

AMENDED ACTION PROGRAMME

1. IDENTIFICATION

<i>Form of programme</i>	Amended Cards National Action Programme for Croatia 2004
<i>Beneficiary country</i>	Croatia
<i>Budget year</i>	2004
<i>Budget Line</i>	19 07 01 (CARDS)
<i>Financial allocation</i>	€ 81 Million (originally 76 million)
<i>Legal basis</i>	Council Regulation 2666/2000 as amended by Council Regulation (EC) No. 2415/2001
<i>Contracting</i>	All contracts must be concluded after the signature of the Financing Agreement and within 36 months following the date of the budgetary commitment.
<i>Implementation</i>	The implementation of projects under this proposal must be concluded by 31.12.2009 . Therefore, all technical activities provided for under this programme and all contracts must end by 31.12.2009 .
<i>Annual programming</i>	Commission Delegation and AIDCO headquarters
<i>Related CSP and MIP / NIP</i>	Country Strategy Paper for Croatia 2002 - 2006, Multi-Annual Indicative Programme 2002-2004 Regional Strategy Paper for Western Balkans 2002 - 2006, Multi-Annual Indicative Programme 2002 - 2004
<i>Remarks</i>	No administrative expenditure will be financed under this programme

2. SUMMARY OF THE PROGRAMME

The **overall objective** of EC assistance is to support the participation of Croatia in the Stabilisation and Association Process (SAP), in particular the implementation of the Stabilisation and Association Agreement (including the Interim Agreement applied since January 2002).

The **specific objectives** are:

- i. To assist Croatia in further strengthening its democracy,
- ii. To reinforce the rule of law,
- iii. To contribute to the country's economic and social development, to the modernisation of the state administration and other public institutions,
- iv. To support the sustainable management of its natural resources.

This proposal consists of projects in the following priority sectors:

- Democratic Stabilisation
- Economic and Social Development
- Justice and Home Affairs
- Administrative Capacity Building
- Environment and Natural Resources

3. COUNTRY UPDATE

3.1 Political and administrative situation

Parliamentary Elections were held in Croatia in November 2003. The Croatian Democratic Union (HDZ) obtained the largest number of votes and negotiated sufficient support in Parliament to form a new government in December 2003. The strategic policy goal of the new government remains the application for EU membership, presented in February 2003. Other government priorities appear to present continuity in comparison to those of the former ruling coalition and include economic development and reduction of unemployment, reduction of foreign debt and balancing of the state budget, reform of state administration, improving relations with neighbouring countries and NATO membership.

The Croatian government has embarked on an ambitious programme of fulfilling the obligations under the SAA/IA. A large number of legislative acts have been passed by Parliament in the course of 2003 and further ambitious targets for legislative approximation are set in the 2004 National Programme for EU Integration. However, much remains to be done in terms of proper implementation and enforcement of legislation and of strengthening administrative and judicial capacities. The new government decided to merge the National Programme for EU Integration and the Plan for the Adoption of the Acquis. EU assistance is incorporated in the said document as a key instrument in support to the process of EU integration.

The judiciary continues to suffer from a large backlog of cases and serious organisational problems including lack of equipment, training and qualified staff, all resulting in long delays. A strategy on the reform of the judicial system, adopted in late 2002, has so far not resulted in a reduction of the backlog of some 1.3 million cases filed at Croatian courts. In particular, efficient mechanisms to ensure enforcement of verdicts need to be created.

Although a large-scale study to initiate the reform of public administration was launched and completed during 2003, it has not been implemented with the exception of some elements of civil service reform. Following the general elections, the number of ministries was reduced to 14 and a reorganisation of the state administration is under way. Top management has been replaced, but no major changes have occurred in the lower ranks of the civil service. In the Ministry of European Integration (MEI), all Assistant Ministers have remained in place and one of them is now State Secretary (equivalent to Deputy Minister in the former government).

While Croatia continues to count about 20,000 civil society organisations, many of them are registered in the field of sports and many others exhibit a low level of activity. Since the existing framework for freedom of association provides good grounds for the establishment and operation of non-governmental organisations, the Government abolished its office for NGOs and established the Foundation for Civil Society Development, which is tasked to support the sector financially and in a transparent manner.

The new government stated its commitment to implementing all obligations related to the return of refugees and displaced persons. While there are no longer any physical obstacles to return at border crossings, the lack of economic opportunities in Croatia's war affected areas has discouraged returns. The Government attempts to address these issues by supporting the so-called Areas of Special State Concern.

3.2 Socio-economic situation

Although small in size (4.4 million people), Croatia's economy is large by regional standards, accounting for roughly half of the GDP of the Western Balkans. The GDP per capita is in the order of € 5,400. While the share of agriculture in GDP declined slowly to just above 9%, the services sector, notably tourism, has grown to roughly 60%. GDP continued to grow in 2003 at an estimated real growth rate of about 4.6%.

Croatia has achieved a high level of price stability in the past years. In 2003, average retail price inflation dropped to 1.5%, whereas the development of producer prices reached 1.9%. This positive development is the result of a number of factors, notably a stable exchange rate, trade liberalisation, wage moderation, productivity increases and enhanced competition in the retail sector.

In an environment of ongoing restructuring and growing labour force, unemployment remains high, but has decreased from approx. 22% in 2002 to 19% in 2003. The incidence of poverty is rather low by international standards.

As regards the external situation, the deficit in the trade balance continued to widen in 2003. A sharp increase in export expansion (27.6% in the first eleven months of 2003 compared with 3.0% in 2002) was outpaced by even higher import growth (30.7% increase in the same period), reflecting the increasing openness of the economy and strong domestic demand. The European Union in general, and Germany and Italy in particular, remain Croatia's largest trading partners.

Foreign direct investment stands at a relatively high level. On average, FDI corresponded to 5% of GDP between 1996 and 2002. Services, i.e. essentially tourism, together with strong capital inflows including the continuation of construction induced borrowing, have lifted gross international reserves of the Central Bank to more than USD 8.2 billion (compared to USD 5.9 billion in 2002).

In public finances, VAT remains the single most important revenue source for the State, accounting for about 56% of total tax revenues (excluding social security contributions). The 2003 budget was implemented in accordance with the new GFS classification and included all government agencies and funds.

4. PAST EC ASSISTANCE AND LESSONS LEARNT

Programme / Year	Committed (million €)	Contracted (million €)	% Contracted
CARDS 2001	58	37.6	64.8 %
CARDS 2002	59	19.9	33.7 %
CARDS 2003	59	-	-

The lessons learnt from the previous programming exercise can be summarised as follows:

Preparation of project proposals: The 2004 programming has been conducted in a transparent and participatory way, beneficiaries have been closely involved in project identification and co-ordination with other donors has been sought whenever relevant.

Mid-term planning: The project identification has been undertaken with a view to the programming of the 2005 Action Programme and has taken into account activities funded by previous CARDS programmes.

Sustainability aspects: The present Action Programme addresses sustainability aspects within each sector. One main lesson learnt from earlier EU programmes is that support activities need to be complemented by capacity and ownership building measures in order to achieve sustainability of programmes.

Synergy with other donors: Exchange of experience with the other donors' activities needs to be ensured at all times.

5. PROGRAMME COMPONENTS

1. Democratic Stabilisation

With the emergence of the positive democratic trends and the accomplishment of important national milestones (e.g. the signing of the Stabilisation and Association Agreement with the European Union), Croatia is faced with new challenges based on the assumption that economic progress, a strong democracy and a vibrant civil society are conceptually connected. In particular, a continuing lack of economic prospects impedes a sustainable **return of refugees** to Croatia's war affected areas. Reinforced economic revitalisation and enhanced economic development is key to ensuring the sustainability of the return process, and to achieve an increasing degree of "normalisation" in the former war zones.

As far as **civil society** is concerned, the number of registered Civil Society Organisations (CSOs) in the Republic of Croatia is rapidly growing and increasingly diversifying. Their objectives vary considerably, covering sport and culture, as well as economic, political and social issues, such as promotion of democracy, protection of human rights, delivery of social services and environment and natural resources issues. Despite some considerable improvements over the past few years (particularly efforts directed towards continuous education/learning activities as well as ability to take on board new ideas and methods), the Civil Society sector needs to become increasingly professionalized and "results oriented" with demonstrated high standards of accountability and quality assurance.

1.1.1 Sustainable Development in Areas of Special State Concern (€ 14,000,000)

The **wider objective** is to achieve democratic stabilisation by encouraging refugee return and reinforcing the sustainability of the return process in the war affected areas.

The **specific objective** is to promote socio-economic revitalisation and development in a structured way in the selected Areas of special state concern, with the aim to encourage and reinforce return of refugees.

A further component of the MIP includes support to the proper functioning of the return process focussing on legal, procedural and integration issues underpinning sustainability of return. In this regard, the return of rights to refugees and internally displaced persons should be speeded-up.

The present programme focuses on socio-economic development issues. However, complying with the above mentioned issues is a key political requirement for Croatia to meet international obligations. The Croatian Government is committed to solve all outstanding issues and the EC Delegation actively assists and closely monitors this process, as well as the implementation of the law. Should needs for support in these areas be identified and/or pending issues not be solved by the beginning of this project, resources from the budget allocated to this project can be attributed for this purpose, in accordance with the MIP.

The main **activities** will include the establishment of an appropriate institutional base to carry a regional development process in general and the implementation of this programme in particular, as well as the creating, widening and deepening of partnerships for local economic development between the public, private and non-governmental sector, in order to bridge the elements of business support, business related infrastructure and social inclusion, and to ensure an inclusive approach to joint planning, lobbying, networking or combining resources to deliver specific projects.

Depending on the nature, size and number of local development projects that are derived from regional development plans, **contracting** may necessitate various methods, including services, supplies, works and grant schemes. Based on the beneficiaries' capacity for sound financial management, to be verified ex-ante by the EC Delegation, contracting may include direct grant awards to public authorities and non-governmental bodies, who play a leading role in the implementation of the county's development programme.

Concerning **cross-cutting issues**, this project will address main major development issues: creating equal opportunities for all in the targeted communities, raising the quality of life and the living standard in general thus reducing the poverty level. Priority will also be given to projects that address social inclusion issues and support to minority and most vulnerable groups in the communities. It is important to state that all the infrastructure and facility revitalisation and construction envisage previous conduction of environmental impact assessment.

1.2.1 Civil Society Development (€ 3,500,000)

The **wider objective** is to support civil society development by sustaining and reinforcing the democratisation process in compliance with the Copenhagen criteria so as to decrease the level of poverty, inequality and environmental pollution.

The **specific objective** is to contribute to the creation of a democratic and decentralised approach to planning, decision-making, and active participation of CSOs in the delivery of services in the areas of education/social/health care, environment and democracy/human rights.

The **main activities** would include, *inter alia*, further advice/training for civil servants (national & local level) to plan and operationally manage partnerships with CSOs service deliverers, partnership building involving all stakeholders, citizens and beneficiaries in jointly devising and carrying out programmes, training and workshops to build the capacity of CSOs to manage programmes of service delivery, protection of environment, promotion of democracy and human rights and grant scheme to strengthen the operations of selected CSOs active in the fields of social service delivery, protection of environment, promotion of democracy and human rights.

Concerning tendering and contracting, CARDS 2004 assistance is divided into two major components:

- 1) In a decentralised control system with the National Foundation for Civil Society Development acting as the PIU, there will be a **Service/Technical Assistance** project aiming at enhancing the operational efficiency acquired under previous yearly programmes, as well as furthering the monitoring/evaluation of previously supported projects. The TA will also provide capacity building activities targeting civil servants and those CSOs that were not covered under CARDS 2003. Amount: € 0.4 million
- 2) Through the direct award of a **Grant Scheme**, the Foundation will publish and manage 3 calls for proposals: (1) social service delivery, (2) environment and (3) democracy and human rights.

The project approach by its social and political nature will address many of **cross-cutting development issues**: gender equality, providing equal opportunities for men and women, inclusion of minorities and vulnerable groups in society, minimising adverse environmental impacts, reducing the number of unemployed people, harmonising the level of quality of social services and develop a just and inclusive society.

2. Economic and Social Development

The CARDS MIP 2002-2004 identifies the following legislative areas as particularly important for Croatian economic development: consumer protection, environmental protection, standards for agricultural and industrial products, public procurement, state aid, competition policy and intellectual property rights. In particular, the CARDS Annual Programme 2004 will focus on some specific trade-related issues as well as on the improvement of the investment climate.

Three initiatives launched under the regional CARDS programme

- a) Quality Infrastructures from 2002 Regional Programme
- b) Capacity Building for business organisations from 2003 Regional Programme,

c) Trade-related support facility

could be of high relevance to activities in the 2004 Annual Programme for Croatia under this section and shall be taken into account in the light of the latter's further development. .

The **Stabilisation and Association Agreement** signed between the Government of the Republic of Croatia and the European Communities and its Member States commits Croatia to harmonising its laws in various sectors with those of the European Community. There is an obligation to adopt new legislation or amend legislation in force pertaining to **trade** and trade-related matters (Art 69, II). In Article 100 there is also an obligation to facilitate the movement of live animals, people and goods across the state borders. Therefore, an important task of the Government of Croatia in the area of agriculture and food products is to provide consumers with a wide range of competitive, safe and high quality agriculture and processed agricultural products, which meet EU requirements. Taking into consideration the priority position that the agriculture and food industry occupies in the Croatian economy, there is an urgent need to continue with the legislative approximation process. Ultimately, this process is expected to increase Croatia's trade opportunities for agricultural and processed agricultural products.

In line with Article 74 of the Stabilisation and Association Agreement, the Republic of Croatia has started the process of harmonising Consumer Protection (CP) legislation with the EU *acquis* and creating the preconditions for effectively implementing and enforcing the harmonised legislation. Ultimately, this process should lead to an effectively functioning of CP in Croatia, a noticeable improvement of the quality of goods and maintenance of appropriate safety standards. Since September 2003, the new CP Law is being applied. However, the continuation of aligning CP legislation requires assessing as well as adopting secondary legislation and additional institutional capacity building.

Article 73 of the SAA obliges Croatia to take necessary measures in order to gradually achieve conformity with EC technical regulations and European standardisation, metrology, accreditation and conformity assessment procedures. Concerning the **investment climate**, accurate and up to date records of the ownership of land and buildings are vital components of a successful market economy. Information about the ownership of land and buildings in Croatia is held in the Cadastre and Land Registry. However, due to past circumstances, the data is often out of date and unreliable; there is a backlog of cases to be processed and a lack of suitable mapping to support the Land Registry and Cadastre's work. These problems are a major barrier to foreign investment in Croatia, which in turn, is of great importance for the economic recovery of the nation. Training and information to the private sector are also considered of utmost importance to facilitate the investment climate.

The process of reinforced Croatia's integration in the European Union (EU)/European markets creates strong pressures on further developments in the areas of economic competitiveness as well as **social cohesiveness**, where unemployment is the main issue. With an unemployment rate of approximately 19 percent in 2003 and a work force participation rate of 50.9 %, Croatia has a low employment-to-population ratio.

2.1.1 Capacity Building in the Area of Agriculture, Live Animals and Food Products (€ 1,500,000)

The **general objective** of the project is to further facilitate the trade of live animals, agricultural and food products.

The **specific objective** is to enhance the preconditions for a successful implementation of harmonised legislation with EC *acquis* in the area of agriculture, live animals and food products.

The **main activities** will be:

- drafting legislation in the area of agriculture, live animals and food products in compliance with EU *acquis*
- drafting guidelines for proper introduction of harmonised legislation and procedures for official inspectors
- training of official Ministry of Agriculture, Forestry and Water Management staff and official inspectors

Concerning **tendering and contracting**, the project will be implemented through service contract (TA/twinning). The detailed budget will be worked out in detail later.

2.1.2 Further Capacity Building in the Area of Consumer Protection (€ 1,250,000)

The **wider objective** of the project is to reach a high level of consumer protection in Croatia, protecting health, safety and economic interests of consumers.

The **specific purpose** is to further strengthen the legal, institutional and operational framework for effective implementation and enforcement of CP legislation at both central and regional level.

The project includes, among others, the following **activities**:

- further harmonisation of legislation (legislative gap analysis based on findings of the CARDS 2002 project),
- institutional capacity strengthening (developing market surveillance system adjusted to EU models and improving co-operation mechanisms between market surveillance bodies),
- Human Resources development (Training Needs Analysis based on CARDS 2002 activities and preparing action plan for HRD activities),
- National Information System (reviewing existing best practices for statistical data gathering in the EU and assessing IT equipment/software needs for NIS network),
- Raising public awareness (planning and implementing Public awareness campaigns targeted at entrepreneurs, consumers, academic and judiciary),
- strengthening CP NGOs (assisting NGOs in building up or widening media relations, research, advocacy and lobbying).

Concerning **tendering and contracting** the project will be implemented through:

Service contract (MELE/SI): Twinning/TA € 900,000.00

Service contract (NGO): TA/Grant € 200,000.00

Supply contract: € 150,000.00

2.1.3 Development of National Metrology, Standardisation, Conformity Assessment and Accreditation System (€ 2,000,000)

The **wider objective** is to further develop the quality infrastructure in the Republic of Croatia thus creating an environment for Croatian industries and manufacturers to improve their trade and industrial relations with the EU and international markets.

The **specific objectives** are to

- **upgrade the performance of the national accreditation and standards services as well as the national metrology infrastructure in order to ensure continued improvement and harmonization with EU system as well as to support them in preparing for membership in the relevant European organisations**
- upgrade the technical infrastructure which will support the operation and assist with creating recognised measurement laboratories and measurement standards in Croatia and in the region.

The project includes, among others, the following **activities**:

- Institutional Capacity Building
 - After the division of the State Office for Standardization and Metrology, upgrading organisational capacity of new institutions, including the preparation of business plans;
 - Training needs assessment for staff employed in standardisation and accreditation bodies, as well as for staff employed inside the metrology infrastructure, preparation of training programme and delivery of training (including Training of Trainers);
- Upgrading of technical infrastructure
 - Implementation of a study identifying economic needs and impact.
 - Assessment of technical needs for standardisation, accreditation and metrology bodies; preparation of a corresponding investment strategy. In particular for the metrology field, this technical needs assessment should be based on the economic needs/impact study
 - Purchase of software linking the accreditation body with the conformity assessment institutions/laboratories in line with the investment strategy;
 - Supply of equipment for an essential part of designated traceability chains in metrology in chemistry and training of laboratory staff in technical areas identified in the economic needs/impact study as priority for Croatia.

Concerning **tendering and contracting**, the project will be implemented through two Service contracts (700,000€ and 150,000€) and two Supply contracts (150,000€ and 1,000,000€).

Cross-cutting development issues: Beyond the transformation and upgrading of the three institutions, the new technical quality infrastructure will support the Croatian economy and industry to become more competitive on the European market. This CARDS programme will support selected reference laboratories improving the quality and comparability of measurements made in Croatia thus enhancing their competitiveness. Beside these direct economic benefits the project will contribute to the improvement of life quality, which is crucial in particular regarding the tourist industry (e.g. environment, public health).

2.2.1 Support to Land Cadastre and Land Registry Reform – Phase 2 (€ 4,500,000)

The project **wider objective** is to contribute to the reform of the land and property system as a basis for a market in land and buildings and the foundation for spatially related national and local programmes and plans.

The **specific objectives** are the following:

- Further development of a Multi-purpose Spatial Information System aiming to achieve public functionality by becoming available via Internet and also enabling distribution of data for final users.
- Strengthening the management and technical capabilities of the SGA by training staff in quality control, IT and management skills
- Strengthening the legal and technical capabilities of the Ministry of Justice Land Registry by training staff in legal procedures (which must take account of new and pre-1990 laws) and the operation and maintenance of new IT systems
- Through Public Awareness Campaign to inform the public about the efficient way of registration, about the importance/benefits of the registration of ownership and the rights and obligations of citizens who register their ownership and to inform the public about the aim and objectives of the “Real Property Registration and Cadastre project” including Analysis of impacts of Public Awareness Campaign on the society and mentioned reform.

The **main activities** include the establishment of Multi-purpose Spatial Information System., training and TA for SGA and Ministry of Justice and a Public Awareness Campaign.

Tendering and contracting: Implementation is planned under a Trust Fund agreement between the European Commission and the World Bank. This will allow full synergy with the earlier two CARDS projects in the field and full co-ordination with other donors.

2.2.2 Improving information to the Croatian business community (€ 1,500,000)

The **wider objective** of the project is the improvement of investment and business climate in Croatia.

The **specific objectives** are the following:

- Strengthen the capacity for policy makers and business organisations to identify, analyse and communicate future impact of key regulatory areas for business in Croatia;
- Improve awareness of the business community in key legislative fields
- Strengthen the Euro Info Correspondence Centre (EICC) Zagreb to deliver assistance, advice and information to SMEs in Croatia as a member in the EICC network;

The **main activities** will be organised according to two different components:

- Component 1. Identify, analyse and communicate regulatory changes to business
- Component 2 Funding for the EICC Zagreb third and fourth year of operation

Tendering and contracting: Component 1 will be tendered as a restrictive service tender; Component 2 (200.000) is planned as a direct agreement with the already operating EICC Zagreb to cover activities for its third and the fourth year of operation.

Cross-cutting development issues: The project will contribute to the overall goal of improving the investment and business climate in Croatia and subsequently seek to strengthen economic growth and employment. The project will also aim to strengthen the role of legislative impact assessments as a tool to assess legislation to be used both by business organisations and policy makers.

2.3.1 Adult Learning (€ 1,500,000)

The **wider objective** is to improve the employability and adaptability of the work force through furtherance of a modern concept of adult learning in line with labour market requirements and life-long learning approach.

The **specific objectives** of the project are the following:

- To develop an integrated adult learning system in Croatia by strengthening capacities of relevant stakeholders on adult learning issues, designing a framework and reinforcing institutional infrastructures.
- To foster systemic adjustments and modernisation of qualification standards for adult learning by integrating initial VET reform results developed under the CARDS programme.
- To contribute to the raising of skill levels of adults in Croatia.

The main activities will be organised according to three main components:

Component 1: Adult learning policy and institution development

Component 2: Adult learning standards development

Component 3: National adult learning programme

Tendering and contracting: The project will be implemented through service and supply contracts.

Cross-cutting development issues: The project approach by its social and economic nature will address many of cross-cutting development issues: gender equality, providing equal opportunities for men and women, inclusion of minorities and vulnerable groups in society, minimising adverse environmental impacts, reducing the number of unemployed people, harmonising the level of quality of social services (non-formal education) and develop a just and inclusive society.

2.3.2 Local Partnerships for Employment - Phase 2 (€ 1,500,000)

The **wider objective** of the project is that unemployment is reduced by strengthening the capacity of local actors to design and implement training and active labour market measures within the framework of a local partnership approach using European Social Fund (ESF) procedures.

The **specific objective** is that regional operative goals as outlined in the Regional Operational Programmes of 4 counties in Croatia are complemented by appropriate human resource development measures taking into account the methodology developed through CARDS 2002 “Local Partnerships for Employment” project.

The **main activities** will include, for example, the identification of local counterparts, the design of an outline for a regional labour market survey and the review of existing regional labour market or other relevant analyses; Completion of the regional labour market survey.

Tendering and contracting: This project is to be split into two types of contract procedures:

- In a decentralised control system with the Croatian Employment Service acting as the PIU, there will be a service contract for Technical Assistance in the formation of local partnerships and the implementation of local partnership projects by local stakeholders.
- Under the same decentralised setup, there will be a grant scheme launched through a call for proposals where projects designed by the local stakeholders under the umbrella of local partnerships will enter into competition.

Cross-cutting development issues: This project will promote equal employment opportunities for both men and women. Gender mainstream considerations will be included when planning and implementing active labour measures.

2.3.3 TEMPUS III (€ 4,000,000)

The European Commission’s Multi-annual Indicative Programme (MIP) for Croatia 2002-04, for this sector, includes the **general objective** to promote the reform of higher education in line with practices in EU Member States. The MIP asserts that continued financial support will be given to the TEMPUS programme of higher educational reform. The wider objective of the TEMPUS programme is to contribute to social and economic development (bearing in mind equal opportunities aspects) and the strengthening of civil society in Croatia.

The **specific objective** of this project is to promote the reform of higher education institutions, in view of improving the quality of academic teaching and learning in line with changing political, social and economic needs and in line with practices in EU Member States.

Concerning the **main activities**, the Tempus programme aims at funding Joint European Projects (JEPs), Structural and Complementary Measures (SCMs) and Individual Mobility Grants (IMG). The JEP focus on the following areas:

- Curriculum Development

Curriculum Development JEP's aim at the establishment of new or the revision of existing curricula and study courses, the development and the provision of new teaching materials, the introduction of new teaching methodologies, and the retraining of academic staff.

- University Management

University Management JEPs can focus on systems and policy development, reform of university governance, administration and finance, the introduction of library and management information systems, the strengthening of quality assurance, the introduction of international relations offices, the introduction of the European Credit Transfer System, or the establishment of knowledge and technology transfer centres.

- Institution Building

Institution building JEPs focus on strengthening civil society and public administration reform through the development of short cycle training courses for staff from non-academic institutions such as local, regional and national authorities, social partners, professional associations, media, and non-governmental organisations.

Tendering and contracting: 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 Stabilisation and Association Process and the policy objectives of EU co-operation with the 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.

Cross-cutting development issues: The Tempus programme contributes to the sustainable development of Croatia by the establishment of curricula in relevant areas but also through the increase of a percentage of the population with a higher education degree (by increasing the student persistence rate and decreasing the average period needed for earning a degree), promotion of mutual understanding in a multicultural environment and training for active participation in the democratisation of the society.

3. Justice and Home Affairs

The **judiciary** and the justice and home affairs sector generally, is affected by several problems. The major deficiencies in the judiciary include the (a) overloaded and chaotic case flow management and case process resulting in a large backlog of cases (currently 1.3 million); (b) inefficiency of the courts in carry out judicial work; (c) inadequate training of judges and court personnel; (d) poor information technology; (e) flaws in the procedural codes; and that (f) the judiciary has responsibilities that are normally administrative rather than judicial decisions.

This situation was confirmed by the Justice and Home Affairs Assessment missions undertaken by the Commission in Croatia in June 2002. The poor performance of the judiciary leads to the loss of confidence from the public and the business community. It also involves the decline of the private sector development, and in particular of foreign direct investment, because investors rely on the proper application of law and measures of predictability in conducting their business.

The many factors that undermine the judiciary have implication also for the rule of law, which is a key element in any well-functioning democracy. Poor law enforcement undermines order in society and has a profound effect on the socio-economic well being of a State, respect for human rights, and personal security. A comprehensive reform of the judiciary, and transitional solutions for the short-term management of the situation, is a fundamental condition for the establishment of the rule of law, and a prerequisite for European integration.

In November 2002, the Croatian Government adopted a strategy for reform of judiciary, and in 2003 a program, which sets out the measures for the implementation of this judiciary reform strategy. Both the strategy and implementation plan foresee measures such as legislative reform aimed at more efficient court proceedings, provision of education for judges and other court personnel, creation of better working conditions in courts, and an upgrading of IT-based court and case management. Public Administration Reform has been on the policy of the Government of Croatia since 2000, and has been defined as a priority area in the governmental programme for 2000-2004.

The **Stabilisation and Association Agreement** signed between the Government of the Republic of Croatia and the European Communities and its Member States also stipulates that the signatory parties should co-operate in fostering the rule of law; that special attention should be given to the independence of judges, as well as ensuring adequate safeguards enshrined in the constitution for the status of the judiciary, improvement of the efficiency of the justice system and training of judiciary personnel. Consequently, the Country Strategy Paper for Croatia (Section 6.2.3) and the CARDS Multi Annual Indicative Programme (Section 3.1) for 2002-04 provide for co-operation in the judiciary sector with the aim to improve both initial and vocational training of judiciary personnel and the court and case management.

Combating **organised crime** is a top priority for Croatia. An essential part of fighting organized crime is combating trafficking in human beings, the growing global phenomenon known as a “modern form of slavery”, appealing to the criminals due to high profits and low risks, while the victims are lured into it because of false promises of a better life. Human beings are trafficked for the purpose of forced labour; and especially women and children for the purpose of sexual exploitation while the human rights of the victims have been violated in the most severe forms. On the other side, illicit drug trafficking remains a serious problem, because Croatia is an important transit country on the Balkan Route for heroin trafficking originating from south-west Asia heading mainly to the EU. Since drugs smuggling as well as other related criminal activities are part of international organised crime, Croatia is actively involved in regional cooperation in this field, especially with the neighbouring countries.

Fight against corruption and money-laundering are not specifically mentioned in the present Action Programme 2004, as these topics are being addressed with projects under the AP 2002 and 2003. The AP 2004 is put on the remaining priorities.

Concerning **integrated border management** issues, the Border Police Directorate of the Ministry of Interior as one of the authorities competent for and directly involved in border management, has as one of its main responsibilities to manage security issues such as illegal migration and cross-border crime. Bearing in mind the complexity of these issues, the border police has initiated several projects to tackle these core problems. Previous CARDS projects have concentrated on improving the institutional capacity, including the introduction of a National Border Management Information System as an efficient tool in border control, and as a follow-up the Action Programme for this year will focus on the modernisation of the more technical and physical aspects of state border surveillance and control.

The CARDS 2004 Project should facilitate the introduction of modern equipment as used in border surveillance and control throughout the EU in order to enable the Republic of Croatia to efficiently combat illegal migration, smuggling, trafficking in human beings and other types of crime which affect particularly the most vulnerable parts of the border.

In order to fulfil its obligations deriving from the **Stabilisation and Association Agreement**, Croatia must establish an efficient and strengthened border management system. This task requires considerable financial means, which the Croatian state budget is not able to support in full. Therefore, the **CARDS Multi Annual Indicative Programme 2002-2004 and the EC Country Strategy Paper** for Croatia address this issue as one of their top priorities. Finally, it has to be stressed that the report of the **EC Expert Assessment Mission in the field of JHA** (17-21 June 2002) in its recommendations regarding integrated border management highlighted the need for procurement of **specialised equipment and vehicles for border surveillance**.

Another topic addressed under this component is the reform of the Croatian asylum system. The Republic of Croatia has not yet been a major destination country for asylum seekers and it has to be mainly considered as a transit country for illegal immigrants. However, migration trends indicate that Croatia will develop from a transit to a target country, after the Asylum Act comes into power. One of the consequences is the need for expeditious and fair procedures for handling asylum seekers, and for the reception, accommodation and care for persons involved. Croatia's institutional capacity in the area of asylum is still insufficient. Main problems are the lack of experienced and trained personnel, reception and accommodation capacities, technical equipment and information networking.

3.1.1 Improving Court and Case Management at the High Misdemeanour Court and Selected Misdemeanour Courts (€ 2,500,000)

The **wider objective** of the project is to improve the operation and functioning of the Croatian judiciary system and contribute to establishment of the rule of law.

The **purpose** of the project is to support and enhance operation and functioning of the High Misdemeanour Court and selected misdemeanour courts.

The **main activities** will include:

- Review of the organisation of the High Misdemeanour Court and misdemeanour courts, with particular emphasis on the working conditions, distribution of tasks of judges and other court personnel and laws and procedures regulating the court management system as well as communication among courts
- Review of national legislation concerning misdemeanours
- Development of training programmes and delivery of training on the implementation of the new Law on Misdemeanours
- Installation of equipment to improve communication procedures and the case management system

Tendering and contracting: Service contract and/or Twinning and one supply contract that might include several lots

Cross-cutting development issues: The project will assure equal opportunities for men and women, including national minorities, during the implementation of its activities. This will be achieved, for example, by assuring a balanced representation of men and women in the training activities, in all phases of the project cycle and in the decision-making mechanism. The promotion of transparency, accountability and anti-frauds and anti-corruptions measures will be a crucial cross-cutting element of the project that will be achieved, for instance, by carrying out specific seminars on ethics of judges.

3.1.2 Support to More Efficient, Effective and Modern Operation and Functioning of the Administrative Court of the Republic of Croatia (€ 1,000,000)

The **overall objective** of the project is to support the process of modernisation of an efficient, transparent and independent judicial system in Croatia.

The **project purpose** is to support and enhance the operation and functioning of the Administrative Court.

The **main activities** will be organised as follows:

- Review of administrative legislation/procedure and administrative litigation system
- Improve the enforcement of administrative courts decisions
- Develop training strategy and curricula for administrative court judges
- Supply of equipment for the case management system

Tendering and contracting: Service contract and/or Twinning and one supply contract that might include several lots

Cross-cutting development issues: the project will ensure equal opportunities for women and men, including national minorities, during the implementation of its activities. This will be achieved, for example, by assuring a balanced representation of women and men in the training activities, in all phases of the project cycle and in the decision-making mechanism.

The promotion of transparency, accountability and anti-frauds and anti-corruptions measures will be a crucial cross-cutting element of the project that will be achieved, for instance, by carrying out specific seminars on ethics of judges.

3.1.3 Improving Access to Justice by Strengthening the Legal Aid System in Croatia (€ 1,000,000)

The **overall objective** of the project is to support the process of modernisation of the judiciary and to strengthen the rule of law and access to justice in Croatia.

The **project purpose** is to reform and strengthen the legal aid system in Croatia.

The main **activities** will be organised as follows:

- Support in the drafting of the Law on legal aid
- Institutional set-up of legal aid system
- Training programme and public awareness strategy

Tendering and contracting: One service contract

One supply contract (for capacity building and information campaign activities)

Cross-cutting Development Issues: the national programme for Roma population is in its final phase and it is expected to be adopted by the Government of Croatia. The national program has outlined the fact that no legal aid is available for the Roma population. Within the national program it is envisaged to launch a pilot project, which will be finished by the second half of the year 2004. The pilot project will be used for providing legal aid for Roma population in three counties, namely Medjimurska County, Primorsko-Goranska County and City of Zagreb. The pilot project will be organized by the Ministry of Justice, in co-operation with the Bar Association and will be implemented by the Office for National Minorities.

The project will ensure a better access to justice. Furthermore it will ensure equal opportunities for women and men during the implementation of its activities. This will be achieved, for example, by assuring a balanced representation of women and men in the training activities, in all phases of the project cycle and in the decision-making mechanism.

3.2.1 Combating Trafficking of Human Beings (€ 1,000,000)

The **wider objective** is to contribute to a more efficient fight against organised crime in Croatia.

The **specific objective** is to strengthen the capacity of national institutions in combating trafficking in human beings and to assist and protect the victims of trafficking in human beings.

The main **activities** will include, among others:

- Reviewing the existing operating procedure.
- Providing recommendations how to improve the system of its implementation.
- Introducing the quality assurance system in the implementation of the established standard operating procedure.

Tendering and contracting: Twinning contract for provision of service (€ 0,9 million) and supply contract (€ 0,1 million)

Cross-cutting development issues: Since the victims of trafficking in human beings are most often women and children the project will also (through trainings, public campaign etc.) tackle the issue of gender equality. Implementation of this project will also contribute to the promotion of democracy and human rights.

3.2.2 Strengthening Capacity to Combat Drugs Trafficking and Drugs Abuse (€ 1,000,000)

The **overall objective** is to effectively combat organised crime through the implementation of a national multi-disciplinary drugs strategy, in line with the EU Drugs Strategy, and to prepare for participation in the European Monitoring Center for Drugs and Drug Addiction (EMCDDA) and its REITOX network.

The **specific objectives** are:

1. To develop national drug demand reduction action plans and drug supply reduction action plans as part of a comprehensive national drugs policy, in compliance with the EU drugs strategy, and to strengthen its delivery mechanism.
2. To strengthen the administrative capacity of the Office for Combating Narcotic Drugs Abuse.
3. To implement selected priority areas and activities planned under the national drugs strategy and to strengthen the skills and capacities in these fields.
4. To develop a national drug information system for the collection, analysis and distribution of objective, comparable and reliable data on drugs, in compliance with the EMCDDA methodology and requirements.

The **main activities** include, *inter alia*:

- Providing expert assistance and advice with the formulation and implementation of National Action Plans on Drug Demand and Drug Supply Reduction with appropriate target and performance measures.
- Carrying out an assessment on the information sources and resources, with the EMCDDA.
- Providing advice with establishment of an information networking strategy compliant with EMCDDA.

Concerning **tendering and contracting**, the project should be split in two separate contracts: Twinning Contract, Supply Contract

Cross cutting development issues: the project will contribute to the overall fight against organised crime and related areas (e.g. money laundering). It will also have an effect on improving public health/social and NGO sector.

3.2.3 Combating Trafficking in Firearms, Ammunition and Explosives (€ 1,400,000)

The **wider objective** is to contribute to a more efficient and effective prevention and suppression of organised crime and terrorism.

The **specific objective** is to enhance the ability of the Ministry of Interior and institutions to prevent, combat and eradicate the illicit manufacturing of and trafficking in firearms, ammunition and explosives and to strengthen the institutional capacity of the Forensic Science Centre, particularly in the area of ballistic analysis .

The **main activities** will be organised around two components:

- Component I: developing a targeted law enforcement approach:
- Component II: upgrading forensic methods for ballistic analysis:

Concerning **tendering and contracting**: the project should be split in two separate contracts:

Service or Twinning Contract
Supply Contract

3.3.1 Reform of Asylum - phase 2 (€ 1,200,000)

The **overall objective** of this project is to support the process of modernisation and establishment of an integrated asylum system in Croatia by assisting the transposition and application of the EU acquis in the field of asylum and migration.

The **project purpose** is to:

- strengthen the administrative capacity to dealing with asylum cases (also by developing the information and communication system) ;
- ensure the full alignment with the *Acquis* on asylum and migration

The **activities** should be based on the results achieved under the CARDS 2001 Project “Reform Asylum I” and be organised as follows:

- Harmonise the national legislation with the acquis on asylum and migration
- Improve the asylum procedure and foster cooperation between law enforcement bodies
- Further develop training programmes and learn from Member states best practices

The project should be split in two separate contracts:

Service or Twinning Contract
Supply Contract

Cross-cutting development issue: Implementation of this project will contribute to the promotion of democracy and human rights.

3.3.2 Capacity Strengthening of the Veterinary Border Inspection (€ 750.000)

The **wider objective** is to facilitate movement of goods on border crossings at the same time protecting consumers of food of animal origin.

The **specific objective** is to strengthen the capacity of the Croatian Veterinary Border Inspection in fulfilling its duties.

Project **activities** include: training needs assessment on border inspection procedures and harmonized legislation, implementation of EU harmonised adopted VBI legislation, procurement and delivery of equipment, development of “Train the trainers programme”, delivery of training through workshops.

Tendering and contracting: The project will be implemented through:

Service contract(s) (TA/Twinning): € 600.000

Supply contract for equipment: € 150.000

3.3.3 Modernisation of State Border Crossing and Surveillance (€ 13,000,000)

The **wider objective** is to contribute to the development of an efficient and strengthened Croatian integrated border management system, which will establish greater security at international borders and diminish cross border crime and illegal migration.

The **project purpose** is to strengthen the capacity and to create the technical preconditions for the Croatian border authorities, mainly Border Police, in achieving EU standards for performing border control duties, mainly at Croatia’s eastern border.

Main activities:

- To develop technical specifications in an impartial way, taking into account the findings of the Working group for technical equipment within CARDS 2001 Twinning project for border police
- To procure, deliver, install and provide training for necessary equipment, in line with the above-mentioned Priority Equipment List, e.g.: Border Surveillance Equipment (night vision devices etc.), document examination equipment, mobility Equipment (patrol vehicles and vessels) and communication Equipment.
- Upgrading and modernising the existing border inspection post (BIP) Bajakovo. The main activities will be works for construction of 3 buildings (1 main administrative building, 1 building for phyto-sanitary and veterinary controls and 1 building for detailed control of lorries) at the site of the BIP.

Tendering and contracting: the Project should be split into three separate parts: one service tender, one supply tender (possibly resulting in several contracts according to type of equipment) and one works tender. The division between the three components should be approximately € 0.1 million for the service contract, € 7.9 million for the supply of equipment and € 5 million for the works contract. The tender and contracting procedures to be followed will be fully in line with the Practical Guide to Contract Procedures.

3.3.4 Border Region Co-operation (€ 4,000,000)

The **wider objective** is to promote Border Region Development in Croatia and support spatial and socio-economic integration of areas along Croatia's borders.

Project purposes are:

1. To enable relevant national and local institutions and organisations to participate in cross-border, trans-national and interregional programmes.
2. To increase cross-border, interregional and trans-national co-operation through soundly implemented projects, thereby enhancing:
 - Neighbourly relations in the border region
 - Local and regional development of border region economies
 - Co-operation in order to build on economic, social, environmental and cultural potential of border regions

The main **activities** mainly consist of capacity building and grant schemes. The possibility exists to contribute funds from the New Neighbourhood Programme to this project.

Tendering and contracting: Service contract for TA and grant schemes, according to EU contract procedures

Cross cutting development issues: Cross-border co-operation is essentially multi-sectoral, and tends to foster integration and partnership development. Environmental issues tend to rank high on the priority lists of cross-border co-operation programmes. There is evidence that technical co-operation on cross-border issues can positively contribute to post-conflict and ethnic reconciliation.

4. Administrative Capacity Building

In line with the CARDS Multi-annual Indicative Programme 2002-2004, the sector of administrative capacity building covers public administration reform, regional and local development and public finance.

With regard to **public administration reform**, the priority under the CARDS 2004 programme is to provide assistance in the creation, development and strengthening of the legal framework and the administrative capacity in policy areas, which are crucial for implementation of the SAA. Assistance will be provided to establishing and further developing institutional structures, decision-making processes and practices dealing with public administration reform and European integration.

Since many Croatian state institutions still lack experience in programming and achieving mature project proposals under tight programming deadlines, assistance in the public administration reform area will be provided primarily through a Facility similar to ones under the CARDS 2002 and 2003 annual programmes. State

institutions may apply for funding of projects, which support implementation of the SAA and other obligations arising from the ongoing European integration process.

An additional element of the 2004 Facility is the emphasis on project preparation, and through the facility technical assistance may be provided for preparation of feasibility studies, design of investment projects, preparation of institution-building projects and/or technical specifications, design of training programmes and aid schemes as well as sectoral assessments. Two specific projects, one in the area of taxation and the other one in the field of telecommunications, have already been identified and will be supported through the CARDS 2004 programme.

With regard to **regional and local development**, the Croatian government has made a clear commitment to developing regional policy, including institutional structures, systems and mechanisms. Various regional development programmes and initiatives already exist in Croatia, and a number of donor-funded projects have raised awareness of regional development issues and have enhanced the capacity to prepare and implement development programmes. Under the CARDS 2004 programme the priority is to further enhance administrative capacity for absorption and management of funds for regional development.

Concerning **public finance**, the emphasis under the CARDS 2004 programme is both on development of public internal financial control (PIFC), including internal audit, and modernisation of customs operations. Assistance will be provided for further strengthening of the public internal financial control structure, which is currently being developed in Croatia. The objective is to strengthen PIFC implementation at the central government level and to introduce audit and control structures at the lower levels of government. This should contribute to the increased transparency and accountability of budget. In the field of customs, support will be provided to the Croatian Customs Administration to meet the strategic objectives and key indicators of the EU Customs Blueprints in selected priority areas.

4.1.1. Strengthening the Taxation System in Croatia (€ 1,500,000)

The **wider objective** is an improved administration and collection of taxes in Croatia in line with the *acquis*.

The **specific objective** is an increased capacity within the tax administration services to meet the strategic objectives of the Fiscal Blueprints

The main **activities** include, *inter alia*, gaps and needs analysis based on the Fiscal Blueprints, development strategy and implementation roadmap for the tax administration services; legal gaps and needs analysis, drafting of relevant laws and bylaws primarily in the field of VAT and excise duties, preparation of Technical Specifications for software and equipment required for IT information system.

Tendering and contracting: One service contract (international restricted tender) or twinning contract and one supply contract (international open tender). The exact budget allocation between two contracts will be determined on the basis of a feasibility study for IT needs.

4.1.2. Capacity Building and Project Preparation Facility (€ 6,600,000)

The **wider objective** is to develop the capacity of Croatian state institutions to efficiently implement obligations arising from the ongoing process of aligning administrative structures with the EU.

The **project purposes** are:

1. To improve administrative capacity in relevant sectors in line with the EU requirements.
2. To strengthen capacity of state institutions to adequately prepare EU-financed programmes and projects.

Activities that may be performed in the projects financed under this facility include feasibility and impact studies related to the implementation of the SAA and other priority acquis chapters; provision of policy advice; provision of legal advice; development of inter-institutional management structures; sector-specific training; information and screening seminars; provision of (limited) supplies, if needed to support the institution-building element of the project; technical assistance for programme and project preparation.

Tendering and contracting: *Component 1* (Administrative Capacity Building Facility) will be implemented through service, twinning and framework contracts. The EC Delegation in Croatia and the National Coordinator for EU Assistance and Cooperation Programmes will define criteria for project applications and decide on the eligibility of the proposed projects. In addition, a limited number of supply contracts may be eligible, provided that they are based on an appropriate needs assessment study and are an integral element of the primary technical assistance project. Component 2 (Project Preparation Facility) will be implemented primarily through framework contracts, and possibly also through service contracts.

4.1.3. Capacity Building for the Croatian Telecommunication Agency (€ 1,000,000)

The **wider objective** is to introduce, maintain and promote the effective and sustainable competition in the telecommunications market and assure the law enforcement in the respected fields.

The **specific purposes** of the project are the following:

- To support the development of internal procedures of the Agency and co-ordination with other government and non-government bodies;
- To improve the capacity of staff, primarily within the Agency, as well as within responsible Ministry department, to handle their new tasks and responsibilities;
- To review and support the finalisation of the new telecommunication legislation;
- To support the development of a modern technical (particularly IT) infrastructure of the Agency.

The **main activities** will include:

1. Development of appropriate administrative and organisational structures, drafting schemes and conducting series of training workshops; on the job training/coaching;
2. Human resource development - delivered through a series of workshops and on-hand coaching for the preparation of HRD strategy and programme along with associated manuals and guidelines;
3. Assistance in drafting subordinate regulations (bylaws) through a series of workshops, on the job advice and analyses of Croatian legal framework in telecommunications with respect to the EU standards;
4. Information systems and resources – IT systems audit and needs analysis; procure and upgrade existing IT systems and system integration; data-manager training.

Tendering and contracting: The project will be implemented through a restricted service tender and through a separate supply tender as appropriate.

Cross-cutting development issues: Telecommunications services are widely used in all sectors and by the ordinary people in the country, ensuring the platform for the new digital economy, e-business and information society services. Equal access to services at the most competitive market price and proper consumer protection legislation are essential for all users. The overall development of the E-society places particular responsibility on the future Agency in its cross-sectoral regulatory, supervisory, distributor and administrative competencies.

4.2. Capacity Building for Managing Funds for Regional Development (€ 3,000,000)

The **wider objective** is the effective management of national and regional development in line with EU practice

The **purpose** of this project is to enhance Croatia's administrative capacity for absorption and management of funds for regional development

The **main activities** will include:

Support to relevant institution(s) in carrying out activities related to programming (developing capacities for drafting programme complements, carrying out ex ante evaluation, strengthening inter-ministerial coordination).

Training of stakeholders at all levels in project identification and preparation, as well as in carrying out different kind of studies (feasibility studies, environmental impact assessments).

Preparing of pipeline of development projects according to programme priorities (including feasibility studies, design studies, environmental impact assessments).

Tendering and contracting: Service contract(s) for technical assistance and studies (feasibility, design, EIA etc.)

Cross-cutting development issues: Activities for the preparation of a project pipeline will ensure adequate environmental and social impact assessment as relevant. Equal opportunity principles and practices in ensuring equitable gender and minority participation will be ensured throughout project implementation.

4.3.1. Strengthening Public Internal Financial Control Structure (€ 1,500,000)

The **wider objective** is to strengthen Public Internal Financial Control (PIFC) structure, which is in line with EC standards and which supports sound and efficient utilisation of public funds

The **specific objective** is the implementation of a new PIFC and internal audit methodology according to EC standards by budget users specified in the Budget Law

The **main activities** will include, *inter alia*, training programmes, on-the-job assistance to internal auditors, set up of an IT audit service at the central government level and in lower levels of government, set up an information network among the Ministry of Finance and other spending centres.

Tendering and contracting: One service contract (international restricted tender) or a twinning contract of approximately 1.25 MEUR and one, supply contract (international open tender) of approximately 0.25 MEUR.

4.3.2. Modernisation of the Customs Administration (€ 1,500,000)

The **wider objective** is the continuous modernisation of the Customs Administration in line with the EU standards

The **project purpose** is that the Croatian Customs Administration meets the strategic objectives and key indicators of the EU Customs Blueprints in selected priority areas

The **activities** under this project will depend on the results of the Customs Blueprints gaps and needs analysis and the eventual customs business strategy and its implementation plan. The activities may relate to one or more specific chapters of the Customs Blueprints. The indicative activities are: further legislative alignment in the priority areas; improvement of operations in the priority areas (including setting up of procedures, responsibilities, drafting procedure manuals, setting up necessary IT systems); planning and assistance in specific customs areas; provision of supplies.

Tendering and contracting: One service contract (international restricted tender) or twinning contract, one supply contract (international open tender).

Cross-cutting development issues: The more effective and efficient operations of customs services contribute to trade facilitation and more efficient transit flows of peoples and goods. The improved integrated border management and cooperation with other Customs Administrations also contribute to the reduction of cross-border crime.

5. Environment and Natural Resources

Environmental considerations and sustainable development are high on the SAA agenda, stipulating that “Policies and other measures will be designed to bring about the economic and social development of Croatia. These policies should ensure that environmental considerations are also fully incorporated from the outset and that they are linked to the requirements of harmonious social development.”. In particular, the Annual Programme 2004 will focus on three main issues: the approximation of Croatian Legislation with the Environmental *Acquis*, the water sector and the energy sector.

The main responsibility for environmental protection is with the Ministry of Environmental Protection, Physical Planning and Construction (MEPPPC) but generally, the division of responsibilities for implementation of environmental legislation within and between ministries and other government bodies is rather unclear. Horizontal coordination and cooperation among the ministries is rather dissatisfactory, which this programme will attempt to improve, particularly in the area of the implementation of the IPPC directive.

The vertical coordination and cooperation among the state, counties and local self-government units should also be strengthened. The inter-sectoral cooperation between the government and business/private sector needs to be improved in order to ensure an integrated approach to environmental protection and thereby also the implementation of the IPPC directive. Enforcement of environmental legislation is mostly under the responsibility of the Inspection Directorate at the MEPPPC, in conjunction with judicial bodies, as well as the Inspection's local branches, but their performance should be strengthened.

In the process of European integration, the Republic of Croatia wishes to harmonize water management practices with EU requirements and to align with EU standards the promotion of energy efficiency and renewable energy. Results show that existing water management legislation is harmonized with the EU water *acquis* to a certain extent, but it needs further improvement, particularly emphasis on horizontal coordination among relevant sectors (environment, agriculture, industry) as well as on vertical coordination on national and local level.

5.1 Support for the Further Approximation of Croatian Legislation with the Environmental *Acquis* (€ 2,100,000)

The project's **wider objective** is to increase capacity of Croatia to meet the EU standards.

The **project purpose** is to consolidate adoption, implementation and enforcement of Croatian environmental legislation in line with the EU environmental legislation and standards, building on the CARDS 2002 Approximation Strategy project and the approximation plans that will be developed for the *acquis* sectors of waste management, air pollution and industrial pollution and risk management .

The project will address capacity building for the preparation and implementation of large investment projects and the project will help the MEPPPC to strengthen its own respective capacity as well as those of regional and local authorities to implement and enforce the EU environmental standards.

The main **activities** will address the following issues:

- Support to further approximation and development of environmental legislation in the sectors of the acquis not yet addressed so far.
- Capacity building to implement the compliance schedules mainly in the sectors of waste, air pollution and industrial pollution and risk management
- Development of the absorption capacity with regards to preparation of financing strategies and large investment projects
- Improvement of the monitoring and enforcement capacity

Tendering and contracting: The total project value is 2.1 m€. Of the total budget of the project, 1.75 m€ are allocated to technical assistance, the implementation of which will be carried out by a service contract or partially by twinning. The rest of the budget is allocated to the purchase of equipment (supply contract).

5.2 Capacity Building and Development of Guidelines for the Implementation of the Water Framework Directive (WFD) (€ 1,200,000)

The **wider objective** of the proposed project is to improve the water quality standards and water management in Croatia in line with EU standards and requirements.

The **specific objective** of the proposed project is to ensure a uniform approach and to support the WFD implementation in Croatia. The implementation process will include state governmental bodies, institutions, private companies and NGO's, whereby a common approach to the WFD implementation is a necessity. Discussions on WFD implementation among relevant stakeholders will underpin the WFD implementation process.

The main **activities** include

- Support to the legal and institutional framework and definition of coordination mechanism
- Development of a national methodology and support to strategic planning
- Guidance documents development
- Capacity building of the national, regional and local authorities and competent bodies

The project will be **tendered** as one service contract or twinning contract of 1.2 m€.

5.3 Approximation of EU Renewable Energy Legislation and Energy Efficiency Labeling (€ 500,000)

The **overall objective** is to increase the energy efficiency and the production and use of RES in Croatia.

The **specific purpose** is to improve the institutional capacity for adopting and implementing legislation related to RES and energy efficiency in line with the EU *acquis*.

The **main activities** for energy efficiency labeling and RES legislation will be the following:

- Support the Ministry of Economy to develop policy, legislation and administrative procedures in line with Directives 92/75/EEC and 2001/77/EC
- Impact assessment of the implementation of the directives including institutional impact and responsibilities, sectoral impact and cost estimates
- Institutional capacity building for the implementation of the legislation and training for Ministry staff, other public institutions, government officials and stakeholders
- Public awareness raising activities

Tendering and contracting: One service contract of 0,5 m€.

6. COMPLEMENTARY EC ASSISTANCE OUTSIDE THIS ACTION PROGRAMME

The Financing Proposal 2004 for Croatia will be complemented by the CARDS Regional Programme in the following sectors:

Integrated Border Management (€ 1 million)

Institution Building (€ 21.80 million)

Democratic Stabilisation (€ 5 million)

Regional Infrastructure (€ 3.7 million)

Projects funded in 2004 can additionally be complementary to projects funded in previous years (Croatia Annual Programmes or Regional Programmes).

In addition, the activities covered by this Financing Proposal will be complemented by support from LIFE-Third Country Programme in the environmental sector. Since 2001, the European Commission has co-financed seven projects in Croatia up to a maximum amount of € 2.839.928 under LIFE-TCY. In particular, these projects aim at establishing capacities and administrative structures needed in the environmental sector as well as at improving sustainable development and conservation policies.

7. CO-ORDINATION WITH OTHER DONORS

The multiplicity of donors active in Croatia and their planned interventions have been taken into account so as to ensure complementarity while consolidating the Country Strategy, on which the Action Programme 2004 is based.

A number of mechanisms exist for the exchange of information between the Commission, Member State's missions, and other bilateral and multilateral donors

Among the other donors, DFID, USAID, the World Bank and MATRA (the Netherlands Ministry for Foreign Affairs) are particularly active in the field of civil society support. In particular, Croatia works with a Civil Society Donors co-ordination group, which functions efficiently and has the European Commission on its Steering Committee. The UK Government (DFID) is also very active in the field of economic and social development. Co-operation with the World Bank, USAID, UNHCR and IOM is particularly strong in justice and home affairs projects.

8. PROGRAMME IMPLEMENTATION

8.1 Time-limit for signing the financing agreement

The financing agreement must be concluded at the latest by 31 December of the year following that in which the corresponding global financial commitment was adopted. Failing this, the funds assigned to it will be cancelled.

8.2 Performance period

- (a) The performance period of the financing agreement starts with the entry into force of the financing agreement and ends 31.12.2011
- (b) This performance period falls into two separate phases:
 - (i) Operational implementation of the main activities. This phase starts with the entry into force of the financing agreement and ends 31.12.2009
 - (ii) A closure phase during which the final audits and evaluation are carried out along with technical and financial closure of the contracts implementing the financing agreement. This phase starts with the end of the operational implementation phase and closes at the end of the performance period.
- (c) Expenditure arising from the main activities is not eligible for Community financing unless it is incurred during the operational implementation phase. Expenditure arising from final audits and evaluation and from closure activities is eligible until the end of the closure phase.
- (d) Any remaining balance of the Community contribution will be cancelled automatically six months after the end of the performance period.

The programme will be implemented by the Commission Services on behalf of and in close collaboration with the relevant national and/or local authorities. Decentralised implementation will be considered on a case by case basis. The relevant Commission Services will undertake project implementation. A Financing Agreement corresponding to this Financing Proposal will be concluded with the counterpart authorities.

8.3 Procedures for the award of contracts and of granting of subsidies

All contracts implementing the financing agreement must be awarded using the standard Commission procedures and documents for implementing external operations in force at the time the procedure is initiated.

8.4 Contracts implementing the agreement

- a) The contracts which implement the financing agreement have to be signed by the two parties within three years of the Commission's adoption of the financial commitment. This deadline may not be extended. At that date any non-contracted funds will be cancelled.
- b) Any contract that has not given rise to any payment within three years of its signing will be terminated automatically and the funds cancelled.
- c) All projects should be implemented in line with EU competition (including State aid) principles

8.5 Monitoring, evaluations and audits

Appropriate planning and regular monitoring throughout implementation in the form of regular reports will take place. Evaluation during implementation and/or at the end of the programme as well as audit of programme may also take place.

Point 8.4(a) does not apply to audit and evaluation contracts, which may be signed later.

9. COST AND FINANCING

The Programme will be financed through a Community grant of € 81 (originally 76) million, allocated as follows among the different actions:

Priority Sector	Million euros
1. Democratic Stabilisation	17.5
2. Economic and Social Development	17.75
3. Justice and Home Affairs	26.85 (originally 21.85)
4. Administrative Capacity Building	15.1
5. Environment and Natural Resources	3.8
TOTAL	81.0 (originally 76.0)

10. GOVERNMENT COMMITMENT AND CONDITIONALITIES.

Assistance is provided on the basis of the existence of the necessary elements for the continuation of co-operation through assistance, in particular concerning the respect of democratic principles and human rights, as well as the obligations of Croatia as set out in the Stabilisation and Association Agreement.