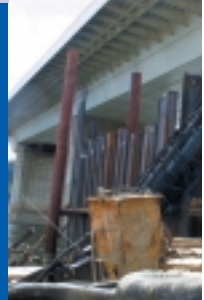
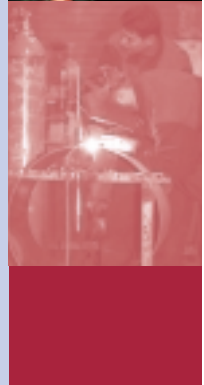
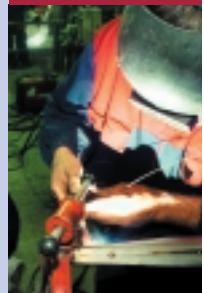


The European Union and the Western Balkans



Economic and Social Development





New vigour for new economies - economic and social dev

Shared goals

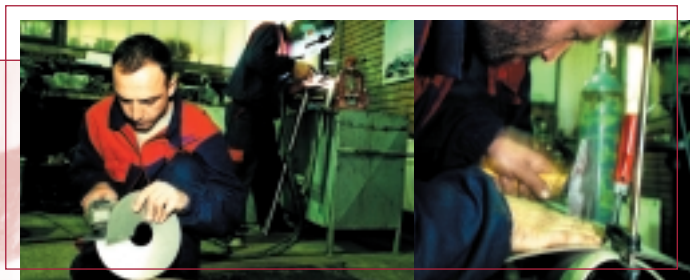
Laying the foundations for economic and social development is a key priority for the countries of the Western Balkans. By putting solid commercial and administrative infrastructures into place, these countries not only ensure sustained improvements in the living standards of citizens, they also prepare the way for eventual accession to the European Union.

The countries of the region – Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, and Serbia and Montenegro – recognise that reforms, such as the creation of market-oriented economies and the widening of the role of citizens in society, are the best guarantee of a new future of peace, stability, prosperity and freedom.

These goals are shared by the EU, which has for 50 years grown on the basis of these principles, most recently in helping central and eastern European countries in their transition process. The EU is now supporting the countries of the Western Balkans in their efforts too, planning to welcome them as member states as soon as they qualify.

Assistance from the EU to the Western Balkans is spread across many sectors, but is focused on the area's main regeneration priority – economic and social development. Putting solid commercial and administrative infrastructures into place, boosting business, and promoting self-reliance through new skills all directly help these countries improve the life of their citizens. At the same time, they reinforce other reforms the region is undertaking, ranging from strengthening democracy and the rule of law to making government more efficient, easing inter-ethnic tensions, and improving the environment.

A Skopje-based welding firm, Zavar, won a contract for the installation of an oil pipeline thanks to an EU loan of € 30,000 that enabled the company to acquire vital new equipment needed to complete the contract. The company was already producing equipment for milk and fruit-juice processing, wine production, the pharmaceutical, chemical and construction industries, but the loan made it possible to expand and enter a new field of activity.



Zavar, Skopje, October 2003

Zavar is just one of more than 600 smaller firms in the former Yugoslav Republic of Macedonia that have received help in importing equipment through a € 5.1 million micro-credit line funded by the EU. The low-interest short-term loans have generated increased production and created 2,800 new jobs.

Rapid repayment has also allowed the money to be used several times over – total approved credits are running at more than € 13 million.

Companies are learning to develop the necessary business plans to apply, and the local banks, which operate as intermediaries in this process, are developing their loan-management skills. Emilija Stojmilovska, adviser at the Macedonian Bank for Development and Promotion, says the micro-credit line has been "a significant source of financing for small and medium enterprises". The advantage of the scheme is that it is simple: the business plans required can be prepared by the clients themselves.

The scheme has been so successful - with all but two firms repaying their loan already - that the EU is now boosting the fund to € 10.7 million.



Development in the Western Balkans

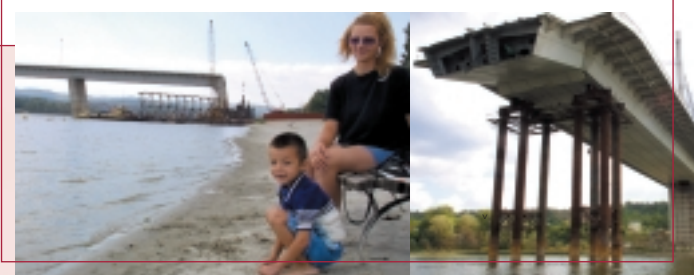
Delivering assistance

To date, the EU has granted far-reaching trade concessions to all five countries and is promoting a regional free trade area. It is funding change through upgrading transport and energy infrastructure, macro-economic assistance and micro-credit lines to the smaller firms on which growth and jobs largely depend. It is promoting the emergence of a vibrant private sector, and helping to create a legal framework that meets EU single market rules and favours business development. And it is helping people in the region to take responsibility for finding their own solutions too, by backing business start-ups that can generate new jobs, for instance, or helping small savers organise their own credit associations.

The steel and concrete bridge nearing completion in the middle of the town Novi Sad in Serbia is a tangible demonstration of the EU's commitment to the Western Balkans. This € 34 million project will speed road traffic from one side of the town to the other, and allow full resumption of navigation along the Danube which flows beneath it.

The Sloboda Bridge was severely damaged by military action in 1999. Since then, normal movement around this part of town has been virtually paralysed, for people as well as commerce, and the debris has obstructed vessels on the region's principal waterway.

The 6-lane road bridge, which is over a thousand metres long, is being rebuilt to its original form, using around 40% of the original material. This bridge will do more than just 'bridge the gap' in the local transport network, it will also carry water and electricity supplies, and re-establish a vital link with the main route to Bosnia and Herzegovina and Croatia. In this way, it will help to restore normality to one of Serbia and Montenegro's biggest cities, to the country, and to the region as a whole.



Sloboda Bridge, Novi Sad, September 2003



Through support to national testing laboratories which certify that domestically produced goods are up to standard, particularly in the agriculture sector, the EU is helping to boost trade development and enable the countries of the Western Balkans to take full advantage of the Union's trade preferences. Advice is also being given on how to create convergent competition law to ensure a level playing field across the region. Skills development is being funded at all levels, from universities to on-the-spot retraining for redundant workers.



The challenges

The countries of the Western Balkans are changing fast. As they shift from a centrally planned system to a market economy, politicians, officials, managers in the private and public sector, workers and farmers are all faced with the new demands of transparency, accountability and quality. The aftermath of local conflicts, such as disruption of basic services, poverty, displaced populations, and persisting inter-ethnic tensions, only serve to compound these challenges.

The EU response

The EU is working with the Western Balkans through a strategic approach to the region, the Stabilisation and Association process. This process brings together political, financial, trade and technical assistance measures, including work with customs, geared to promoting the move towards integration with an enlarged Europe. Customised Stabilisation and Association Agreements spell out the specific steps for each country in the region to take in order to reach that objective. The framework within which the EU delivers assistance to the five countries is through its programme on Community Assistance for Reconstruction, Development and Stabilisation, or CARDS.

More than 20 former state-owned enterprises in Bosnia and Herzegovina have been helped through the difficult early stages of privatisation by a € 3 million EU project to give managers the new skills they need. An unaccustomed focus on profitability, productivity, quality control, sales techniques and access to new markets is essential for success in a competitive market. And disposing of non-core assets or accessing credit are often unfamiliar tasks.

So the EU has been funding hands-on advice from local and international consultants. From the more than 200 companies that showed interest in the programme, a selection was made of those with the most potential. Each company had to pay for some of the consultancy fees itself, but the results have made it worth it, in terms of higher sales and profits and an increase in employment.



Šipad Enterijeri, Sarajevo, September 2003

The project has also helped to reduce the negative social impact of restructuring by retraining workers that have been made redundant. Links have been formed between companies to reinforce local growth and the project has helped build up the capacity of local service providers, particularly consultants and advisors, so they can become self-sustaining in a market situation by selling their skills to other firms.

Practical help

Through CARDS, funding is being provided for expert guidance and training on trade, business, and agricultural development, and on issues ranging from public procurement procedures and standards and certification to irrigation and border controls. The consolidation of a market economy benefits from advice on privatisation and the promotion of financial services and an environment conducive to business. At the same time, projects to involve local communities in reconstruction help develop a sense of community awareness, and education and vocational training assistance builds up professional skills. On a more visible level, CARDS is also helping to improve the region's physical infrastructure by upgrading roads, rivers, ports and airports, and by modernising power plants and distribution.



The results include wider employment opportunities, business start-ups and extensions, easier travel and transport, new housing for refugees, more reliable local services, and administrations more in tune with the needs of citizens. The improved living conditions that CARDS is helping to provide also contribute to easing some of the economic, social and ethnic tensions at local, national and regional level. The economic and social programmes also gain from CARDS assistance in other areas, such as justice and home affairs, democratic stabilisation and administrative capacity building.

CARDS allocation for social cohesion

Million Euro 2001-2003

Albania 8.50

Bosnia and Herzegovina 14.20

Croatia 22.45

fYR Macedonia 16.50

Serbia and Montenegro* 81

Regional 1.30

* Kosovo 23.5

Montenegro 2

Serbia 55.5

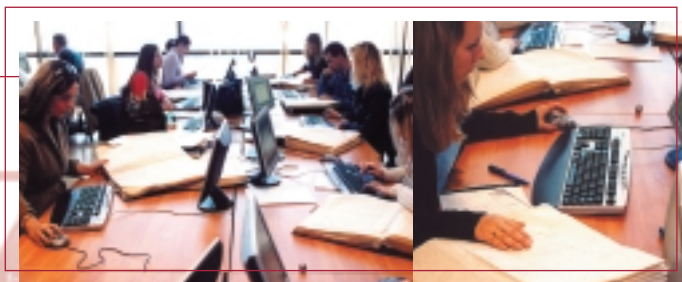
Perspectives for the future

As they move closer to the European Union, the countries in the region have to develop economies that can respond to choice and demand, and build societies in which citizens assume an increasing role in running the countries' affairs. CARDS is assisting their efforts to give more play to market forces; to liberalise prices and trade; to remove barriers to market entry and exit; to support reform through privatisation and the restructuring of large public companies; and to create a comprehensive financial services sector.

The EU is working with them to assure increased macroeconomic stability by helping increased revenue collection, tighter public expenditure controls and rationalised administrative structures. It is also co-operating in building business confidence from firmer application of the rule of law, tougher action against corruption and bringing the informal sector into the mainstream.

Greater prosperity in the Western Balkans will increase the chances of sustainable development in the region, so that its many distinct identities are no longer sources of conflict but become complementary assets as it moves closer to the European Union.

Until recently, it has been hard to get hold of reliable up-to-date information about the ownership of land and buildings in Croatia. As a result, registering a property often takes around 120 weeks to complete - a major obstacle to people wanting to build a house, open an office, invest in a new factory, or obtain a mortgage.



The Court of Zagreb, September 2003

A CARDS project worth € 4.9 million, together with funds from the Croatian government and a World Bank loan, is helping remedy the situation. The operations of the government agencies involved in cadastre and registry are being integrated and harmonised, data is being transferred from books to computers, and the officials responsible are being trained in using the new system.

The project is financing new land surveys and the development of new land-mapping systems. As work develops, people and companies wanting to acquire land or buildings will be able to proceed with more confidence. Gradually, an effective real estate market is emerging. Registration procedures will soon be cut to just five days; banks dealing with mortgage applications will be able to obtain reliable information quickly; and foreign investors will be encouraged to commit themselves to transactions. A public awareness campaign is consolidating people's trust in the new system, making them conscious of their rights and of the duty to register land.



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