western Balkans and in Turkey with the EU *acquis*.

Proposed Activities:

- i. Facilitate networking, the sharing of best practices and lessons learned across the beneficiary authorities;
- ii. Provide technical assistance to facilitate the preparation and implementation of national legislation and regulations in line with the relevant EU *acquis*, and best EU practices;
- iii. Contribute to remediate contaminated areas as a legacy of the war.

Complementarities of the Multi-Beneficiary MIPD with the IPA National MIPDs:

Activities in the area of nuclear issues will be programmed and coordinated centrally to facilitate a coherent, effective and efficient approach. In addition, the centralised coordination of the Multi-Beneficiary Annual Action Programmes makes the most efficient use of available European Community resources. The activities are implemented at a Multi-Beneficiary or at National level depending on the area of intervention.

Risks and Assumptions:

The main risk is the challenge for some Beneficiaries to develop common approaches with their neighbours in the field of nuclear safety and radiation protection. Perception of sovereignty on nuclear safety issues may also affect the implementation of the programme. It is assumed that each eligible Beneficiary will participate in the Multi-Beneficiary Programmes on nuclear safety and radiation protection and will give appropriate access to the contractors in charge of implementing the projects.

2.2.10. Interim Civilian Administrations

On 22nd May 2000, the Council adopted Regulation No (EC) 1080/2000¹⁵ on support for the United Nations Interim Mission in Kosovo (UNMIK), the Office of the High Representative in Bosnia and Herzegovina (OHR) and the Stability Pact for South-Eastern Europe (SP)¹⁶.

Background:

Office of the High Representative in Bosnia and Herzegovina (OHR)

The mandate of the High Representative in Bosnia and Herzegovina is to oversee all civilian aspects of the implementation of the Peace Agreement for Bosnia and Herzegovina, initialled in Dayton on 21st November 1995 and signed in Paris on 14th December (The General Framework Agreement for Peace or 'GFAP'). The mandate of the High Representative is set out in Annex 10 of GFAP. It declares him to be the final authority in theatre to interpret the civilian aspects of the Peace Agreement. The Peace Implementation Council (PIC), a group of 55 governments and international organisations which sponsors and directs the peace implementation process, has subsequently elaborated on his mandate.

Since the creation of the OHR in 1996, the European Union has contributed to the annual budgets of the organisation, initially under Common Foreign and Security Policy (CFSP) and from 2000 under Council Regulation (EC) No 1080/2000 of 22nd May 2000.

When the OHR was established, the European Union's contribution was 50.6% of the organisation's budget. The Council agreed on 8th May 1999 to increase this contribution to 53%. EC assistance to the OHR over the years has amounted to over €121 million.

The trend in the OHR's financial needs is a year-by-year reduction which is in line with the overall expectation that developments in Bosnia and Herzegovina will lead to the phasing out of the OHR by mid-2008. EU presence will, however, be continued through the office of an EU Special Representative, which will continue to be financed under the CFSP budget. The current working assumption is that the OHR will be phased out by the end of June 2008. A liquidation team will, however, remain in place until the end of 2008.

United Nations Interim Mission in Kosovo (UNMIK)

The United Nations Security Council Resolution 1244 of 10th June 1999 established the United Nations Interim Administration Mission in Kosovo (UNMIK) headed by a Special Representative of the Secretary General (SRSG) consisting of four components (or "pillars") led by different expert international entities. The four pillars are:

- Pillar I: Police and Justice, officially established on 24th May 2001 by transferring the departments of Judicial Affairs and the Police from Pillar II and now merged in the general structure of UNMIK;
- Pillar II: Civil Administration, led by the United Nations and now merged in the general structure of UNMIK;
- Pillar III: Democratisation and Institution-Building, led by the Organisation for Security and Cooperation in Europe (OSCE);
- Pillar IV: Economic Reconstruction, Recovery and Development, funded by the European Union.

¹⁵ Council Regulation No (EC) 1080/2000 (OJ L22/27 of 24.5.2000) as amended by Council Regulation No (EC) 2098/2003 (OJ L316/1 of 29.11.2003).

¹⁶ For information on the financing of the Stability Pact under this MIPD, see section 1.7.1 "Regional Cooperation"

Pillar IV is an integral component of UNMIK, entrusted with providing the legal, institutional and policy framework for the economic reconstruction, recovery and development of Kosovo. Pillar IV is headed by a Deputy Special Representative of the Secretary General (DSRSG) who alongside other DSRSGs and under the guidance of the SRSG is responsible for general policy making and implementation in the context of UN Security Council Resolution No.1244.

The Pillar's initial responsibilities included the departments of reconstruction, trade and industry, and public utilities, as well as functions equivalent to those of a finance ministry and a central bank. Since the creation in January 2000 of a Joint (UNMIK-Kosovar) Interim Administrative Structure, the Pillar has co-administered, with local co-heads, the Departments of Reconstruction, Trade and Industry, Public Utilities and the Central Fiscal Authority. The Pillar has also managed the Banking and Payments Authority of Kosovo which had direct administrative responsibility for central banking. Following the successful elections in Kosovo in November 2001, the Provisional Institutions for Self-Government (PISG) were established in spring 2002. The above-described departments headed by the Pillar were transformed into Ministries, and UNMIK handed over part of its powers to the PISG, while retaining the so-called 'reserved powers'. UNMIK continues to gradually transfer its powers to the PISG. This transfer of powers is preconditioned by the capacity of PISG institutions, making the Pillar's capacity-building and supervision tasks essential.

The EC has supported the operations of UNMIK Pillar IV since its creation in 1999. EC assistance to UNMIK Pillar IV over the years has amounted to over €135 million.

It is expected that, with the Status Settlement for Kosovo, the mandate of UNMIK will come to an end in 2007 and that it will be replaced by an International Civilian Office (ICO). The exact date of the phasing-out of UNMIK and phasing-in of the ICO has not yet been set. According to the UNSCR 1244, UNMIK will continue to exist for an additional three to six months following a decision on the status of Kosovo. The current working assumption is that a final decision will be taken in the first semester of 2007 and that thus UNMIK will be gradually phased out before the end of the year. It is likely that for a certain period of time in the course of 2007 UNMIK and the ICO will co-exist.

Objective:

The objective of this area of intervention is to support the operation of the Office of the High Representative in Bosnia and Herzegovina and UNMIK Pillar IV in Kosovo until they are phased out in the course of 2007-2008. Eventually (in 2009), the International Civilian Office to be established in Kosovo in 2007 could be supported under the Multi-Beneficiary Programme.

Expected Results:

EC funding in this area will facilitate the smooth operation of interim civilian administrations and in particular the OHR in Bosnia and Herzegovina and UNMIK Pillar IV in Kosovo. In addition, EC funding will contribute to the operation of the future international presence ICM in Kosovo on the basis of what is decided by the Council.

Proposed Activities:

EC funding in this area will be directed towards providing support to the running costs of the OHR in Bosnia and Herzegovina and to UNMIK Pillar IV in Kosovo until they are phased out in the course of 2007-2008. The office of the EU Special Representative will continue to be financed under the Common Foreign and Security Policy budget. The International Civilian Mission to be established in Kosovo in the first half of 2007 will be funded for the first two years of its existence through the Instrument for Stability. It is currently foreseen that the European Community would support the ICM through the Multi-Beneficiary Programmes from mid-2009 onwards. The starting date is as yet undecided.

Complementarities of the Multi-Beneficiary MIPD with the National MIPDs: Not Applicable

Risks and Assumptions:

The exact amounts to be allocated towards the support of these structures under this Multi-Beneficiary MIPD are directly dependent on the exact dates that these structures are phased out. Political developments in the region, such as the result of the forthcoming elections in Serbia, may have an impact on the end date of these structures and thus a higher than expected EC contribution may be needed. The exact amounts to be allocated are also dependent on the size of the ICM, which has not been decided yet.

2.2.11. Administration

To facilitate the implementation of IPA, support is foreseen in the areas of information and communication as well as audit, monitoring, evaluation and impact assessment.

Proposed Activities:

- i. Audit, evaluate and monitor projects under the IPA Programmes,
- ii. Develop and implement a communication strategy, work plans, policy documents, publications, seminars and trainings to further public support for accession.

2.3. Indicative allocations for the main priorities

The following financial weight and ranges are provided as an indication of the Multi-Beneficiary MIPD envelope for 2007-2009. The overall Multi-Beneficiary budget envelope is €401.4 million for the referenced period.

| AREAS OF INTERVENTION | PERCENTAGE RANGE |
|--|-------------------------|
| Political requirements | |
| Regional Cooperation, Supporting Civil Society, Interim Civilian Administration (Offices), Education, Youth and Research (Education covered under National Programmes) | 10 -15% |
| European Acquis requirements | |
| Infrastructure, Justice and Home Affairs, Internal Market (Customs covered under National Programmes) , Public Administration, Nuclear Safety and Radiation Protection (covered under National Programmes) | 25-35% |
| Socio-economic requirements | |
| Market Economy (IFI cooperation and support to enterprises) | 42 – 50% |
| Supporting programmes | |
| Administration | 10 – 15% |

ANNEX A: Overview of EU Assistance

– Provisional Figures –

Total European Community allocations to the CARDS Regional and Phare Multi-Country programmes for 2000 - 2006 *(amounts in Euro millions)*

| Year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Total |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| CARDS | 20.2 | 20.0 | 43.5 | 31.5 | 22.0 | 47.5 | 57.5 | 242.2 |
| Phare | 284.0 | 219.0 | 260.0 | 187.0 | 28.4 | 91.1 | 194.7 | 1,264.1 |
| Overall Total | 304.2 | 239.0 | 303.5 | 218.5 | 51.4 | 131.5 | 227.5 | 1.506,3 |

Note:

The CARDS figures indicated include assistance from Phare and Obnova where relevant in 2000 and from CARDS 2001 and onwards. In 2005 and 2006, the amounts indicated for Phare include those allocated to multi-country programmes from the Turkey pre-accession instrument.

The CARDS Regional Programmes of 2004, 2005 and 2006 include respectively €15m, €15m and €11.9m for Cross-Border Cooperation.

Source of figures:

1) CARDS: "Regional cooperation in the Western Balkans: A policy priority for the European Union", Luxembourg: Office for Official Publications of the European Communities, published in December 2005. The figures for 2006 have been updated on the basis of Regional Action Programme 2006 adopted by the Commission on 25 October 2006 (PH:2006/2112)

2) Phare: DG Enlargement, Unit D1 (Financial Instruments and Contracts Team)

ANNEX B: Cross-cutting issues

The major cross-cutting issues to be tackled in this Multi-Beneficiary MIPD are:

- **Civil Society** will be supported by the European Initiative for Human Rights and Democracy as well as this Multi-Beneficiary MIPD and the IPA financial framework. Civil Society is understood to include employers' organisations, trade unions, and associations of local governments as well as non-governmental organisations. The justified balance will be kept between Western Balkans' Multi-Beneficiary activities for civil society and specific activities under the National and EIDHR Programmes.
- **Environmental** considerations will be duly reflected in all IPA financed activities in addition to specific actions in particular as concerns Environmental Impact Assessments.
- **Equal opportunities and non-discrimination** will be respected as regarding gender as well as minorities at the programming and implementation stage, particularly in relation to socio-economic support programmes.
- Furthermore **minority and vulnerable groups' concerns** will be reflected in all activities programmed under IPA, in particular when it concerns public services, legislative matters and socio-economic development.
- Specific action instruments for the **good governance**, with particular attention to **fight against corruption**, will be incorporated on a horizontal basis.