

ANNUAL ACTION PROGRAMME 2003 FOR THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

1. IDENTIFICATION

Form of programme:	National programme
Beneficiary Country:	The former Yugoslav Republic of Macedonia
Budget Year:	2003
Financial Allocation:	€ 38.5 million
Budget line:	B7- 541 – Assistance for the countries of the Western Balkans
Legal Basis:	Council Regulation (EC) No. 2666 / 2000 (as amended by Council Regulation (EC) No. 2415 / 2001)
Contracting:	All contracts must be concluded after the signature of the Financing Agreement and within 36 months following the date of the budgetary commitment.
Implementation:	The implementation of projects under this proposal must be concluded by 31.12.2007. Therefore, all technical activities provided for under this programme and all contracts must end by 31.12.2007.
Implementing Bodies:	European Agency for Reconstruction - €33.5 million European Commission: - €2 million for Customs; and €3 million for Tempus (for Tempus)
Remarks:	No administrative expenditure will be financed under this programme.

2. SUMMARY OF THE PROGRAMME

This programme will assist FYR Macedonia in implementing the Stabilisation and Association Agreement (including the Interim Agreement on trade) and the Framework Agreement. These agreements are the key to the country's economic and social reform agenda as well as its rapprochement toward European structures. In particular, the programme reflects the Commission's approved Country Strategy Paper (CSP) and the three-year (2002-04) Multi-Annual Indicative (MIP) programme for FYR Macedonia. Reflecting the CSP/MIP titles, the priority sectors are:

Sectors (*titles as per MIP*)€ million ($\pm 20\%$)¹**1. Democracy and the Rule of Law**

1.1 Inter-ethnic Relations and Civil Society 3.0

2. Economic and Social Development

2.1 Private and Financial Sector Development 3.0

2.2 Trade 4.0

2.3 Local Infrastructure Development 9.0

2.4 Social Cohesion (VET) 1.0

2.5 Tempus 3.0

3. Justice and Home Affairs

3.1 Reform of Judiciary 2.5

3.2 Integrated Border Management 6.0

3.3 Immigration and Asylum 1.0

3.4 Fight against Crime 3.0

4. Environment and Natural Resources

4.1 Environment – Cross-Border Co-operation 1.0

5. Other

5.1 General Technical Assistance Facility 0.8

5.2 Programme Reserve 1.2

Total € 38.5 million²**3. COUNTRY BACKGROUND***Socio-Political*

The political and security crisis in 2001 brought the country to the brink of civil war and had a major impact on weakening the democratic institutions and reform processes in the political, social and economic spheres. The Framework Agreement – signed at Ohrid on

¹ Individual financial allocations are subject to fluctuations of up to $\pm 20\%$ over the annual programme's lifetime.

² Excludes the Agency's 2003 administrative appropriations for managing the cumulative portfolio of EC assistance to FYR Macedonia; these Agency appropriations are the subject of a separate 2003 Financing Proposal.

13 August 2001 – officially marked the end of armed hostilities between the ethnic Albanian armed groups and the Government forces. It set out political and constitutional reforms intended to improve the status of ethnic Albanians in FYR Macedonia and secured a cessation to the hostilities.

The Agreement remains the yardstick of FYR Macedonia's progress towards a renewed democratic stability. The reform agenda includes increased representation of ethnic minorities in public administration and the police service and the use of minority languages across the public sector. The Agreement also has important implications for the process of administrative decentralisation. The government pledged to develop a stronger and more efficient local government equipped with the necessary financial means to exercise its new authorities and responsibilities. This process, which had already started before the security crisis in 2001, has become one of the cornerstones around which the renewed stability of the country is to be built and is a main focus of EC and other donors' assistance, notwithstanding many obstacles to be confronted.

Progress has been made in implementing key aspects of the Framework Agreement. In March 2002, a new Amnesty Law was passed enabling the majority of the former ethnic Albanian rebels to return to civilian life without fear of prosecution. In May 2002, a law was passed stipulating the use of the Albanian language on identification cards and in June fifteen other laws mandated by the Framework Agreement were approved. Critically, these laws reinforced minority language rights and gave local communities a greater influence over local policing matters.

In other areas, however, progress has been slow. A major component of the Framework Agreement – decentralisation of government – has hardly begun. The new Law on Local Self-Government essentially provides just a framework. Many of the working level details of the new local government system are yet to be properly defined. To date, the political will to take this process forward has been lacking at central government level.

The first parliamentary elections in FYR Macedonia since the end of the armed conflict took place on 15 September 2002. Opposition parties led by the Social Democratic Union of Macedonia (SDSM), beat the then ruling nationalist party VMRO-DPMNE in the elections. The 'Together for Macedonia' coalition led by SDSM won 40.4% of the vote against VMRO's 24.4%. In addition, the Democratic Union for Integration (DUI), a new party led by the former rebel leader, Ali Ahmeti, emerged as the dominant political force within the Albanian community, capturing 11.8% of the overall vote. A new coalition government is now in place with both the DUI and the Social Democrats stating that future policies will be built upon fulfilling the outstanding commitments of the Framework Agreement.

Socio-economic

Having become the first country in the region to sign a Stabilisation and Association Agreement (SAA), in April 2001, the reform process in FYR Macedonia took a backward step with the escalation of the armed conflict the same year. With renewed stability, the challenge now is to take forward the processes already set in train before the crisis. The first Stabilisation and Association Report, produced in March 2002, cited that "...a full implementation of the obligations of the Agreement will require in particular major efforts in the fields of internal market, competition and state aids, justice and home affairs and an acceleration of the process of structural economic reforms. Particular emphasis will have to be placed on the development of the appropriate administrative capacity."

The economic and social impacts of the security crisis are still being felt in 2002. Economic activity had slowed down markedly in 2001. In 2001, the GDP (US\$ 1,686 per capita in 2001) contracted by 4.1% and the industrial output by 3.1%, according to the official revised data. A complete stalling of the economic and social reform process compounded these trends. The high level of risk following the crisis discouraged foreign investors.

There have been some signs of a positive upturn in 2002. Even though industrial production has decreased by around 11% over the first half of the year, it is expected to improve in the second half owing to a rebound effect after the crisis. According to the IMF, GDP 'growth' is projected at 0% for 2002, along with moderate inflation of 3.5% and a fiscal deficit (general government) of 4.7%. The positive trends of industrial production are expected to continue with the support of higher production levels in the textile sector, which was seriously affected by the security crisis, and the steel industry. However, the trade deficit - estimated by the IMF at US\$472 million in 2001 - is likely to widen in the near future as reviving economic activity increases import levels, contrasted against a still poor export performance.

In spite of the recession, the unemployment rate decreased marginally to 30.5% in 2001, compared with 32.2% in 2000. The drop is due to inclusion of some workers from the "grey" market in the official statistics. However, the high unemployment rate is still one of the most critical economic and social problems in the country. A related problem is the still excessive level of public service workers, a concern highlighted by the IMF. At present, the public sector accounts for around 66% of the total employed workforce.

Beyond the concerns of high unemployment, the difficult social conditions in the country are reflected in the relatively high poverty levels, affecting all ethnic groups. A State Statistical Office report of April 2002, concluded that 25% of the population live below the official poverty line³. With the assistance of the World Bank and other donors, the Government released a new National Strategy on Poverty Reduction in August 2002. The strategy will serve as a basis for shaping future government policies and donors' programmes, particularly with regard to the rural sector where poverty levels are highest.

The overall economic outlook should improve so long as the security situation does not deteriorate. It is hoped that implementation of the Framework Agreement will contribute to the process of economic and social recovery. The political resolution to the crisis has been accepted and key reforms have been enacted over the last year. These political developments, along with the conclusion of the reconstruction and the returns' process, should now enable the newly elected government to focus on more long-term economic and social goals.

4. PAST EC AND OTHER DONORS' ASSISTANCE

Between 1992-2002, the EC committed a total of some €589 million to FYR Macedonia including contributions for emergency humanitarian relief and for balance of payments support. This consisted of:

³ Poverty line is defined as the percentage of population with an income below 70% of the median monthly consumption in year 2000 (IMF Staff Report, March 2002)

• Humanitarian aid (through ECHO)	€ 106 million
• Phare / Obnova / CARDS assistance	€ 298 million
• Rapid Reaction Mechanism and Special CARDS Emergency Programme	€ 27 million
• Macro-financial assistance (e.g. other subsidies, budget support)	€ 183 million
	€ 614 million ⁴

The overall level of official development assistance is high, at about 6% of GDP. Maintaining a fiscal balance therefore depends to a considerable extent on donor aid. In terms of commitments, the EU is the largest donor, at €951 million [EC - €614 million from 1992-2002; EIB - €150 million up to 2001; while the individual EU Member States have collectively provided a further €187 million in bilateral assistance up to 2001]. The EBRD is also significantly present in the country, with an investment of €270 million from 1991-2001. The World Bank is another major player, having funded US\$630 million in grants and loans over the period 1994–2002. Since the Kosovo crisis of 1999, USAID has become the largest bilateral donor, assisting with US\$273 million in the period from 1991 to 2001 and planning to commit an additional US\$50 million in 2002. Other currently active donors include Switzerland, as well as various UN Agencies (typically with significant EU core funding).

The country has had more or less continuous structural adjustment programmes with the IMF and World Bank since 1992-93. It is expected that the newly elected government will negotiate a new standby arrangement with the IMF. Given that FYR Macedonia is no longer eligible for concessional (IDA) lending from the World Bank, it is likely that the country will increasingly become dependent on other, less concessional sources of assistance.

On 12 March 2002 the EC and the World Bank jointly organised a donors' conference to help the country cover the financial needs generated by the 2001 crisis. Some €307 million was pledged for macro-financial assistance, reconstruction and implementation of the Framework Agreement and another €271 million for economic development purposes.

For FYR Macedonia, as of 2 December 2002, the overall rate of contracting for all 1997-2001 programmes now managed by the Agency was 62% of total allocated funds. Of these contracted funds, 62% have been paid. These figures include all past Phare and CARDS programmes as well as the 2001 emergency programmes.

5. PROGRAMMING CONTEXT AND LESSONS LEARNT

The Country Strategy Paper (CSP) identifies a series of challenges that FYR Macedonia needs to address, such as easing inter-ethnic tensions, enhancing the efficiency of the state, alleviating poverty and developing human capital, promoting private sector growth and job creation, and implementing the SAA. The first SAP report identifies priority areas for attention over the next year. This EC annual action programme is developed within the

⁴ Source: Figures supplied by the Government of FYR Macedonia; General Secretariat – Sector for European Integration

key sectors outlined in the MIP and also seeks to respond to matters highlighted in the recent SAp progress report.

Programming Context

The annual programme has been drawn up taking into account a range of wider political processes, as well as recent EC assessment missions and past programmes.

Political

At a political level, the Framework Agreement, crucial for the future stability of the country, has been the main reference point for planning interventions for Democracy and the Rule of Law and areas of Social and Economic Development. Of particular significance have been the activities planned to assist in the decentralisation process under the Development of Local Infrastructure in Municipalities project. The project on inter-ethnic relations has been developed in line with the current policies set out in the Framework Agreement. The new government's declared intention to establish a Council for Inter-Ethnic Relations will obviously be a key factor for taking forward activities in this sector.

Past Programmes and Assessments

The action programme has also been drawn up to take account of recent sector assessment missions. For Justice and Home Affairs, there have been a number of recent and on-going EC experts' missions to review progress and highlight future priority areas in this sector. These observations have shaped the proposed interventions in Justice and Home Affairs for the coming year, focusing on areas such as strengthening the 'green border' and police training. There has also been a need to take into account the past EC programmes in fYR Macedonia, many of which are still on-going and in some cases date back to 1997. In designing the 2003 programme, there has been a need to keep in view the impact of these past programmes, completed and ongoing. This is especially the case in sectors where there are considerable numbers of past EC projects, such as in Justice and Home Affairs, and Financial/ Private Sector Development.

Implementation and co-ordination

There is already an established and functioning framework for aid co-ordination within the Government. The Vice Prime Minister for European Integration matters has also the role of a National Aid Co-ordinator. The newly elected government in fYR Macedonia has stated that it will keep this structure and indeed aims to strengthen the existing co-ordination mechanisms.

Lessons learnt

The most important lessons learned from reviewing past EC programmes⁵ and from Agency managed implementation of programmes in fYR Macedonia and FRY⁶ have been taken on board, both in taking forward the CARDS 2002 programme and planning this 2003 programme. Of particular importance are the following:

- Ensuring institutional absorptive capacity of the beneficiaries.

⁵ Evaluation of EC Country Strategy: fYR Macedonia 1996-2001.

⁶ Since the name of the State only changed in February 2003, the term FRY is maintained in references to earlier official documents.

- Ensuring full understanding of the implications of the programme by the partners through on-going consultation process in all stages of programme preparation and implementation. *[This will be important in view of the recent change in government in FYR Macedonia].*
- Donor co-ordination is a continuous ongoing process, with the need for the beneficiary government to maintain a central role.
- Early consultation with the beneficiaries has contributed to the quality of the programme design. Also, the identification of focus points for future interventions benefits significantly from feasibility and other technical studies conducted as early as possible in the planning process.
- Wherever possible, cross-cutting issues such as inter-ethnic reconciliation and co-operation must be mainstreamed across the wider programme and not just targeted in specific projects.

6. PROGRAMME COMPONENTS / PROJECT ACTIVITIES – FYR MACEDONIA 2003

A description of the proposed project actions within each programme sector is provided in the following sections. A background section is also provided for each sector so as to highlight the justification for the projects subsequently proposed. A summary of past EC assistance and other donors' activities is also included. Further details (including log frames) on individual projects are available in a separate set of Project Annexes, which have a 'working document' status.

6.1 DEMOCRACY AND RULE OF LAW

6.1.1 Inter-ethnic relations and civil society (approx. €3.0 million)

Background

One of the major goals of the SAA is to achieve democratic stabilisation in FYR Macedonia. An active and free civil society is a necessary element of representative democratic systems and plays a fundamental role in holding governments accountable. The SAA report of April 2002 points out that measures to build confidence and promote dialogue between ethnic communities are vital to reinforce the peace progress.

Crucial to the peaceful transformation and stability of the country are improved inter-ethnic relations. The FYR Macedonia consists of a multi-ethnic society in which two groups, ethnic Macedonians and ethnic Albanians, predominate. Since the security crisis of 2001, the levels of mistrust between these two main groups have increased. Little interaction occurs between the two groups, except in some mixed population areas. A national approach to overcome ethnic stereotypes has not existed to date in the country.

The ethnic division within the society has manifested itself in the civil society sector. To the extent that coordination across ethnic groups occurs, it is found in the NGO sector and to a lesser extent within other civil society organisations (CSOs); hence the capacity of these CSOs needs to be improved and multi-ethnic activities supported.

The NGOs and wider civil society have an important role to play in terms of championing specific causes and in generally supporting wider democratisation. However, despite increased media coverage, wider understanding of the role of NGOs is still very limited in FYR Macedonia. NGO networking is weak and the few networks that do exist are generally based on ethnic ties, political affiliation or social relations. More collaboration between NGOs and other civil society actors is in need of support. A country-wide platform / forum for NGOs and the wider civil society needs to be established to address some main needs for lobbying, advocacy building and networking.

Complementary and Past EC Assistance

Inter-ethnic relations: The EC has funded post-conflict confidence building measures under the 2001 RRM programme. A project promoting inter-ethnic co-operation under the CARDS 2002 programme is underway. Moreover, this is an important cross-cutting aspect within other CARDS 2002 and proposed 2003 projects. For example, the local infrastructure projects may indirectly (though intentionally) contribute to improved inter-ethnic co-operation with different municipalities working together. ECHO assistance since 1999 included confidence building activities through the provision of community services, targeting children and youth in particular. Complementarities will be ensured with projects supported by the small grants scheme of the Commission implemented European Initiative for Democracy and Human Rights (EIDHR). Under the regional EIDHR programme, the 'Balkan bridges' project is also funded.

Support to civil society: CARDS 2002 includes a NGO strengthening programme. A newly proposed project under CARDS 2003 will build on synergies gained from the 2002 project. There also was an EC Phare project implemented in 1997-99 that targeted the development of environmental NGOs. The EIDHR supports a small grants scheme focussing mainly on democracy-building activities. Complementary activities have also been provided through past ECHO programmes in the field of community services.

Related Activities of Other Donors

Inter-ethnic relations: Donors with active programmes are: International Organisation for Migration (managing a project of the US Office for Transition Initiatives); other USAID programmes; church relief organisations; the European Centre for Minority Issues (ECMI, funded by a number of European countries); Open Society Institute; and the World Bank (a post-conflict grant programme). The 'Search for Common Ground' implements, with European and US support, a successful inter-ethnic Kindergarten and Youth TV project.

Support to civil society: Donors with active programmes in this sector are: Friedrich Ebert Stiftung (supporting the Federation of Trade Unions); USAID (working through a number of local actors); the Catholic Relief Service and the Institute for Sustainable Communities; and the Macedonian Centre for International Cooperation (mainly providing technical assistance and grants to women's NGOs).

Project Activities

6.1.1.1 Promotion of inter-ethnic relations (approx. €1.8 million)

The project goal is to reduce ethnic stereotyping in FYR Macedonia and to promote an increased level of mutual understanding and knowledge between different ethnic groups. The main project activities are likely to include: **(i)** a public information campaign on tolerance; **(ii)** extra-curricular activities for ethnically mixed groups of school children; **(iii)**

selected activities targeting groups such as youth, students, local authorities, civil society organisations, academics and parliamentarians; and possibly **(iv)** a training of trainers component. The detailed elaboration of the project design will follow from the outcome of an assessment study being undertaken within the 2002 CARDS programme – it is expected that this study will be completed by January 2003.

6.1.1.2 Civil society development (approx. €1.2 million)

The project will provide technical assistance to the establishment of a national network for lobbying and advocacy-building amongst Civil Society Organisations (CSOs). This forum will take the responsibility to consolidate all relevant actors and take forward key areas of reform, such as legislative changes on tax exemption and the establishment of a Code of Conduct for CSOs. The project will, as appropriate, provide technical assistance in these areas, as well as assist in the design and implementation of a public relations' campaign for the civil society sector. In addition, specific CSOs will be targeted through additional assistance to strengthen their institutional capacity, particularly where such organisations follow a multi-ethnic approach to their activities.

6.2 ECONOMIC AND SOCIAL DEVELOPMENT

The programme component for Economic and Social Development proposes 2003 projects as defined by the CSP/MIP in the following areas: Private and Financial Sector Development (section 6.2.1 below); Trade (6.2.2); Local Infrastructure Development (6.2.3); Social Cohesion (6.2.4); and Tempus higher education co-operation (6.2.5).

6.2.1 Private and financial sector development (approx. €3.0 million)

Projects in this area will deal with two specific aspects of private and financial sector development: (i) public procurement legislation and practices' reform; and (ii) enterprise development.

Background

Public procurement legislation and practices' reform: The public procurement sector is administered in a decentralised manner. A department in the Ministry of Finance is charged with supervision of the implementation and observance of the Public Procurement Law enacted in 1998. There is no separate Public Procurement Office for the purpose of the implementation of the Law. Although there are plans for creating an independent Public Procurement Body/Agency within the Ministry of Finance, similar to those set up in some Eastern European countries, there is still an institutional vacuum. This represents a serious constraint on an effective implementation of the Law. The independence and objectiveness of the decision-making by the second instance appellate body – the Appellate Committee – also needs strengthening. Furthermore, the legislation in this sector needs to be harmonised in accordance with the requirements of EC Directives.

Enterprise development: The transition to a market-based economy means that there is a need to radically improve the capabilities and skills of those who run business firms within the reformed macro-economic and institutional framework. Local enterprises, and in

particular small and medium sized enterprises (SMEs), need to upgrade their economic efficiency closer to the level of EU enterprises. Upgrading of their management methods has been identified as a key factor, particularly in the areas of marketing and distribution networks, accounting and financial management, quality control and technological innovation. Management training, developed and delivered in a manner that takes into account the real needs of managers, can contribute towards this goal. Actions have been already initiated under the CARDS 2002 programme, with the establishment of a Human Resource Development Fund. However, management training and human resource development needs require further attention over a longer period.

Complementary and Past EC Assistance

A proposed project for *human resource development in enterprises* will expand the activities initiated under the CARDS 2002 Human Resource Development Fund (€1.0 million). It also complements other EC financed projects such as the Phare 1997 and CARDS 2000 support for vocational education and training, and the CARDS 2002 project on institution building in support of employment policy.

The *Creation of a Public Procurement Office* builds on a Phare 2000 project (€0.1 million), which initiated EC support to the strengthening of the capacity of the Ministry of Finance in public procurement.

Related Activities of Other Donors

GTZ, the Soros Foundation, USAID, Dutch aid and the World Bank are involved in related VET and other *human resource development* projects. The World Bank is currently considering a similar programme for human resource development.

The proposed project for *Creation of a Public Procurement Office* will be coordinated with the programme on Public Procurement Legislation that is being taken forward by SIDA.

Project Activities

6.2.1.1 Human resource development in enterprises (approx. €1.5 million)

The project aims to improve the level of competence of managers in the business community in FYR Macedonia through improved access to training and services. The proposed technical assistance represents a continuation of the 2002 project activities that established the Human Resource Development Fund (HRDF). The 2003 project will focus on the actual delivery of training, specifically targeting the managerial staff of the SMEs. It will also train practitioners in management consultancy. An information campaign will be conducted to set out the objectives and activities of the project, targeted at company executives/managers and the public at large. A three-year action plan will be drafted for the HRDF. More widely, technical assistance will support the Government in developing and adopting relevant policies in the field of human resource management and development for the enterprise sector.

6.2.1.2 Creation of a 'Public Procurement Office' (approx. €1.5 million)

Appropriate technical assistance will be provided to the Ministry of Finance in order to support the establishment of an autonomous Public Procurement Office. Adequate training will be provided to the staff of the Public Procurement Office and to relevant officials charged with ensuring the enforcement of the legislation. Necessary legislation (including bye-laws and directives), in accordance with the requirements of EC Directives, will be

drafted jointly with the Ministry of Finance. An awareness-raising campaign informing the relevant public (notably national enterprises) on the content and implications of the legislation on public procurement will be developed.

6.2.2 Trade (approx. €4.0 million)

Background

The MIP outlines that the most immediate objective of the EC assistance to FYR Macedonia is to ensure that the country is able to fully enjoy the benefits of free access to the EU markets. The country has been opening its markets over the years and has made progress in liberalising its economy by entering into a SAA with the EU⁷. In the trade sector, the country has committed to approximate its legislation to that of the *acquis* over the next ten years and to replace the current systems and procedures for quality control of its products and services.

Standardisation, Metrology, Accreditation and Conformity Assessments are specifically identified as priority areas in Article 73 of the SAA. The status of standardisation and its related activities are presently at a critical stage. Quality controls continue to be carried out with the same procedures as before independence in 1991. These procedures urgently need to be updated to enable the country to penetrate new markets. There have been some initial steps taken towards transformation of the current Bureau for Standardisation and Metrology. Three new institutions will emerge from this process: the Institute of Standardisation; the Bureau of Metrology; and the Institute of Accreditation. These will need to be supported with equipment and related technical assistance.

With *agricultural legislation* accounting for 60% of the *acquis*, the major burden of approximation falls on the Ministry of Agriculture, Forestry and Water Economy (MAFWE). Under the SAA and the Interim Agreement on Trade, the country benefits from largely tariff free access to EU markets for most primary and processed agricultural products⁸, and has also undertaken to gradually dismantle tariffs currently imposed on imports from the EU. Moreover, FYR Macedonia has concluded a series of Free Trade Agreements (FTAs) with countries in the region. Negotiations for WTO membership have been concluded on 15th October 2002 with the signing of an accession memorandum. The obligations entered into under the various FTAs are anticipated to have wide-ranging effects upon the sector in terms of production, trade, income and employment levels, and institutional structures. The extent of the impact of these changes on the sector has not been estimated. Neither are current policies and incentive structures guided by a systematic analysis of opportunities and risks arising from the FTAs.

The above analysis has provided the rationale for strengthening the strategic framework and institutional support systems for the sector (primarily within MAFWE). Assistance that is currently being provided to the MAFWE for building capacity in both the formulation of agricultural policy and the management of the legislative approximation process is still at its outset. Additional funds will be needed to reach the objectives of this assistance. Therefore, it is proposed under the CARDS 2003 programme to commit additional resources to these projects.

⁷ The EU is the country's main trading partner representing 43% of exports and 38% of imports.

⁸ tariff quotas exist for wine and baby beef

Complementary and Past EC Assistance

The CARDS 2001 programme provides technical assistance to the new Standardisation, Metrology, Accreditation and Quality Validation (SMAQVa) institutes (€1.0 million). The proposed project will expand the technical assistance and supply these SMAQVa institutes with necessary equipment.

The proposed assistance to the MAFWE is consistent with previous and ongoing support to the strengthening of veterinary and phyto-sanitary controls at border inspection points and integrating food safety controls under the umbrella of a unified Food Standards Authority. In particular, all interventions in the field of food quality controls, phyto-sanitary and veterinary standards reinforce and extend the measures envisaged in the field of customs controls and the strengthening of border controls under the Integrated Border Management programmes. Specifically, the project will continue the activities initiated under the Phare 1997 projects “Support to MAFWE - Policy Formulation, Strategy Development, Institutional Strengthening and Harmonisation of Legislation” (€1.0 million) and “National Animal Identification” (€0.57 million) and the CARDS 2001 project “Expansion of the National Animal Identification System” (€1.1 million).

Related Activities of Other Donors

The project supporting the SMAQVa institutes will coordinate its activities with the ongoing GTZ bilateral assistance.

The activities in support of the MAFWE will be coordinated with the GTZ programme for modernisation of agriculture in FYR Macedonia, the Dutch assistance project on meat labelling, Sida assistance with developing a Farm Accountancy Data Network, and USAID initiatives in support of Agri-Business Development.

Project Activities

6.2.2.1 Development of national ‘Standardisation, Metrology, Accreditation and Quality Validation’ (SMAQVa) institutes (approx. €2.75 million)

The project includes two components: supply of equipment to the institutes for SMAQVa and related training on SMAQVa issues. It will supply the institutes with adequate laboratory and precision-measurement instruments and office equipment. The personnel of the Institutes and services for SMAQVa will be then trained in use of the new equipment and processes and procedures. Training in application and enforcement of technical standards and norms in the liberalised trade environment will be provided for SMAQVa institutes, the Ministry of Economy and other relevant government and non-government bodies.

6.2.2.2 Agricultural policy and legal approximation unit (approx. € 0.5 million)

The project aims to strengthen the capacity of the MAFWE to undertake objective policy analysis and continue to take forward the legislative approximation process. The main activities include policy analysis/ sub-sector studies, development of secondary legislation in priority trade related areas, design and implementation of longer-term training programmes and professional placements for targeted MAFWE departments and specialisations. Furthermore, an EU Agriculture Sector Assistance Strategy, required for the period after CARDS 2004, will be developed. The agriculture information system and a farm budget monitoring and data collection system will be further supported. Finally, funds will be made

available to take forward key areas in the legislative reform programme, notably in information technology, laboratory and field-testing equipment.

6.2.2.3 National Animal Identification System (approx. € 0.75 million)

The project will assist with completing the establishment of an integrated animal identification, herd registration and movement control system for cattle - with animal health surveillance and veterinary public health monitoring capability - in compliance with EU legislative requirements. Moreover, the project will develop a fully costed and phased implementation plan for the expansion of this system to ovines (and caprines), for the realisation of which funding will be proposed under the CARDS 2004 programme.

6.2.3 Local infrastructure development (approx. €9.0 million)

Background:

In FYR Macedonia, there is a one-level local government system with 124 municipalities and the capital city of Skopje. The development of local self-government has been on the agenda of government since 1998. However, virtually no actions to support the decentralisation were taken forward until the beginning of 2002, when a Law on Local Self-Government was enacted. This new Law transfers powers to the municipalities in the areas of public services, culture, education, social welfare, health care, environment, urban and rural planning, economic development and local finance. The enactment and implementation of the Law on Local Self-Government and the development of laws related to the decentralisation process are among the key points in the Framework Agreement.

There is a very limited capacity within the municipalities to undertake these responsibilities. Municipalities have limited financial autonomy, and lack a coherent system for local public finances. The planning and financing of investments at the local level is still centrally-managed. Municipalities mostly lack skilled personnel. According to the Law on Local Self-Government the construction and maintenance of local roads are, for example, the responsibility of the municipalities. Local roads are often non-existent or badly maintained, especially around mountain villages. Government strategy to continue supporting decentralisation means that the municipalities will have to take the lead in improving operational efficiency and financing of these investments.

As proposed in the CSP/ MIP, the EC intends to continue supporting the decentralisation process and help local municipalities address their financial/ capacity/ institutional needs for small infrastructure development. The 2003 annual programme will support the decentralisation process already underway, fund priority local development initiatives and contribute to an equitable allocation of resources among disadvantaged communities. The most disadvantaged areas will be specifically targeted in order to raise the living conditions of underdeveloped rural areas and promote the re-establishment of normal conditions in the areas worst hit by the 2001 political and military crisis.

Complementary and Past EC Assistance

The CARDS 2002 project for Development of Local Infrastructure supports the decentralisation process in those regions that are most disadvantaged economically and also those most affected by the crisis of 2001. Under the CARDS 2001 programme, framework consultants were hired to launch the CARDS 2002 project in this area. The Phare 1999 programme was launched in February 2002 and aims to strengthen the

capacity of the municipalities, the Ministry of Local Self-Government (MLSG) and of the Association of Municipalities (ZELS). In addition, ECHO has since 1999 funded extensive local rural infrastructure activities (including water and sanitation) throughout the country. The 2001 and 2002 ECHO programmes have also included emergency rehabilitation in the conflict areas. These projects serve as *bridges* to more development-oriented programmes such as the CARDS 2003 annual programme.

Related Activities of Other Donors

The German Government (KfW) is financing municipal infrastructure projects prioritised by the local communities with a view towards employment generation. The World Bank is implementing a programme that includes community infrastructure projects and institutional strengthening of local governments.

UNDP is managing the construction of municipal water and sewage treatment systems. It is also launching the Development of a Model Municipality programme in cooperation with the Open Society Institute, and the Local Governance for Sustainable Human and Economic Development programme in cooperation with the Government of Finland. Together with Sida, UNDP is working on strengthening the capacity of the MLSG. GTZ supports the ZELS and municipal enterprises in enhancing their management capacities. The Austrian government has financed sewerage systems in the Roma areas, while the Government of Netherlands has contracted the Association of Netherlands Municipalities to support ZELS. DFID is supporting key areas of civil service reform and OSCE is active in local-governance training. USAID funds initiatives aimed at the participation of citizens in all levels of government.

Project Activities

6.2.3.1 Implementation of local infrastructure (approx. €9.0 million)

The programme will include implementation of local infrastructure projects, training and capacity building of local government institutions. As a follow-up to the CARDS 2002 project in this area, and with a view to incorporating lessons being learned, a new set of municipal infrastructure projects will be chosen and implemented. In order to enhance the trust between the central and local governments, and promote an equitable and balanced development of the country, the selection procedure for projects will be further developed to match with the selection procedures used for the EU pre-accession funds.

Municipalities will be strengthened and provided with technical assistance to build up in-house capacity for future development and implementation of infrastructure projects, as well as to support the establishment of a decentralisation policy. Following on the results of the CARDS 2001 and Phare 1999 programmes, the institutional framework for the provision of local self-government training will be assessed and one or more suitable host organisations will be chosen, from both the vocational training and academic points of view. Technical assistance will also support the development of the legal framework for decentralisation and the transfer of competencies.

An element of the project – up to €1 million – will be earmarked specifically for projects in the border regions where there is a potential for co-operation between municipalities in FYR Macedonia and those in Greece. These municipalities on the border will be able to apply for funding for infrastructure projects, with a view to fostering co-operation with municipalities from the Greek side of the border. With regard to the cross-border co-operation with Greece, the planning of actions for FYR Macedonia should be co-ordinated

with the initiative INTERREG IIIA, in order to assure continuation of actions in both sides of the border.

6.2.4 Social Cohesion (including VET) (approx. €1.0 million)

Background:

The Government of fYR Macedonia is engaged in an economic restructuring process that has implications for the labour market. There is an increased need for a competitive and flexible workforce, with individuals having the ability to change jobs over the course of the working life or to become self-employed in new emerging sectors of the economy. Vocational education and training (VET) will therefore have a dual role to play during this process: (i) to provide the different sectors of the economy with a well-skilled labour force so as to improve their competitiveness, and (ii) to provide unemployed and redundant people with new skills and competencies so as to facilitate their employability.

Complementary and Past EC Assistance

Since 1997, the EC has been providing substantial assistance to fYR Macedonia in vocational education and training. The first phase of the VET programme (€2.8 million), financed under Phare 1997, was completed in 2000. The implementation of the VET II programme (€2.0 million, Phare 2000) commenced in March 2002. The now proposed phase III of the programme will further support and develop the VET sector and will complement the phase I and II interventions.

Related Activities of Other Donors

GTZ is assisting seven pilot schools (including four that are within the Phare VET II project) in the redesign of 3-year (skilled) electro-technical curricula. During 2001, the Open Society Institute (OSI) developed curricula in ten additional pilot schools (in three additional occupational clusters) that have now joined the Phare VET II project. The Dutch Government is funding a project to establish a national 'Matura' - a final exam at secondary school level. USAID and the World Bank are developing plans for complementary programmes to modernise the education system as a whole, including elements related specifically to the VET system. In both cases these plans are still in the developmental stages and have not yet been approved by the government.

Project Activities

6.2.4.1 Vocational education and training (VET) (approx. €1.0 million)

Technical experts will draw up an action plan (and ToR) covering some or all of the following activities: **(i)** further curriculum development based on current and future labour market needs; **(ii)** VET policy development with the Ministry of Education and Science to ensure the full integration of the reformed initial VET system with other sectors of the education and training system; **(iii)** extension of reforms to other schools in fYR Macedonia; **(iv)** strengthening the country's new regional VET centres to support the extension of the reforms; **(v)** additional training of teachers and/or school managers in schools new to the reform process; **(vi)** the purchase of specialised equipment for school workshops; **(vii)** consolidation and extension of the new national VET qualifications and assessment standards. A needs analysis of the incomplete reform activities will be conducted in order to provide basis for prioritisation of the aforementioned activities.

Design and implementation of VET interventions in FYR Macedonia are closely coordinated with the European Training Foundation.

6.2.5 Tempus programme (approx. €3 million)

Background

Tempus III fits into the framework of the general economic reform objectives of the European Commission's programmes for support to the non-associated countries and the Partner States of Eastern Europe, Central Asia and Mongolia. The aim of the programme is to promote the development of the higher education systems in the partner countries through balanced co-operation between higher education institutions in the partner countries and the Member States of the European Union.

A priority for higher education systems in all South-East Europe is the achievement of the objectives of the so called Bologna Declaration, which was originally signed by 29 European governments and which aims at the establishment of a common European higher education space by 2010. Its objectives include the establishment of a common degree system in Europe (Bachelor, Master, Ph.D.); the introduction of the European Credit Transfer System (ECTS); the strengthening of a European dimension in quality assurance; and the removal of obstacles for the mobility of students and staff.

Project Activities

6.2.5.1 EC Support for the Tempus Programme (€3 million) (Commission managed)

The Tempus programme aims at funding Joint European Projects (JEPs) and Individual Mobility Grants. Joint European Projects can focus on: University Management; Curriculum Development; Institution Building and Multiplier Projects, and can be implemented on a regional level, e.g. projects which include higher education institutions not only from one but from several of the eligible Tempus partner countries.

Tempus III: The European Commission's Directorate-General for Education and Culture has the overall responsibility for the policy and management of the Tempus Programme. Following an annual call for proposals, projects are assessed academically and technically according to general criteria and a list of national priorities established in co-operation with the partner country authorities. Selection also takes into account the objectives of the Stabilisation and Association process and the policy objectives of EU co-operation with the Tempus partner country. In implementing the programme, the Commission is assisted by the Tempus Committee, set up by the Council Decision on Tempus III and consisting of representatives of the Member States.

6.3 JUSTICE AND HOME AFFAIRS

In order for the EU and national authorities to create a coherent and comprehensive reform programme of Justice and Home Affairs (JHA) institutions for the future, the Commission undertook, as part of the 2001 CARDS regional programme, to produce a JHA detailed assessment mission on the current state of affairs (legislation, organisational aspects and practical functioning of law enforcement authorities).

Eleven experts detached from EU Member States based their assessment on available documentation and reports, field visits and detailed interviews both with national and international interlocutors. The expert mission to the FYR of Macedonia took place between 17 and 21 June 2002. Based upon this technical assessment, the mission made recommendations for reform in each area, proposing a realistic sequencing of reforms, keeping in mind eventual alignment with European or international legal norms, standards and best practices, but also recommending practical intermediary steps and benchmarks in attaining these objectives.

The following proposals are indeed largely based upon the assessment and recommendations contained in the draft mission report for FYROM, presented to the CARDS Committee on 24 October 2002.

6.3.1 Reform of the judiciary (approx. €2.5 million)

Background

In August 2002, a systems and procedures audit commissioned by the EC Justice & Home Affairs mission to FYR Macedonia (ECJHAT) concluded that current annual case throughput for judges is of the order of 800 cases per judge. This compares with an accepted European Union maximal caseload of 200-300 cases per judge per annum. The current case backlog is of the order of 550,000 cases, and is increasing. Two key contributory factors have been identified: (1) inappropriate issues requiring a court appearance and judicial processing; (2) inefficient administrative procedures and inadequate case processing capacity. Among the short-term priorities' recommendations in that area, the above mentioned report stresses the need to:

- Introduce an Information Technology Strategy that should address:
 - Improving the opportunities for a structured form of case management using IT. The provision of IT equipment and systems to manage the Court Budget.
 - A review of the training of judges and staff and the role of the Centre for Continuing Education in relation to the use of IT.
 - The introduction, review and monitoring of access and security arrangements, including compliance with any relevant acts on data protection.
 - Budgetary arrangements for the running cost of all IT equipment, contracts etc.
- Address the backlog and introduce efficient case management, by taking measures to:
 - Increase the execution staff; streamline resources to assignments; assess the need and productivity of non-judicial staff.
 - Resolve many old minor traffic-type cases by way of a non-hearing solution; remove minor civil misdemeanours (approx. 300,000) to a special tribunal with simplified proceedings, and improve the summons procedure to ensure attendance or notification of a hearing. Unless the present situation is urgently tackled, the judicial system will be paralysed as the backlog increases each year.
- Develop a strategy for training for judges, non-judicial staff, attorneys at law and prosecutors, supporting a review of the present training arrangements. Intensive training of the judges not only in material law, but also in better case management, is necessary, in the form of case studies and moot courts. The participation of foreign judges would be helpful. With regard to the register of judges, it is important to provide training in company law. Continuous training sessions on professional ethics should be introduced for attorneys in co-operation with the Bar Association. Major changes in

laws should be covered. There should be the possibility to specialise in certain fields of law (e.g. labour law, company law, human rights etc.)

Complementary and Past EC Assistance

The CARDS 2003 programme follows the Phare 2000 Reform of court system and judicial administration (€2 million), which targeted the provision of automated administrative support systems for courts and public prosecutors, in addition to supporting the professional development of judges and expert associates. Vocational training for Judges and prosecutors was provided € 2.5 million in 2001. The programme has also been directed by the findings of the on-going ECJHAT mission, funded under the Rapid Reaction Mechanism 2 and the 2001 CARDS Emergency programme.

Related Activities of Other Donors

The Swedish Institute for Legal Development (SILDA) and the American Bar Association (ABA) are assisting the reform of the Macedonian Bar Association. A joint American Bar Association/ Central European Law Initiative (ABA/ CEELI) project, operating with French donor financing, is promoting regional co-operation and coordination of judicial education and training. Furthermore, GTZ is addressing aspects of competition law, as a contribution to the preparations for WTO entry. The US is also actively pursuing interests in the judicial sector, including the International Criminal Investigative Training Assistance Programme (ICITAP) "Legislation, police mission and organisation and development, policy and regulations" project, and direct assistance in the form of the "Programme for Development, Assistance and Training for Public Prosecution Offices in Macedonia (OPDAT)" project.

Project Activities

6.3.1.1 Further development of the administrative and processing capacity of the courts and prosecutors (approx. €2.5 million)

It is essential that the Ministry of Justice develop a permanently staffed and adequately resourced in-house IT capability, and embraces a demand-driven rather than supplier-driven IT policy. A coherent IT strategy must be adopted and an adequately resourced IT project management capability developed and maintained. Precise definition of activities is dependent on the recommendations of the ECJHAT project (expected in April 2003). There are areas already identified to receive technical assistance and equipment supply. These include IT policy, project management capacity, systems development and implementation, and systems training.

6.3.2 Integrated border management (approx. €6.0 million)

Background

An extensive range of illegal cross-border activities has been detected by the authorities charged with the management of the official border crossing points and the green border⁹, as well as by international observers. Significant levels of illegal immigration and human trafficking have been acknowledged for the northern and eastern borders, with information from apprehended persons indicating that much of this traffic is in transit to EU Member

⁹ "Green border": the sections of land borders stretching between the Border Crossing Points.

States. The smuggling of drugs, weapons, tobacco and alcohol has been reported in most border areas of the country. There is no single authority having full administrative or operational responsibility for the management of the state border. Due to a number of factors, organisational, tactical and logistical, the green border is regarded by informed observers as fully porous to illegal traffic.

The management and security of the borders falls within the responsibility of:

- The Ministry of Defence (MOD) is responsible for the surveillance of the green and blue border through the Border Brigade. The staff is comprised of conscripts.
- The Ministry of Interior (MOI), through its Border Crossings Sector (BCS), is responsible for border checkpoints, also having the competence to issue visas at the border. The BCS comprises police officers, posted to border crossing points (BCPs) on a rotation basis.

The JHA assessment mission in June 2002 highlighted that co-operation between the BCS, Customs, Phytosanitary Services and Health Services was relatively good. However, it was noticed that at the BCPs the police had no information on the nearby green border. The rotation of staff between the several sections of the police, including the BCS, is not compatible with a professional border police, where experience is crucial for improvement of performance. The military's use of conscripts is also not recommended for professional border surveillance. Since the shift to a dedicated border service is still some way off, improvements can already be made to the current system. Better training of the police officers posted to the borders should be envisaged.

The Government appointed a working group including representatives of the Ministries with responsibilities at the border level to develop an Integrated Border Management Strategy. The aim is to transfer the responsibility of the surveillance from the MOD to the MOI and to create a border police. The proposed project focuses on four areas: strategy, IT, education and recruitment, and preparing the necessary draft amendments to relevant legislation (Defence Law, Law on Internal Affairs). The country will require considerable help from the International Community in developing and implementing these plans.

In this respect, training on the job should accompany a theoretical approach to the specific tasks of the border. A basic course for border police should include all legislation related to migration (law on the entry, residence and exit of foreigners, asylum, etc.). It should also cover communication techniques, detection of forged documents and immigration interview techniques.

The BCS is also in need of updated equipment for border management, to be able to identify forged documents and passports etc. There is a need to improve processing by IT systems and of equipment to link BCPs to the relevant databases on problem documents and wanted persons. There must be a streamlined system to submit migration cases from the border police to the competent authorities. Some progress has been made with international assistance. The need for further assistance should be assessed.

The development of the FYR Macedonian Customs Administration (MCA) stagnated under the previous Government regime. Therefore many of the improvements to the service, which were supported by the earlier Phare assistance, began to be eroded. For example, there have been no formal training courses, either at the basic or developmental level, in the past four years and the ability of the service to deliver training has been lost. Corruption has also become endemic in the service and this needs to be attacked on many levels as customs remains important not only as an important source of revenue

(including VAT at importation) but also for public safety (e.g. smuggling of illicit drugs). The Ministry of Finance and the senior management team of the MCA thus face key challenges in their efforts to modernise and develop the service.

Complementary and Past EC Assistance

The Phare 2000 project for “Equipment supply to Customs Administration and Ministry of Interior” (€3.3 million) addresses immediate equipment deficiencies for customs administration, the police sector for border crossings and directly supporting Ministry of Interior services. Four projects under the CARDS 2001 “Integrated Border Management” programme (€5 million) address the requirements for (i) development of an Integrated Border Management (IBM) strategy, (ii) demarcation of the northern border, (iii) development of a data communications infrastructure linking the Border Crossing Points, and (iv) development of capacity to manage the green border. Development of the IBM strategy, and related legislation, is being continued under the CARDS 2002 IBM programme (€0.3 million).

The project for “Development of secondary legislation and strengthening of customs administration” (€4 million), funded under CARDS 2001, is being managed directly by Commission services.

A project to support the modernisation and development of the customs service was funded under the 2001 programme. Its implementation was, however, delayed until late 2002 because of some reluctance from the former management team to have EU experts inside the service. This project will build on the programme of assistance now being progressed.

Related Activities of Other Donors

The World Bank is investing in customs’ development through its ‘Trade and Transport Facilitation in Southeast Europe’ (TTFSE) initiative. Norway funds a bilateral programme called “Border Guard Task Force for South East Europe”, in association with the International Centre for Migration Policy Development (ICMPD). The International Organisation for Migration (IOM) is active through a number of projects in tackling the problem of trafficking in humans, a prominent example of which is the initiative known as the “Macedonia Counter-Trafficking Programme through Prevention, Awareness-Raising and Direct Assistance to Victims”, implemented in association with OSCE, UNICEF and UNDP.

The World Bank programme for Trade and Transport Facilitation in Southeast Europe (TTFSE) has a project to support the MCA in their efforts to facilitate trade through reduced waiting times for customs clearance. The US Customs experts who are delivering the World Bank TTFSE programme have welcomed EC assistance in the sector and activities will be co-ordinated and complementary.

Project Activities

6.3.2.1 Strengthening control of the green border (approx. €2.8 million)

The JHA assessment mission in June 2002 outlined a number of short-term actions needed in this area:

- Set-up a dedicated border guard service responsible for controlling all the borders, improve the co-ordination and liaison between the Mol and MOD and establish better training of the police officers posted to the borders.
- Improve recruitment procedures: define the border guard profile and the scope of recruitment.
- Provide basic training and an in-depth course on border control to permanent staff.
- Supply equipment for detection of forged or falsified documents (also additional support material – manuals on authentic documents) and for high-tech vehicle searches, together with corresponding training tools.

This project is a direct continuation of the CARDS 2001 “Strengthening of control at the green border” project. Objectives of this initiative are twofold:

- (i) to enhance the operational capacity of government border services within the existing organisational framework, to fulfil immediate requirements; and
- (ii) to develop a new organisational structure for the border police service and operational capacities in compliance with European Union standards. It is anticipated that this phase of investment will focus exclusively on the second identified objective, the creation of a dedicated border police service. Operational procedures, legislative basis, selection and recruitment systems will need to be developed for the new border service.

6.3.2.2 Border Control Points: Development and implementation of communication and document processing systems (approx. €1.2 million)

The JHA assessment mission in June 2002 identified the need to connect common border databases on people, cars, bank notes and blank stolen documents. Implementation should take into account personal data protection. The preparation and maintenance of such a system requires highly specialised IT skills (courses, seminars, special training). Training in methods and procedures in use in the EU Member States could be envisaged, to render exchange of data feasible.

This initiative follows directly from, and is dependent upon the CARDS 2001 investment to develop data communications infrastructure. The main project activities will include:

- Technical assistance, equipment supply and training to enable the transfer of data between Border Crossing Points and the Ministry of Interior, and also the processing and analysis of such data.
- Development and implementation of the local data collection, collation and primary processing systems of the Border Crossing Points.
- Implementation of security features and procedures to enable secure data transfer.
- Development and implementation of central data collation, processing and analysis systems.

6.3.2.3 Strengthening the Customs Administration (€2.0 million) (Commission managed)

In 2002 the “CAFAO method” of technical assistance was extended to support the FYR Macedonia Customs Administration (MCA) in its effort to modernise and develop the service by the deployment of CAFAO-MAK (Customs and Fiscal Assistance Office – FYR Macedonia). The CAFAO-MAK programme comprised a mixture of technical assistance and the provision of equipment. This project will be a continuation of that programme with a view to ensuring the comprehensive sustainable modernisation and development of the

MCA. The technical assistance will be delivered mainly by serving Customs Officials released by the Customs Services of the EU Member States to ensure that the MCA benefits from the inputs of experts with current operational experience able to carry out a transfer of skills based on the use of EU best practice. The activities which will be based on the EU Customs Blueprints, originally developed for use by the enlargement states, will focus on the following areas: strategic management planning, organisation and structure, legislation, human resource management, training, enforcement and compliance.

6.3.3 Immigration and asylum (approx. €1.0 million)

Background

The principles laid out in the 1951 Refugee Convention and other key international protocols are not fully reflected in the country's national legislation. The FYR Macedonia is subject to an increasing flow of people using the country as a corridor for onward travel to Western Europe. The officially recorded figure for migrants illegally entering FYR Macedonia in 2001 is around 12,100, while the actual figure is likely to be much higher. As a result, there is a growing need to improve structures at the borders in FYR Macedonia, but also to have in place better systems for the management and treatment of migrants and refugees.

A new Law on Asylum has been drafted with the participation of UNHCR. The draft Law is in line with EU and wider international standards, but has yet to be adopted by Parliament. There is a pressing need for FYR Macedonia to bring its procedures for the management of asylum seekers and refugees in line with accepted international standards. Similarly, legislation on migration is in need of revision. While the asylum law is fully compatible with European standards, the Law on Movement and Residence of Aliens is not. It does not, for example, prescribe complementary forms of protection, and does not recognise the category 'asylum seeker'. The concept of a National Action Plan on Asylum and Migration has been agreed with the government. The Plan will consider both the legal framework and the practical means for achieving a more comprehensive and better co-ordinated system of management of asylum and migration matters in FYR Macedonia. Initial developments addressed through the CARDS 2002 programme shall be finalised and consolidated under the 2003 annual programme interventions.

The recent JHA assessment mission highlighted a number of short and medium-term priorities for both migration and asylum issues:

Migration

- To improve readmission procedures, legislation should be reviewed and/or enacted. The existing ratified readmission agreements should be harmonised with European standards and officials trained in carrying out the new procedures.
- Elaborate a concrete return policy and set of procedures. Those persons in need of international protection and in need of residence permits should be separated from those illegal migrants who are not able to obtain permission to stay in the country. Voluntary return should be promoted; escorted return procedures should be introduced. Special procedures for expulsion of minors and vulnerable persons must also be established in line with European standards.
- Build detention facilities for those awaiting expulsion.

- Establish a common strategy to fight illegal immigration and trafficking of human beings, at the border and inside the country.

Asylum

- Incorporate asylum issues into a fully integrated border management system.
- Training in identifying and screening asylum seekers and other migrants should be provided. Focus should be on refugee law and human rights training, in line with international conventions.
- To establish an independent and transparent appeal and review panel for asylum seekers and those who may be refused to leave, enter or remain in the country. Also, an effective policy on removals (enforced if necessary) needs to be introduced. This should also take account of effective penalties and sanctions against those who breach their conditions.
- Information must be shared between the relevant ministries and agencies, within the framework of data protection legislation. An essential tool to a successful border and migration management system is the gathering and subsequent analysis of intelligence.
- In the longer term, there is the need to develop and implement a comprehensive integration programme for those who are likely to remain in the country as recognised refugees.
- Adequate reception facilities for asylum seekers should be established in compliance with European standards. The Ministry of Labour and Social Policy should run this centre and follow-up on individual cases of recognised refugees to ensure effective exercise of their rights and obligations. The capacity of the legal NGO network should be enhanced to cope with the legal assistance requests from former persons under the Temporary Protection Programme who wish to apply for asylum.

Complementary and Past EC Assistance

A €2 million project funded under the CARDS 2002 programme is assisting the authorities with development of a National Action Plan for Migration & Asylum, and supporting legislation for the Law on Asylum, and the Law on the Movement and Residence of Foreigners. DG-JHA conducted a programme (€0.2 million) concerning readmission in 2001/2002. ECHO has also been providing assistance to persons with “temporary protection status” in FYR Macedonia. These are mainly refugees from Kosovo that ECHO has been assisting through both NGOs and UNHCR since 1999.

Related Activities of Other Donors

The actors in this sector have been the UNHCR, which assisted in drafting the new Law on Asylum, the Stability Pact through its Migration and Asylum Initiative, and the International Organisation for Migration (IOM), active in the fight against trafficking in humans. A number of other programmes are targeting the illegal immigration and trafficking in humans, including the Norwegian Government Emergency Return Assistance for Stranded Migrants programme and IOM Information Campaign, tackling the misconceptions concerning regular and illegal migration.

Project Activities

6.3.3.1 Further development of immigration & asylum strategy, legislation and action plan (approx. €1.0 million)

The technical assistance team will conclude developments to the National Action Plan for Migration & Asylum; amendments to primary and secondary legislation pertaining to the new Law on Asylum; and the development of the new Law on the Movement and Residence of Foreigners. These actions have been initiated under the CARDS 2002 programme. Thereafter, an appropriately specified training programme shall be delivered to personnel from all key ministries and agencies, including the Ministry of Interior (MoI) and Ministry of Labour and Social Policy (MoLSP).

6.3.4 Fight against crime (approx. €3.0 million)

Background

Recent national and regional conflicts and political instability have undermined FYR Macedonia's ability to mount an effective campaign against organised crime. Drug smuggling and trafficking, drugs-related crime, money laundering and trafficking in human beings have all been identified as current problems in FYR Macedonia.

The law on money laundering, enacted by the Parliament in August 2001, entered into force on 1 March 2002. Nonetheless, it has been identified that the Ministry of Finance Directorate Against Money Laundering lacks the means and resources to effectively enforce the new law.

Though FYR Macedonia is neither a major producer of, nor a major transit point for illicit drugs, the country has become vulnerable to drug trafficking and drug abuse in general. Legislation for tackling the drugs problem lags behind that developed for money laundering. A comprehensive national strategy aiming at reducing the supply, trafficking and demand of illicit drugs and precursors must be prepared and implemented.

Any strategy for combating crime needs to be accompanied by a programme of police reform. Since 1995, police education in FYR Macedonia has been characterised by a lack of strategy and an ad hoc support from the international community. In 2002, a new law was drafted and proposed, specifying the requirement for a Police Academy which would be responsible for all basic and specialised training for police officers in FYR Macedonia. The requirement for such an institutionalised training of police cadets has been identified as a necessity for effectively combating crime in the country. This was a key area of concern of the JHA assessment mission in mid 2002. This mission reported on a number of legal, technical and institutional issues that needed to be addressed within the police in order to transform it into a modern service, better placed to deal with serious and organised crime. The detailed recommendations from the mission are outlined below.

Firstly, there is a specific lack of a legal and regulatory basis for covert police activities. Legislation should be considered to enable a full range of covert policing techniques comparable to those of EU Member States (and with complementary human rights safeguards). The absence of these techniques renders the country particularly vulnerable to organised crime and corruption activities. Two further aspects to be considered are the ability to make use of evidence gathered during such investigations in a court of law, and

the accompanying measures to protect sensitive operational techniques from public disclosure.

Intelligence on organised crime is not prioritised. A multi-pronged strategy for pro-active criminal intelligence and a co-ordinated response to the fight against serious and organised crime is lacking. Strategic thinking is missing. The country should consider finalising a National Plan for Combating Organised Crime and Corruption. It should demonstrate commitment to the specific actions to be implemented. This National Plan could address:

- the creation of an institutional framework for effective monitoring, implementation and enforcement of legislation;
- the improvement of the performances of government officials, judges and prosecutors;
- the need for better equipment;
- the promotion of international and regional co-operation;
- the promotion of greater awareness of the public of the importance and effects of fighting organised crime.

In the absence of a new Police Academy, "train the trainers" schemes and distance learning packages could be introduced. This is especially needed in light of the high volume of legislative changes affecting the police service. A Training Needs Analysis (TNA) must be conducted and a prioritised training programme introduced.

Supporting IT systems would also be needed. Training for intelligence officers and analysts is essential. The Analysis and Research Section is currently unable to perform effective analytical work. There is a shortage of fully trained analysts, and a lack of supporting IT and software applications. A criminal intelligence unit should be supported by a criminal intelligence database. The unit should also co-ordinate and control police access to the high-level surveillance activities. On the basis of a combination of intelligence, analysis and criminal statistics, strategic and organised crime assessments should be carried out. The unit should have multi-agency representation from other concerned agencies, such as the Customs and Immigration Services. Consideration should be given to housing Interpol NCB also within this unit.

The Professional Standards Unit has a parallel requirement for the development of an intelligence structure specifically dealing with complaints and corruption aspects. The unit lacks the ability to securely access and deploy the full range of covert policing techniques necessary to combat high-level corruption. This aspect becomes critical in corruption and organised crime cases, where the criminals are frequently well resourced and well informed. This is due to the absence of enabling legislation for covert policing techniques, as well as the absence of an IT based intelligence system.

Complementary and Past EC Assistance

Pilot schemes in the fight against money laundering (€0.7 million) and drugs (€0.3 million) were launched under CARDS 2002. The current situation of Police training in FYR Macedonia was identified as a key priority by the ECJHAT project (€3.2 million), funded under the EC Rapid Reaction Mechanism (RRM 2) and the CARDS 2001 Emergency Programme. Furthermore, there is a CARDS regional initiative, "Regional Co-operation among Judicial, Police and other Law Enforcement Agencies" currently under implementation by the Council of Europe and Interpol.

Related Activities of Other Donors

There were a number of comparatively small-scale initiatives in police training implemented during 2001, including the “Stability Pact Regional Police Training Initiative” implemented by Norway, Finland and Germany, and the Norwegian initiative “Training of local police units and local communities in the field of crisis management”. The OSCE is providing training to the new police cadets through its “Multiethnic Police Course”. This is the only training that is being systematically provided to the police cadets.

Project Activities

6.3.4.1 Continued capacity development for combating money laundering (approx. €1.0 million)

The Directorate Against Money Laundering is a small and newly established unit within the Ministry of Finance that needs to upgrade its capabilities with careful specialisation of the personnel. The JHA assessment mission recommends to:

- strengthen the office of the public prosecutor, and the co-ordination with police;
- set up specialised departments dealing with organised crime, notably to enforce the new Law on Money Laundering.;
- reinforce the role of the prosecutor during the pre-trial stage.

The project aims to strengthen the capacity of the Directorate Against Money Laundering and of financial institutions to enforce the new Law on Money Laundering through greater efficiency of reporting mechanisms and co-ordination of processes between the bank reporting officers and the Directorate Against Money Laundering. Both technical assistance and equipment supply are required to address these issues. This project is a direct continuation of the CARDS 2002 project for “Technical assistance and training in the fight against money laundering”.

6.3.4.2 Further development of capacity to combat drugs-related criminal activity (approx. €1.0 million)

The project will be directed by the pilot investment in technical assistance under CARDS 2002. It will provide technical assistance to the Ministries of Health, Interior and Justice and the Inter-ministerial Commission in charge of drafting the law on narcotics. The key activities to be taken forward are preparation of the secondary legislation on precursors and narcotics and the development of a national strategy for the fight against drugs. The project will take due account of the recommendations of the EC Justice and Home Affairs (ECJHAT) police and judicial support project, to assist with the provision of analytical equipment.

6.3.4.3 Development of police training and education systems (approx. €1.0 million)

The project aims to assist in the establishment and implementation of a framework for institutionalised and systematic provision of police training, in accordance with accepted international standards. Precise definition of the activities is dependent upon the recommendations of the ECJHAT project (expected to conclude in April 2003). Already identified areas for assistance include the organisation, management and curriculum development for the proposed new Police Academy, still to be adopted by the Government. The new curriculum for the Police Academy will reflect the wider cultural change that needs to be taken forward, transforming a police force to a police service. There may also be scope for strengthening more technical operational capabilities such as crime scene procedures and forensic processing.

The establishment of a new set of procedures for the recruitment, selection and promotion of police officers will also be considered for assistance. This proposal is in line with the findings of the recent JHA assessment mission which recommended training in areas of human resource development and new public management within the police service. More specialised technical training to combat serious crime, money laundering and drug related crime should also be considered.

6.4 ENVIRONMENT AND NATURAL RESOURCES

Note: *The MIP states that the objectives of future EC assistance to the environment sector should be defined by the new National Action Plan and the results of the various feasibility studies to be undertaken in such areas as solid waste management. Funding for development of both these sets of documents is allocated within the CARDS 2001 programme. Work on these programmes commenced in July 2002, and recommendations and proposals for future commitments are yet to be defined. It would therefore be best to concentrate efforts on working with the relevant government agencies on completing the activities under the CARDS 2001 programme before embarking on planning future commitments. In view of the above, it is proposed to shift the focus of the 2003 environment programme to cross-border co-operation between FYR Macedonia and Greece. Any specific environmental project in this area will be in line with the priorities of INTERREG IIIA.*

6.4.1 Environment (approx. €1.0 million)

Background

Integrated management and protection of shared water resources rank high on the agenda of both FYR Macedonia and Greece. The two countries share the Vardar River (Axios), as well as the Prespa and Dojran Lakes which constitute the largest surface waters in FYR Macedonia.

The joint management of these water resources is regulated by a number of bilateral agreements. However, meetings of joint management commissions have been irregular during past years. The absence of a coherent management scheme for catchment areas and a statutory framework for the integrated management of the shared water resources have led to a significant deterioration of water quality in all shared water resources and a critical reduction in water levels at Lake Dojran. The negative consequences of both pollution and uncontrolled water abstraction on economic development, notably that of tourism and fishery on the lakes, biodiversity and public health are far reaching.

Of late, Greece and FYR Macedonia have confirmed their commitments towards the elaboration of a study for the joint management of the Vardar river catchment area, including the sub-basin of lake Dojran.

Complementary and Past EC Assistance

Under the Phare Cross-Border Co-operation (CBC) programme 1997, two automatic water quality monitoring stations are currently being installed at Taor and Demir Kapija. The Obnova 2000 programme aims to reduce the chromium pollution of the river Vardar. The project is currently tendered and should commence in the first quarter of 2003.

Related Activities of Other Donors

A project funded by the Swiss Development Cooperation will complement the CBC 1997 programme, with the deployment of semi automatic monitoring stations along Vardar tributaries and on FYR Macedonia's two other principal rivers Bregalnica and Lepenec. Activities of other donors on the lakes concentrate on Prespa and Ohrid waste-water treatment and nature conservation.

Project Activities

6.4.1.1 Improvement of Management of Trans-boundary Water Resources (€1.0 million)

Dojran Lake: The project will assess causes and level of water quality degradation of the lake Dojran. It will also provide an economically feasible concept for completing the existing wastewater collector network of the principal communities bordering the lake. The aim is to reverse eutrophication of the lake and thereby helping regain the lake's ecological balance. Additionally, the project will carry out a comprehensive diagnostic study of lake Dojran encompassing an assessment of the hydrology, ecology and risks posed by present lake and catchment management practices. This study will inform the establishment of a joint catchment area and lake management plan.

Water Quality Management in the River Vardar Catchment: The project will establish a joint catchment area and river management plan, including a series of prioritised and costed remedial actions designed to improve water quality.

6.5 OTHER

6.5.1 General Technical Assistance Facility (GTAF) (approx. €0.8 million)

The main purpose of the General Technical Assistance Facility (GTAF) is to allow project preparation to proceed in a quick and effective manner. The GTAF will support the preparation and early implementation of activities under the Annual Programme, and support the planning process for future programmes. Actions to be supported may include: (i) recruitment of short-term technical assistance (local and international) for activities typically including feasibility studies, inputs to terms of reference and specifications, and tender evaluations; (ii) audits, monitoring, thematic / programme / project evaluations; (iii) project preparatory and start-up actions; and, more specifically, (iv) assistance to the implementation of reforms in the energy sector arising from the commitments under the *Memorandum of Understanding on the Regional Energy Market in Southeast Europe*, recently signed by FYR Macedonia.

6.5.2 Programme Reserve (approx. €1.2 million)

An additional amount of €1.2 million in the general programme reserve may be allocated to assist with achieving or reinforcing the objectives of past EC programmes that are still ongoing in FYR Macedonia. These projects date back as far as 1997. The projects need to be constantly reviewed in light of new developments. The reserve will enable a degree of flexibility in terms of amending or supplementing the projects where needed.

7. PROGRAMME IMPLEMENTATION

The Action Programme will be implemented as follows:

Implementation & Management

1. The Financing Agreement shall be concluded by 31 December of the year following that of the budgetary commitment.
2. The end of the implementation period of the Financing Agreement is hereby set at 31.12.2007.
3. Any balance of funds remaining available under the EC Grant shall be automatically cancelled 18 months after the end of the implementation period of the Financing Agreement.

Contracts financed under this programme shall enter into force no earlier than the signature of the Financing Agreement in due form by the competent signatories, and no later than 3 years starting from the date of the budgetary commitment. Therefore:

- Any relevant contract or grant must have entered into force, having been signed by all the relevant parties, by this expiry date.
- Any contracts or grants that have not been entered into force, having been signed by the signature of all the relevant parties by this expiry date will not be finalised but will be cancelled and considered null and void.
- Any balance of funds under this programme that has not been used to fund contracts or grants that are in force by this expiry date will be de-committed as soon as possible thereafter.
- No addenda adding funds from this programme to any contract or grant may be entered into after this expiry date.

This annual programme will be implemented under the responsibility of the European Agency for Reconstruction (except for the Customs & Taxation, and Tempus III projects).

Implementation of projects will be carried out in close co-ordination and consultation with the fYR Macedonia authorities, in particular the National Aid Co-ordinator and the Sector for European Integration and those international agencies and donors that are active in the various fields covered by the EC programme.

Tempus III: The European Commission's Directorate-General for Education and Culture has the overall responsibility for the policy and management of the Tempus programme. Following an annual call for proposals, projects are assessed academically and technically according to general criteria and a list of national priorities established in co-operation with the partner country authorities, and taking into account the objectives of the SAA and the policy objectives of EU co-operation with the Tempus partner country. In implementing the programme, the Commission is assisted by the Tempus Committee, set up by the Council Decision on Tempus III and consisting of representatives of the Member States.

A Financing Agreement corresponding to this Financing Proposal will be concluded with the counterpart authorities.

Tendering and Contracting

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

Monitoring, Evaluation and Audit

This annual programme (except for the Customs & Taxation, and Tempus III projects which the Commission will manage) will be supervised and monitored by the Agency which will:

(i) supervise the implementation of the programme on the basis of regular reports, contacts with stakeholders and site visits;

(ii) carry out regular monitoring and evaluations to follow the progress of the programme and its components as well as ex-post evaluations after the completion of the programme.

The accounts and operations of the various programme components may be checked at intervals by an outside auditor contracted by the Commission without prejudice to the responsibilities of the European Anti-Fraud Office (OLAF) and the European Union's Court of Auditors.

8. GOVERNMENT COMMITMENT / CONDITIONALITIES

Assistance is provided on the basis of the existence of the necessary elements for the continuation of co-operation through assistance, in particular respect of democratic principles and human rights, as well as the obligations of FYR Macedonia under the Stabilisation and Association Agreement. In addition to the general SAA conditionality, programme / project conditionality may be imposed. Any such programme and project conditionality will be defined in the Financing Agreement / Memorandum to be signed between the Commission and the beneficiary authorities. Failure to comply with any defined conditionality may lead to delay, suspension or cancellation of the planned or committed assistance.

9. INDICATIVE DISBURSEMENT SCHEDULE (€ millions accumulated)

Implemented by the Agency

Sector	Dec 2003	Dec 2004	Dec 2005	Dec 2006	Dec 2007
Inter-Ethnic Relations and Civil Society	1.2	2.3	2.9	3.0	3.0
Private/Financial Sector Development	1.5	2.0	2.5	3.0	3.0
Trade	0.3	3.7	4.0	4.0	4.0
Local Infrastructure Development	0.3	4.5	7.0	8.5	9.0
Social Cohesion (VET)	0.2	0.6	1.0	1.0	1.0
Reform of Judiciary	0.0	1.0	2.0	2.5	2.5
Integrated Border Management	0.0	1.4	2.9	3.8	4.0
Immigration and Asylum	0.0	0.2	0.7	1.0	1.0
Fight Against Crime	0.0	2.2	3.0	3.0	3.0
Environment	0.1	0.4	0.7	1.0	1.0
Others (GTAF & Reserve)	0.4	0.8	1.2	1.6	2.0
TOTAL	4.0	19.1	27.9	32.4	33.5

	Dec 2004	Dec 2005	Dec 2006	Dec 2007
Customs (Commission managed)	0.75	1.50	2.0	2.0
Tempus (Commission managed)	0.75	2.25	2.8	3.0

Grand Total: 33.5 + 5.0 = €38.5 million