

ANNUAL ACTION PROGRAMME 2002 FOR THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

1. IDENTIFICATION

Beneficiary Country:	The Former Yugoslav Republic of Macedonia (FYROM)
Budget Year:	2002
Financial Allocation:	€ 37.5 million
Budget lines:	B7- 541 - (National programme / Regional-Int. Border Management)
Legal Basis:	Council Regulation (EC) No. 2666 / 2000 (as amended by Council Regulation (EC) No. 2415 / 2001)
Implementing Bodies:	European Agency for Reconstruction - €34.5 million European Commission (for Tempus) - €3.0 million
Expiry date:	31.12.2005 contracting 31.12.2006 disbursements (31.12.2007 for Tempus)
Sector:	AA
Group:	M

2. SUMMARY OF THE PROGRAMME

This programme will assist FYROM in implementing the Stabilisation and Association Agreement (including the Interim Agreement on trade) and the Ohrid Framework (peace) Agreement. These 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 recently approved Country Strategy Paper (CSP) and the three-year (2002-04) Multi-Annual Indicative (MIP) programme for FYROM. The priority sectors will be:

1. Democracy and the Rule of Law

1.1 Inter-ethnic Relations and Civil Society € 3 million

2. Economic and Social Development

2.1 Private and Financial Sector Development € 2 million
2.2 Trade € 4 million
2.3 Local Infrastructure Development € 14 million
2.4 Social Cohesion € 2.5 million
2.5 Tempus € 3 million

3. Justice and Home Affairs

3.1 Integrated Border Management	€ 2.2 million
3.2 Immigration and Asylum	€ 2 million
3.3 Fight against Crime	€ 1 million

Other

Reserve	€ 3.8 million
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Total € 37.5 million¹

3. COUNTRY BACKGROUND

Socio-Political

Since independence in 1991 the country has embarked upon a process of political and economic transition from an essentially centrally managed economy towards a market economy, a free civil society and fully functioning democratic institutions. Although the priorities and policies adopted by the Government have had a positive impact, development has been limited during recent years by regional instability and internal structural constraints at the political and economic level.

The multi-party coalition government that came to power in November 1998 was based on a power-sharing arrangement between ethnic Macedonian and ethnic Albanian nationalist parties. Relations between the country's two main ethnic groups continued to improve until February 2001. Some of the ethnic Albanians' demands were accommodated such as bringing ethnic Albanians into leading posts and establishing the South East Europe University in Tetovo. But in November 2000 the defection of one of the coalition members resulted in a minority government (one seat short). As a result, by early 2001 parliamentary action had become increasingly difficult.

Military clashes broke out between Ethnic Albanian Armed Groups (EAAG) and government forces in mid-February 2001. Fighting quickly spread to other predominantly ethnic Albanian areas in the north and northwest of the country. In response to growing international pressure to find a solution to the crisis, the main opposition parties were brought into the ruling coalition, forming a government of national unity in May 2001. However, military escalation continued on both sides, and by early June 2001, the EAAG held villages on the outskirts of the capital, Skopje. Although casualties were relatively light, a large number of ethnic Albanians and Macedonians were displaced and many ethnic Albanian refugees fled to Kosovo and southern Serbia. According to UNHCR, of the 170,000 displaced persons most (90%) have now returned to their homes.

With strong support from the European Union and NATO, President Trajkovski proposed an outline plan in June 2001. This included a combination of military and political solutions and aimed to address some of the main grievances of the ethnic

¹ Includes regional funds, but excludes Agency's running costs.

Albanian minority. NATO brokered a ceasefire that has more or less held since 6 July 2001. Subsequent mediation by the European Union and the United States led to the signing of the Framework Agreement on 13 August 2001 in Ohrid.

The Framework Agreement largely sets the agenda of the reform process needed to bring back stability to the country. In particular, it includes proportional representation of ethnic minorities in public administration and the police services, and the use of minority languages in public administration as well as for primary, secondary and university education. The Framework Agreement will also produce important consequences for the process of administrative decentralisation. The government has 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 of 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.

Socio-economic

On April 9, 2001 FYROM became the first country of the region to sign a Stabilisation and Association Agreement (SAA). While anticipating the formal ratification of this agreement by FYROM, the Member States and the Community, an Interim Agreement on trade and trade-related matters has been entered into between the Community and FYROM. After almost a decade of relative stability the armed conflict in the spring and summer of 2001 produced severe economic consequences halting the economic growth registered in 1999 and 2000 and resulting in large fiscal deficit. However, the consequences of the conflict did not impair monetary stability.

Despite the external shocks suffered by the economy following the Kosovo crisis in 1999 reconstruction in Kosovo stimulated the FYROM economy during the second half of 1999. Continued increasing demand from a buoyant services sector provided an additional boost to the economy in 2000 (GDP grew by 5.1%). Also, a number of structural reforms were implemented since 1999, such as: the establishment of a treasury system and a new payment system; the introduction of VAT; adoption of a new banking law; adoption of a new foreign exchange law and a law on the National Bank; reforms of the public administration and reforms in labour and pension regulations. However, economic activity slowed down markedly during the 2001, as the security crisis led to disruption of production and a sharp deterioration in consumer and business confidence. During 2001, real GDP declined by 4.1% compared to the previous year. The contraction of output was broad-based and affected most sectors in the economy, except the government sector where activities were boosted by the security-related operations. However, the exchange rate anchor of the denar to the Deutsche Mark survived the crisis and monetary stability was broadly maintained. During 2001 average inflation declined to 5.5% from 5.8% in 2000.

Largely due to new security-related expenditures, the government deficit for 2001 could reach 6.4 % of GDP despite the introduction of a new temporary tax on financial transactions (estimated to yield about 1 % of GDP) and a noticeable reduction in expenditures. International donor assistance is expected to help finance a part of the projected budget deficit.

The external debt burden is moderate. It was estimated (IMF) that, at the end of 2001, total external debt (government and non-government sector) amounted to the equivalent of 40.7 % of GDP and total debt service payment to about 19 % of exports of goods and services. The Government will continue to limit the amount of new debt that it contracts or guarantees on non-concessional terms.

The outlook for economic growth should brighten with the improved security situation. In 2002, a real GDP growth of 4 % is projected by the Government, predicated on a strengthening of private demand and reconstruction spending from the donor community, while the IMF has recently revised its forecast to 2.5%. Taking into account the projected recovery in agriculture and lower oil prices, average inflation is expected to decline to 2.5 % in 2002. The implementation of the Framework Agreement should set the stage for the economy and market confidence to return to a normal footing. With the political resolution of the crisis, security-related spending should fall significantly in 2002. The challenge for policy makers will be to address the additional peace-related needs while preserving macroeconomic stability.

The main Government policy framework is two-fold: on one side lies the implementation of the Framework Agreement; on the other the continuation of the socio-economic development agenda set in 1998 and the process of institutional reforms which should gradually move the country into the economic and political mainstream of Europe. The main elements of the policy agenda are: (i) the strengthening of inter-ethnic relations; (ii) fostering efficient democratic institutions and the rule of law; (iii) deepening economic reforms and creating the conditions for self-sustaining market-driven economic reform; and (iv) promoting the country's rapprochement towards European structures in line with the SAA.

4. PAST EC AND OTHER DONORS' ASSISTANCE

Between 1992-2001, the EC committed some €545² million to FYROM including contributions for emergency humanitarian relief and for balance of payments support. This consisted of:

- Humanitarian (ECHO) € 96 million
- PHARE, OBNOVA, CARDS € 257 million
- Rapid Reaction Mechanism and Special CARDS Emergency Programme € 27 million
- Macro, Financial (e.g. other subsidies, budget support) € 165 million

The level of official development assistance is fairly high, at about 6% of GDP. Maintaining a fiscal and external balance therefore depends to a considerable extent

² All figures are rounded to the nearest € million.

on donor aid. In terms of commitments, the largest donors are the EC (€545m), the World Bank (€223m), the EIB (€150m) and the EU Member States (as a group €187m). Since the Kosovo crisis, USAID has become the largest bilateral donor planning to commit up to \$50 million in 2002. Other currently active donors include Switzerland, various UN Agencies and IFAD.

The country has had more or less continuous structural adjustment programmes with the IMF and World Bank since 1992-93. FYROM has a Poverty Reduction and Growth Facility programme with the IMF, which is likely to be extended, and has produced an interim Poverty Reduction Strategy Paper in 2000. However, the upward revision of estimated per capita income (\$1710 in 2000) means that FYROM will no longer be eligible for concessional (IDA) lending from the World Bank. This is likely to lead to increased dependence on other sources of less concessional forms of assistance.

On March 12, 2002 the EC and the World Bank jointly organised a donor meeting 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.

5. PROGRAMMING CONTEXT AND LESSONS LEARNED

The recently adopted Country Strategy Paper (CSP) identified a series of problems that FYROM 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 agreement. Within that context, the MIP has identified four areas where the EC can most effectively assist in: democracy and the rule of law; economic and social development; justice and home affairs and the environment/natural resources. The annual action programme reflects this philosophy as well as the most important lessons learned from reviewing the implementation of previous EC programmes in FYROM³. Among the lessons that were highlighted:

- The clear need to have in place an overall strategy with a policy framework and government commitment to the reform objectives.
- The need to base annual action programmes on transparent consultations with stakeholders and on the absorptive capacity of the government institutions.
- The need for ongoing commitment to donor coordination and consultation meetings at the programme and sector levels.

³ Based on the report entitled " Evaluation of EC Country Strategy: FYR Macedonia 1996-2001".

- The need to adequately supervise, monitor and evaluate project implementation including financial control systems.

There is now an established and functioning framework for aid co-ordination within the FYROM Government. The Vice Prime Minister has the role as National Aid Co-ordinator as well as Minister in charge of European integration matters.

6. PROGRAMME COMPONENTS/ PROJECT ACTIVITIES – FYROM 2002

A description follows for each programme component to be assisted, preceded in each case by a background justification for the selection of the various project activities within each programme component and a summary of related EC assistance and other donor activities. Further details (including log frames) of individual projects are to be found in a separate set of Project.

An amount of €3.8 million is in the reserve. It is intended that up to €2 million of the reserve will be allocated to the South East Europe University. This is however subject to the outcome of the Netherlands Government feasibility study of the University.

Note: the reference numbers for the individual Project Annexes correspond to those used below.

6.1 Democracy and the Rule of Law

Background

Achieving democratic stabilisation in FYROM is a major goal of the Stabilisation and Association Agreement. It involves the central government and, most crucially, the population at large through the development of a strong civil society. An active and free civil society is a necessary element of truly representative democratic systems and plays a fundamental role in holding governments accountable for protecting basic human rights and good governance.

Even before the security crisis of 2001, society in FYROM was largely divided along ethnic lines, with a generalised lack of contact and interaction between ordinary people from different ethnic backgrounds. A national approach to overcome prejudices and stereotypes does not exist. There are several small scale programmes and projects, funded by different donors and implemented by variety of organisations. Neither a general overview nor an impact assessment of these activities is available.

A comprehensive analysis of existing initiatives and their impact should be undertaken involving all ethnic groups and culminating in the development of a national approach (models) that would build up trust, confidence and mutual respect between all ethnic groups.

The ethnic division of society has manifested itself in the local NGO sector. NGOs operate in a context in which various ethnic groups promote their own identity and their rights in a mono-ethnic framework in what is a multiethnic society.

Civil society is organised largely through non-governmental organisations of which there are over 600 registered in FYROM. Not all of them are active and their marginal impact in the country is primarily due to the fact that the sector is donor-driven, largely atomised and that NGO capacities have not been sufficiently developed.

In June 1998 a new Law on Citizen Associations and Foundations was introduced broadly reflecting international best practice in a number of areas. Weaknesses are evident in how the government treats NGOs fiscally, e.g. not-for-profit organisations are treated tax wise the same as profit-making ones.

Generally there is a weak service provision by NGOs and their capacities are under-developed. NGOs from economically and socially deprived rural areas do not receive much support. There is a lack of mentoring and partnership building between the more and the less developed NGOs. It is rare to find NGOs networking at local levels. NGOs do not view themselves, and are not viewed by others as having a role in the process of forming public policy. Hence, there is a significant need to improve advocacy skills.

Complementary and Past EC Assistance

Ethnic Relationship Issues: ECHO has been active in the community services sector since 1999, providing psycho-social and other forms of support to both refugees and host communities with intended effect of reducing tensions along ethnic lines. This support was extended over 2001 and 2002 to internally displaced persons (IDPs) and returnees through a project with UNICEF. The EC funded post conflict confidence building measures under the 2001 RRM programme. Improvement of inter-ethnic relations is an important crosscutting aspect within other CARDS 2002 projects, such as in the employment policy development (social dialogue/ partnership) and the local infrastructure projects (assisting municipalities facing inter-ethnic tensions). Complementarities will be ensured with projects supported by the small grants scheme of the European Initiative for Democracy and Human Rights.

Strengthening NGOs: A PHARE project was implemented in 1997-99 for "Development of NGOs and Regional Resource Centres", targeting environmental NGOs. The European Initiative for Democracy and Human Rights supports a small grants scheme focussing mainly on democracy building activities, and less on NGO capacity building. Complementary activities have also been provided through the ECHO programmes in the field of community services.

Related Activities of Other Donors

Ethnic Relationship Issues: 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; international foundations (King Baudouin, Open Society); the European Centre for Minority Issues

(funded by Denmark and Norway), which implements a project to improve inter-ethnic relations; and the World Bank (a post conflict grant programme).

Strengthening NGOs: The Swiss Development Cooperation is assisting in the establishment of four resource centres for NGOs through the Open Society Foundation (FYROM-based with funding from the Soros Foundation and other donors) as its implementing partner. The Agency will ensure close cooperation with the Swiss assisted project. Other active donors are: the Council of Dutch Churches (technical assistance and grants to a limited number of mainly women's NGOs), USAID (primarily targeting environmental NGOs through training and grants).

Project Activities

6.1.1.1 Promotion of Inter Ethnic Relations (approx. €1.2 million)

Experts will critically review and assess the range of activities and experiences gained from previous actions that sought to promote ethnic reconciliation. They will also assess the capacities of civil society organisations in FYROM to implement ethnic reconciliation projects.

Subsequently, the experts will recommend on the most effective interventions in supporting activities that overcome prejudices and stereotyping and enhance tolerance and trust, for EC funding in 2002 and the remaining years of the MIP.

Before receiving all of the study findings, the EC may, in the meantime, provide immediate support by funding a range of small-scale sub-projects (e.g. youth, culture, partnerships) in mixed ethnic communities.

Key project partners will be intermediary funding organisations, likely a not-for-profit organisation.

The ultimate beneficiaries will be the people of FYROM and the wider region that will benefit from living in a more stable civil society. More immediate beneficiaries are the population groups that will be directly targeted by this project and the project partners that will have enhanced capacities to continue to implement actions aimed at promoting inter-ethnic relations.

6.1.1.2 Support to Civil Society/Strengthening NGOs (approx. €1.8 million)

The project will (i) develop the capacity of NGOs; (ii) stimulate the creation of regional NGO networks; (iii) enhance communications and cooperation between NGOs and local authorities, and (iv) enhance appreciation of the role for NGOs as monitors of the quality of governance and public service delivery.

With the help of an implementing partner (an experienced not for profit organisation) this project will assist in establishing up to ten NGO Resource Centres in selected locations. Each centre will eventually have appropriately trained staff and adequate

resources, enabling them to support local NGOs with their delivery of services and transferring know-how and skills. The Resource Centres will make available to NGOs in their area their (i) infrastructure (office, meeting space, library, telephone/fax, computers, internet access and copying machine); and (ii) training designed on the basis of needs and assessments of NGOs in the area. Such training will include: strategic planning, advocacy, democratic decision-making processes, organisation and project management, reporting, accounting and transparency. Although this project will also begin to address the sustainability issues of the proposed NGO support structures, further EC funding in 2003 and 2004 will be essential to consolidate the initial actions.

At the same time as supporting NGO regional networks, it should be stressed that the establishment of a national level system of NGO co-ordination will be kept in view for the future. This national level structure could take the form of a foundation for civil society fulfilling an over-arching co-ordination role. However, in the immediate term, it is important to build on the local networking mechanisms already offered through the regional Resource Centres.

Ultimate beneficiaries of the project are society as a whole and the NGO sector. More immediate beneficiaries are the (i) supported NGOs, and (ii) benefiting communities and municipalities, whose quality of cooperation with one vital actor of civil society will be strengthened.

6.2 Economic and Social Development

The Economic and Social Development section proposes programmes for 2002, as defined by the CSP/ MIP in the following areas: Private and Financial Sector Development (6.2.1), Trade (6.2.2), Development of Local Infrastructure (6.2.3), Social Cohesion (6.2.4) and TEMPUS (6.2.5). These areas are fundamental in order for FYROM to progress on its commitments under the Interim Agreement on Trade and to successfully complete WTO entry negotiations.

6.2.1 PRIVATE AND FINANCIAL SECTOR DEVELOPMENT

This section will deal with three specific aspects of private sector development: (i) enterprise development; (ii) competition laws regulating the energy market; and (iii) intellectual property rights.

Background

A buoyant and productive private sector is characterised by a high degree of legal certainty enabling effective enterprise management, fair competition and well developed and enforced property rights. The Stabilisation and Association Agreement creates a new climate in economic relations and a new (economic) legal framework, which will affect entrepreneurial skills, rules of competition and the need for some market regulations (anti monopoly). As proposed in the CSP/ MIP, the EU will provide funds to improve the overall quality of the existing legal framework to enable firms and individuals to better compete in the “new” market place.

Enterprise Development: The promotion of private sector development in FYROM requires a co-ordinated and focused government enterprise policy. SME development is of particular importance. Government policy and the relevant regulatory framework should be conducive to emergence and success of small companies. The principles enshrined in the European Charter for Small Enterprises can serve as a reference framework to develop such policies.

In its transition to a market-based economy, the country wishes to provide its enterprises with modern tools for efficient enterprise management and governance, which would improve their competitive position in the long-term perspective of EU accession. Small and medium enterprises in particular, need to strengthen their management efficiency and methods, especially in the areas of marketing, distribution, financial/ production management and controls. The 2002 programme will provide assistance to improve the quality of individual firms' human (management) resources by establishing a human resource development fund for enterprises.

Competition Laws and the Energy Market: The Country's electric public utility (Elektro Stopantsvo Makedonia - ESM) is being prepared for privatisation by a team of experts at the initiative of the Government. The establishment of a regulatory framework leading to an autonomous regulatory body is indispensable to meet the EU guidelines and to avoid monopolistic or dominant behaviours while ensuring a fair return to new investors in the energy sector. Such a regulatory body will also improve the overall performance of the sector, ease entry by the private sector, thereby increasing competition and providing greater transparency (e.g. in pricing/ tariffs) for producers and consumers.

An energy law is presently before Parliament for review and approval and should become effective in January 2003. The law stipulates in one of its articles the creation of an autonomous Energy Regulatory Commission (ERC) of five Commissioners, which will cover all energy sectors (electricity, gas, hydrocarbons, and district heating). The ERC will be responsible for approving prices and tariffs and for issuing licences. However, all institutional aspects and operational procedures of this Commission must still be worked-out with EC support in line with the EC acquis and EU best practices aiming to open international markets.

Intellectual Property Rights: The SAA requires FYROM to guarantee a level of protection of intellectual, industrial and commercial property rights similar to that existing within the Community including effective enforcement. Currently, three different laws have been enacted: (i) a Law on Industrial Property (1993); (ii) a Law on Protection of Layout Design on Integrated Circuits (1998); and (iii) a Law on Copyright and Related Rights (1996). Three new laws remain under preparation: (i) a Law on Patents; (ii) a Law on Trademarks; and (iii) a Law on Industrial Design, all designed to further update and harmonise the country's legislation with international requirements. The country wishes to fulfil its obligations in this area as soon as possible and is requesting further assistance, in particular to improve its capability to enforce relevant legislation and promote a higher degree of legal harmonisation with Community rules.

Currently there are two competent institutions: the Industrial Property Protection Office (IPPO), an agency within the Ministry of Economy dealing with trademarks and patents and the Inspection Service for the Protection of Copyrights (ISPOC) within the Ministry of Culture.

Complementary and Past EC Assistance

The proposed *enterprise development fund* complements other EC financed projects such as the completed 1997 PHARE programme for Vocational Education and Training (VET) and the 2000 CARDS VET programme, which has just started. It also complements a 2002 project on institution building in support of employment policy.

The *ERC* complements the legislation approximation component of the CARDS 2000 programme. It will also link to the current activities under the Regional CARDS Programme 2001 relating to the Regional Electricity Market (REM), and REBIS-ELECTRICITY, which inter alia, aims to establish common rules and methods for fixing responsibilities of the national regulatory authorities. The ERC should also be linked to activities regarding the Regional Gas Market, funded from the CARDS 2002 Regional Programme.

Under the PHARE 2000 programme activities were planned in the following areas: legal advice for the amendment of the Law on Protection of Industrial Property Rights; training to the legal profession and supply of software for managing the protection of industrial property rights. However, these projects were not implemented and some updating and refinement of them may now be necessary.

Related Activities of Other Donors

GTZ, the Soros Foundation, USAID, Dutch aid and the World Bank are involved in related VET and other *human resources development* projects.

USAID-financed advice and amendments to the draft energy law to establish an *energy regulator* will serve as the basis for the proposed EC intervention.

GTZ has provided considerable assistance in drafting and completing a new law for *Intellectual Property Rights* (patents, designs, trade marks, marks of origin) and for IPPO staff training. GTZ assistance will now focus on drafting secondary legislation and preparing a public awareness campaign. It has also agreed in principle to assist the Copyrights Department in harmonising the 1996 *Copyrights Law* with the acquis and WTO requirements and in devising enforcement mechanisms.

Co-ordination issues

In view of the need for a comprehensive approach to trade related technical assistance (TRTA), the Agency shall put in place and manage a co-ordination mechanism, which shall also take into consideration specific TRTA programs dealt with at a regional CARDS level. This mechanism shall ensure effective read-across between the different projects and economies of scale. There will be two levels of co-ordination:

At Operations Centre level (Skopje), regular meetings of Task and Programme Managers with the Consultants in all related projects will be organised by EAR-OC Skopje, to ensure regular and detailed exchange of information and monitoring of progress.

At Agency level (Skopje, Belgrade, Pristina and Podgorica), regular quarterly meetings will be organised on a rotational basis at the various Operations Centres, to include specific representatives of the Consultants when appropriate and necessary. A mechanism for co-ordinating with other CARDS programmes in the region will be established.

Project Activities

6.2.1.1 Establish a Human Resources (Enterprise) Development Fund (approx. €1.0 million)

In close consultation with the Ministry of Economy (MoE), technical assistance will be provided to develop a system promoting HR development in enterprises by providing access to appropriate training and preparation and finalisation of the framework for Fund establishment. Once legally established, key management staff will be identified and contracted to make the Fund operational. Subsequently, the Fund's managers assisted by experts would prepare and propose an indicative programme of training activities in the areas of marketing, distribution, financial/ production management and controls.

The immediate beneficiary and project partner will be the MoE, which has overall responsibility for the enterprise sector. The MoE will be closely associated with the preparation of the Fund's by-laws, the selection of the Fund's management and in determining its operating procedures. End-beneficiaries will be the country's enterprises and employees. The economy will benefit from higher productivity, improved management and economic efficiency.

6.2.1.2 Support for the Energy Regulatory Commission (approx. €0.8 million)

The project will fund a team of international and national experts to implement the energy law and assist in making the Energy Regulatory Commission operational. The experts will draft all texts pertaining to the ERC's regulatory operations (internal by-laws and regulations; draft models and procedures for delivering authorisations, licenses and concessions; systems and procedures for monitoring compliance of operators with contractual obligations). Support will also be provided for office equipment and training for the five Commissioners. In addition, the Project will support the national authorities in their efforts to adopt rules compatible and harmonised with the Regional Electricity Market (Regional CARDS 2001) and Gas Regional Market (regional CARDS 2002).

The MoE will be the key partner in project implementation and will be closely associated with the preparation of the Terms of Reference (TOR), reviewing consultant's drafts, etc.

6.2.1.3 Further Support for Intellectual Property Rights (approx. €0.2 million)

In order to be in full compliance with the *acquis* and EU practice, the IPPO seeks assistance in the computerisation of its administrative procedures in acquiring industrial property rights for selected designations from the European Patent Office (EPO). The EPO will supply the special "Common Software". Moreover, the Ministry of Culture's (MOC) Copyrights Department seeks to receive know-how from the EU in the implementation/enforcement of the Law on Copyright and related rights, with a special focus on "collective rights management". In addition, expertise will be provided in regard to addressing Geographical Indications issues.

Experts will install the EPO "Common Software", translate related manuals, computerise databases, and train IPPO staff. They will also train staff of the MOC's Copyrights Department and other related ministries/ agencies (Judicial, Interior, Customs, etc.) on rights management and enforcement in the framework of collective administration of rights.

Both project partners (IPPO and MoC's Copyrights Department) will contribute to the preparation of the TOR. In addition, the Copyrights Department will obtain an *ex-ante* agreement of all concerned administrations for collective management of rights, where appropriate. End beneficiaries will be both national and foreign enterprises trying to serve the domestic market presently flooded with pirated/ counterfeit products from neighbouring countries.

6.2.2 TRADE

Background

FYROM has been progressively opening its markets over the years and has made progress in liberalising its economy by entering into a SAA with the EU⁴. However, additional legislative modifications as well as significant changes in the practices of the institutions dealing with trade-related matters are needed.

As stated in the CSP/ MIP, the most immediate objective of EC assistance is to ensure that the country is able to fully enjoy the benefits that free access to the EU market brings. This 2002 EC programme component is designed to assist in (i) reinforcing and developing relevant laws/ regulations and institutions involved in facilitating and liberalising trade; (ii) setting standards for key agricultural products,

⁴ The EU is the country's main trading partner representing 49% of exports and 42% of imports in 2001.

such as wines (a major export commodity), as well as developing adequate veterinary and phytosanitary controls enabling FYROM's products to meet the EC's technical and quality standards; and (iii) strengthening the trade-related human resource capabilities through the provision of adequate training and information.

Technical and legal assistance will also be provided to ensure that the country develops the necessary legislative framework and institutional capacity to implement its commitments under the SAA, the Interim Agreement on Trade (IA) and (with co-ordination with other key donors, especially USAID assistance) to successfully complete the WTO entry negotiations. This is particularly required in order to negotiate free trade agreements with the other countries in the region as stipulated in the Stability Pact Memorandum of Understanding. Free Trade agreements with Albania and Bosnia-Herzegovina were signed in the first half of 2002.

Under the SAA and the related 2000 approximation programme, FYROM has committed itself to prepare in 2002 drafts of primary laws and secondary regulations for veterinary health, plant protection, and wine classification (e.g. vineyards' cadastre and classification, designation and protection of appellations, definition of qualities). Wine exports represent about 50 percent of all agricultural exports to the EU in 2000. In order to meet the deadlines for its SAA commitments, the country needs further assistance in drafting these laws (primary and secondary) in harmonisation with EU regulations. Associated training and information systems will also be required, in conjunction with programmes addressing the needs of Integrated Border Management.

FYROM also seeks the benefits of a European Information Correspondence Centre (EICC). The absence of an EICC has been an impediment to the general understanding of EU trade regulations and the harmonisation of local regulations with the *acquis*. More importantly, national businesses have not had an easy link with potential partners in EU countries nor an easy access to information regarding EU regulations for trade and exports.

Complementary and Past EC Assistance

The assistance provided under this programme complements that being provided in the Justice and Home Affairs area under the Integrated Border Management programme. In particular, all interventions in the fields of food quality controls, phytosanitary 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. Preliminary work is being undertaken in the fields of food, veterinary and phytosanitary controls under the CARDS 2001 programme, essentially assessing the current situation and creating a 'roadmap' of the changes necessary to create a food quality control body similar to those that exist in the EU Member States.

Related Activities of Other Donors

The project will closely coordinate its activities with those of all other key donors, and especially with those of USAID, which are assisting the country to accede to the

WTO. USAID is also considering further assistance for the implementation of the WTO agreement.

Project Activities

6.2.2.1 Drafting of Trade Laws/Regulations (approx. €1 million)

A team of trade/ legal experts (both international and local) will draft primary and secondary legislation pertaining to internal and foreign trade and train related officials in the implementation and enforcement of the proposed new legal framework. All project activities will be undertaken in close consultation with the Ministry of Economy (MoE), the customs service and with those institutions responsible for managing other Non-Tariff Barriers to Trade.

Some redrafting has already taken place to meet minimum WTO requirements, but the process is far from complete. The expected beneficiaries will be the economy at large and FYROM's enterprises, which should benefit from the modern simplified trade laws. As principal project partner, the MoE is expected to largely manage the overall redrafting and adoption process. However, other government institutions (e.g. customs) will share in this task.

6.2.2.2 Drafting of Laws/Regulations for Veterinary Health, Plant Protection and Wine Classification (approx. €2 million)

Experts will assist in drafting primary and secondary legislation relating to veterinary health, plant protection, and wine classification (e.g., vineyards' cadastre and classification, designation and protection of appellations, definition of qualities) and will train Ministry of Agriculture, Forestry and Water Economy (MAFWE) officials in the implementation and enforcement of the resulting laws and regulations.

The direct beneficiary and project partner will be the MAFWE, which has requested technical assistance. The end-beneficiaries will be FYROM agricultural producers, who will improve their position and prospects for exporting.

6.2.2.3 Training (approx. €0.5 million)

This project will provide advice and training relating to the legal basis, procedures and practices of a liberalised trade regime conforming to EU and WTO regulations and best practice to high-level officials in trade-administration bodies such as in the MOE, MAFWE, Customs, etc.

Experts will design, organise and deliver, training programmes in close cooperation with the MoE, the project partner.

6.2.2.4 Establishing an EICC (approx. €0.5 million)

Experts will develop a detailed blueprint and business plan to be endorsed by the MOE and DG-Enterprise. In a second phase, international and national experts will equip premises (computers, internet link, etc.), recruit and train staff. DG-Enterprise will accredit the EICC, which can then begin its operations.

The MOE, as the implementation partner, will be closely associated with the preparation of the EICC blueprint and business plan. It will decide, from options proposed by the experts, as to what will be the appropriate institutional set-up for the EICC.

6.2.3 DEVELOPMENT OF LOCAL INFRASTRUCTURE

Background:

FYROM has a one-level local government system with 123 municipalities plus the capital city of Skopje. The needs for local infrastructure development in the country are significant and pressing. Limited financial and staffing resources of the municipalities constrain their capacity to determine their infrastructure needs. They have little financial autonomy and lack a coherent system of local public finance. Municipal planning and financing of investments remains centrally managed, despite the fact that the recently (February 2002) adopted Law on Local Self-Government makes municipalities responsible for the provision of urban and rural planning as well as for communal activities, such as education and health.

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 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 assistance provided under this programme effectively complements other programmes in the broad sector of Economic and Social Development as well as those in the sectors of Democracy and the Rule of Law (e.g. the proposed reducing ethnic tensions project) and Justice and Home Affairs. In particular, it will provide employment opportunities in concerned areas while contributing to the establishment of better living conditions. It is designed to further ease inter-ethnic tensions by promoting development in disadvantaged areas of the country regardless of the ethnic composition of the population.

The programme also builds on the: (i) PHARE Local Government Development programme, which was launched in February 2002 to strengthen the capacity of the Ministry of Local Self-Government and Municipalities; and (ii) grant fund foreseen in

the 2001 CARDS municipal development programme, which selects a series of start-up projects. The Agency is also about to complete the emergency funded electricity network and housing reconstruction projects. ECHO has also funded emergency programmes in the field of rural infrastructure, which will serve as pilots for more development-oriented programmes.

Related Activities of Other Donors

The World Bank is considering a municipal infrastructure project based on participatory approaches for community-based investment schemes and institutional strengthening. The programme "Social Infrastructure I and II", implemented by KfW on behalf of the German government, is already supporting the decentralisation process by providing financing for projects on municipal infrastructure prioritised by the local communities. GTZ is supporting the strengthening of municipal enterprises. USAID has a Local Government Reform Project, and together with GTZ and the EC is supporting the Municipal Associations (ZELS). UNDP, DFID-UK, the Netherlands and SIDA are also working on complementary local empowerment projects.

Project Activities

6.2.3.1 Municipal/ Local Infrastructure Development (approx. €14million)

Experts will assist the central government and municipalities to establish project planning, delivery and management systems. A project implementation unit (PIU) will be established subsequently to ensure the further development of local government capacity to operate and maintain the physical infrastructure. The PIU will also provide on-the-job training, such as in project cycle management.

Initially, under the CARDS 2001 assistance programme, international experts will support the Ministry of Local Self Government (MoLSG) to manage the project application procedure by assisting in the evaluation and prioritisation of project proposals received from municipalities. A steering committee (consisting of the of MoLSG, Municipal Associations (ZELS), other relevant ministries, the PIU, etc.) will approve a list of projects for financing according to a set of selection criteria and availability of funds. Normally, only one project per municipality is accepted during the prioritisation process. Project selection criteria will focus on project types, poverty ethnic and geographic balance. Once projects are selected, experts funded under the CARDS 2001 assistance programme will prepare tender documents for small-scale infrastructure projects.

The project partner will be the MoLSG, which has the overall responsibility for the administrative decentralisation process as well as the development of policies for improvement of self-governance. The expected beneficiaries will be the staff of selected municipalities, the MoLSG and especially the population living in the selected municipalities.

Projects submitted by municipalities located in the border region with Greece which effectively complement projects undertaken on the Greek side of the border may be

eligible for funding under the programme. These projects will be evaluated on a case by case basis.

6.2.4 SOCIAL COHESION / EMPLOYMENT

Background

Social cohesion measures have received substantial EC assistance since 1997 and, as mentioned in the CSP/ MIP, remain a high priority of assistance for the 2002 to 2004 programmes. More specifically, FYROM wishes to now engage in a process of social dialogue, which would concentrate on establishing a comprehensive national employment policy and ensure that there is sufficient capacity to implement employment support services.

The unemployment rate in FYROM was estimated at 30.5% at the end of 2001. Some 43% of the unemployed are in the age range of 20-29, while 75% of all unemployed have been seeking work for more than four years. The government's Interim Poverty Reduction Strategy Paper (IPRSP, 2000) outlines how economic transition, especially privatisation, revealed the extent of "long accumulated over-employment". The IPRSP identified the need to develop a labour market policy directed at accelerating growth and encouraging job creation. Given the close correlation between unemployment and poverty, it is imperative that employment growth receives a sustained and high priority focus.

The Ministry of Labour and Social Policy (MoLSP) is currently preparing a preliminary action plan. While a 'social dialogue' process has been lacking in the past in FYROM, the MoLSP and the 'social partner' organisations (e.g. Chambers of Commerce, trade unions) agree that such a participative process is essential for the development of an agreed National Action Plan for Employment. To date, the main focus of the 30 countrywide Employment Offices has been on maintenance of social welfare registers and payment of unemployment benefits. The Employment Offices, however, lacked capacity to provide more proactive employment services.

Complementary and Past EC Assistance

In March 2002, implementation started for the second of two EC supported Vocational Education and Training (VET) projects, concentrating mostly on secondary schools (funded under PHARE 1997 and 2000). The MIP envisages follow-on EC assistance to VET in either 2003 or 2004. The MoLSP is the beneficiary of 1999 EC PHARE funding for an institution building project (aimed at the Ministry's social welfare responsibilities) that commenced in February 2002. Meanwhile, a range of complementary actions in support of economic development, including a 'Fund for Human Resources Development in Enterprises' (CARDS 2002) will enable FYROM's employers to access modern management training.

Related Activities of Other Donors

From 2003, the World Bank proposes to support the MoLSP with the reform of labour relations legislation and may also contribute to reviewing the social welfare related

responsibilities of the state Employment Offices. USAID has been engaged for the last two years with its PRiSMa project in support of job creation/ retention and enterprise competitiveness, including encouraging initiatives involving local Employment Offices. A project aimed at youth employment actions is supported by USAID/ UNDP. Germany (GTZ), The Netherlands and the Soros Foundation are also supporting the development of VET.

Project Activities

6.2.4.1 Establish a Comprehensive National Employment Policy (approx. €2.5 million)

Technical Assistance (TA) will: (i) assist the MoLSP to establish and facilitate an inclusive and transparent process of social dialogue amongst all the project partners; (ii) provide expert advisory inputs to a staged process of elaborating overall employment strategy, policies and a National Action Plan (NAP) for Employment; and (iii) facilitate priority restructuring needs of the state's network of Employment Offices, including the provision of staff training and essential office equipment.

In particular, the NAP will be structured to incorporate actions within the four thematic pillars of employability, entrepreneurship, adaptability and equal opportunities. It will also seek to reflect EU horizontal guidelines related to meeting employment targets, social partnership, lifelong learning, inclusion of a regional/ local dimension and the development of indicators.

As the key project partner, the MoLSP (assisted by its Employment Bureau) will (i) be closely engaged with finalising the TOR for the TA; (ii) take a leading role in the institutionalising of the NAP social dialogue process; (iii) contribute to drafting any initial legislation (and later on ensure its enforcement); and (iv) provide all necessary support to agreed restructuring measures for the Employment Offices. This project takes into account the guidance provided by the European Training Foundation.

6.2.5 TEMPUS

Background

The Tempus programme was adopted by the Council of Ministers of the European Union on 7 May 1990. The programme was set up in order to support the process of reform in the countries of Central and Eastern Europe in the area of higher education within the framework of the European Community PHARE programme.

On 29 April 1999 a new Decision on the Tempus programme "Tempus III" was adopted by the Council covering the non-associated countries of South-East Europe and the Partner States of Eastern Europe and Central Asia. This new phase of the programme will run from 2000 to 2006.

Within 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 and Central Asia and Mongolia, Tempus III aims 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.

The new phase of the Tempus programme seeks to contribute to:

- higher education policy and systems development;
- the reform of higher education governance, management and finance;
- the strengthening of links with the local and regional economy, as well as other stakeholders of the universities;
- curriculum development in priority areas for economic and social transition;
- the promotion of the mobility of students and staff;
- the development of administrative and institutional structures through training of staff from non-academic institutions;
- the strengthening of regional co-operation and networking between higher education institutions in South-East Europe.

A priority for higher education systems in South-East Europe is the achievement of the objectives of the so called Bologna Declaration, which was 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.

Participation in (that is, convergence towards) the Bologna Process requires systematic structural reform of university governance, management and finance, in particular the strengthening of the strategic management capacities of universities through institutional integration (at the moment South-East European universities are mostly mere associations of faculties).

The Tempus programme will further contribute to the strengthening of regional co-operation between higher education institutions in South-East Europe. Considering the small size of higher education systems, the re-establishment of regional academic ties in a European framework would appear to be a pre-condition for the efficient use of scarce resources and thus for the long-term sustainability of higher education systems in South-East Europe. Regional co-operation can also contribute to mutual understanding and the overcoming of ethnic and political boundaries. Universities from FYROM can play an important role in fostering such regional co-operation.

Project Activities

6.2.5.1 Support for the Tempus III Programme (approx. €3.0 million)

The programme aims at funding Joint European Projects (JEP) and Individual Mobility Grants.

Joint European Projects can focus on one of the following areas:

- 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.
- Curriculum Development: Curriculum Development JEP's focus on 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.
- Institution Building: Institution Building JEPs focus on strengthening civic 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.
- Multiplier Projects: they are designed to disseminate results of past Tempus projects and to link institutions working on higher education reform in similar subject areas. These projects usually include a larger number of partners from South-East Europe and the European Union.

Regional approach: All of the above project types 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.

6.3 Justice and Home Affairs

Co-operation in the field of Justice and Home Affairs should focus on the reinforcement of law enforcement institutions at all levels. In particular, the 2002 FYROM programme proposes project activities in the following areas: Integrated Border Management (6.3.1); Immigration and Asylum (6.3.2); and the Fight Against Crime (6.3.3).

6.3.1 INTEGRATED BORDER MANAGEMENT

Background

Border management problems in FYROM are inter-linked (trade, migration, illegal trafficking, etc.) and only a comprehensive solution will be effective, which addresses all the various problems. The conflict in 2001 was primarily situated along the north and northwest borders of the country, leaving behind a considerable amount of mines and unexploded ordinance (UXO); EC assistance will therefore also need to address mine/ UXO clearance activities in these areas. Without this intervention, physical security and freedom of movement in the north and northwest border region will remain serious issues, impeding cross border communication.

However, an overall coherent national Border Management Strategy, which has been agreed to by all domestic and discussed with regional partners still needs to be developed and further EC assistance is needed to accomplish this objective. The establishment of such a strategy has absolute priority since it constitutes the point of departure for all further projects in this area. Assistance should help to define the main lines of the National Border Management Strategy for the Former Yugoslav Republic of Macedonia and lead to a comprehensive action plan including a timetable for its implementation and, in compliance with the action plan, a list of priority actions needed immediately, including major infrastructure and equipment improvement. Co-operation with further projects, especially in the area of e.g. visas, must be ensured.

For FYROM the CARDS Regional Integrated Border Management (IBM) Programme has identified the Pan-European corridor X (Budapest-Belgrade-Skopje-Thessalonica-Athens) and the Pan-European corridor VIII (Varna-Burgas-Sofia-Skopje-Tirana-Durres) as the two most important transport corridors requiring adequate border crossing infrastructure facilities. As illustrated in the attached Project Annex (6.3.1.1) considerable work has already been undertaken (or is in process) on customs and border crossings for these two corridors.

Furthermore, CARDS funding will be used not only to develop a comprehensive strategy, but also to provide financing for increased security in the border region. As a result of last year's conflict, there is a considerable amount of mines and UXOs present in the immediate proximity of the border, seriously threatening the freedom of movement and the returns process. The UN appeal for UXO/ mine clearance activities outlines the urgency of the issue.

Complementary and Past EC Assistance

The 2001 PHARE/CARDS programme proposed assistance to help prepare a border management strategy, but the project has not yet started. The 2001 allocation will now be included in the 2002 program for IBM. Initial UXO/ mine clearance activities were funded through the EC Rapid Reaction Mechanism II.

Given the international nature of the SAP countries' border management policies and their impact on the EU member states and candidate countries, the bodies involved in programming in the EU Structural Fund's INTERREG and the Phare programme shall be fully associated with the development of national integrated border management strategies. This will ensure maximum coherence and complementarily with EU INTERREG and Phare programmes for cross border co-operation.

The co-ordination with INTERREG and Phare will be key in ensuring that Border Region Co-operation programmes complement activities on other sides of the borders. It will also help in seeking similar synergies with programmes developed for the border control and border crossings within other programmes.

A EU JHA Experts' Assessment mission to FYROM in June 2002 has shown to be a useful exercise for providing initial analysis of migration and asylum issues. This analysis will be fed into the National Action Plan process.

Related Activities of Other Donors

The World Bank through its Trade Facilitation (TTFSE) loan is assisting in upgrading border-crossing facilities and management systems between FYROM, Bulgaria, FRY and Albania. UNDP also has a border-crossing project between FYROM and Bulgaria. Norway will be complementing funding for the UXO/ mine clearance activities.

Project Activities

6.3.1.1 Developing a Comprehensive Integrated Border Management strategy (approx. €0.3 million)

The project will complement the activities and funding already allocated for development of an IBM strategy from the 2001 programme.

Experts will: (i) finalise and detail the country's strategic goals in this area, based on a clear analysis of problems and work already completed; (ii) identify strategic priorities, programmes and indicators of achievement; and, (iii) prepare a clear and feasible work plan (including specifying studies, technical specifications and terms of reference) that will be needed to ensure implementation of the strategy.

The project partner will be the Ministry of Interior and the Integrated Border Management Working Group that will review the study TOR and assist in the tender evaluation.

6.3.1.2 Mine Action (approx. €1.9 million)

The project will provide funding that would contribute to increased security in FYROM, through lowering the risk imposed by presence of mines and UXOs in the former conflict regions.

The project will be implemented through three partners. United Nation Mine Action Service (UNMAS) office in Skopje will be contracted to coordinate the project activities, to maintain Information Management System for Mine Action (IMSMA) database, and to enhance the national capacity within the Ministry of Defence and its Civil Protection Unit. Two experienced international non-governmental organisations will be provided separate direct contracts to undertake UXO/ mine clearance and to provide on-the-job training for the newly trained staff from the Civil Protection Unit. Eight manual teams, three-mine detecting dog teams and one survey team will be engaged in the UXO/ mine clearance operations.

6.3.2 IMMIGRATION AND ASYLUM

Background

Illegal immigrants and asylum seekers are often the source of profound social tensions and a rise in criminal activities. Good immigration and asylum policies and laws help to mitigate such social problems and the EC in its CSP/ MIP proposes to provide assistance to foster solutions according to EU and international best practice.

Although FYROM is a signatory to the 1951 Refugee Convention and other key international protocols, the principles laid out in these instruments are not yet fully reflected in the country's national legislation. During the Kosovo crisis in 1999, FYROM received more than 360,000 refugees within a two-month period. The bulk of the refugees returned home after the conflict. The residual caseload, mainly Roma from Kosovo, is estimated to be approximately 3,500. While all have been granted "temporary protection status", the current FYROM law affords very little in terms of basic rights for refugees. A new Law on Asylum has been drafted with the help of UNHCR. The draft Law is in line with international and EU standards but is yet to be adopted by the government.

There is also pressing need for FYROM to improve its procedures for dealing with migrants entering the country. The flow of people using FYROM as a corridor to Western Europe is increasing. There were over 12,100 illegal migrants entering the country last year. The current Law on the Movement and Residence of Foreigners, which dates from 1992, is under review and needs to be amended to bring it up to European standards. This will cover such issues as a new visa regime and improved procedures for dealing with illegal migrants.

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 for asylum and migration matters. To date little progress has been made on the National Action Plan, other than some preparatory work.

The expected beneficiaries will, in the immediate term, be the 3,500 persons on "temporary protection status" in FYROM. Some of these have been on temporary protection status, with little or no rights, since June 1999. The government has delayed considering them as asylum cases. Similarly, an amended migration law and procedures will improve the processing and treatment of migrants entering the country.

Complementary and Past EC Assistance

ECHO has been providing humanitarian assistance to the refugees from Kosovo since 1999. In 2002, €0.6 million have been contracted to UNHCR to provide basic assistance (food, firewood) and durable solutions (voluntary repatriation scheme) to the remaining refugee caseload.

There is a very close link between the objectives of the Stability Pact Initiative and the EC CARDS programme. Working level discussions have already been held as to how both parties can co-operate in this area such as on the development and implementation of the National Action Plan.

A EU JHA Experts' Assessment mission to FYROM in June 2002 has shown to be a useful exercise for providing initial analysis of migration and asylum issues. This analysis will be fed into the National Action Plan process.

Related Activities of Other Donors

There is no bilateral donor activity in this area at present. The main players have been the UNHCR that helped draft the new Law on Asylum and the Stability Pact through its Migration and Asylum Initiative. IOM has been involved on helping improve procedures for dealing with migrants, in particular trafficked women.

Project Activities

6.3.2.1 Develop Immigration / Asylum Legislation and Strategy (approx. €2 million)

International experts will: (i) assist the Ministry of Interior (MoI) in revising all primary and secondary legislation pertaining to the new Law on Asylum in consultation with other relevant ministries and agencies; and (ii) draw up and finalise the National Action Plan. The Plan will provide a needs-analysis of asylum, migration, and visa regime matters. It will identify the legislative, institutional and administrative gaps in these areas.

On the basis of the National Action Plan, international experts will also develop and deliver a training programme over a period of 12 to 18 months. The programme will cover personnel from all the key ministries and agencies, including the MoI and MoLSP, the Centres for Social Work and the judiciary. It will also assist the MoI in instituting a more co-ordinated, inter-departmental approach to the management of asylum and migration issues generally.

The main project partner will be the Ministry of Interior. Other important partners are the Ministry of Labour and Social Policy (e. g. for asylum seekers with status), the Ministry of Justice and the Border Police.

The MoI and MoLSP will be closely associated to the preparation of the TOR for the project. They will also take an active part in the development of the National Action Plan working with the consultants' teams. The ministries will be instrumental in instituting a new inter-departmental approach for the management of migration and asylum issues.

6.3.3 FIGHT AGAINST CRIME

Background

Crime, especially the fight against drugs and money laundering has become an increasingly serious problem in the country. Tackling these two forms of crime is an immediate priority, which EC assistance will support.

Money Laundering: In September 2001, The Ministry of Finance established an Agency for the Prevention of Money Laundering (APML) in its Directorate for the prevention of money laundering. Essentially the Ministry's Directorate and the APML are one and the same institution. In August 2001, Parliament adopted the law on money laundering, which entered into force on 1 March 2002. Negotiations with the Egmont⁵ Group have started and it is expected that FYROM will become a full member next year. Regional cooperation is covered through the SECI⁶ centre in Bucharest. However, as stated in the recent Commission Staff Working Paper on the SAA status in FYROM, national structures need to be consolidated and co-ordination increased between the various law enforcement agencies, the financial sector and the judiciary.

Currently, the means to effectively enforce the new law are lacking. The Directorate/APML currently employs only 4 people, which are unable to process the hundreds of bank reports they have received largely due to a lack of equipment. Additionally, it lacks long-term technical assistance to assist in drafting/reviewing secondary legislation and design mechanisms that would reinforce institutional cooperation. EC assistance will focus on drafting of the required secondary legislation, ensuring national cooperation mechanisms and strengthening enforcement measures compatible with EU and international standards. Some related equipment will also be provided.

Drug Enforcement: Because of its geographical location, FYROM is primarily a transit country (not a major one) for the smuggling of illicit drugs into the EU. Domestic drug consumption levels are still relatively low and public awareness of the problem is limited. Government's policies are based on a national programme (draft action plan) for the fight against drug abuse and illicit drug trafficking enacted in 1996. An Inter-Ministerial Commission is also in place for the fight against drugs and is chaired by the Prime Minister, but it has no executive role.

Much more can and needs to be done in order to fight the drug problem. In general the government needs to strengthen and develop its legal framework, strengthen its border management capacity, increase co-ordination between law enforcement bodies and enhance international co-operation in the sector. More specifically, the government needs to develop a comprehensive strategy aimed at reducing illegal trafficking as well as domestic demand and supply. It should be based on the draft action plan prepared by the Interministerial Commission for the fight against illicit drugs. Even more important is the need to establish institutions that are able to

⁵ The Egmont Group brings together 58 national Financial Intelligence Units (FIUs). It fosters the development and exchange of information.

⁶ The Southeast European Cooperative Initiative (SECI) gathers 11 countries in the region, which co-operate operationally with national customs and police institutions.

organise/coordinate law enforcement activities. Currently, neither an overall strategy, a legal framework, nor enforcement mechanisms are in place.

Expected direct beneficiaries of both the money laundering and drug programmes will be the recipients of the technical assistance. In the medium-term, the country will benefit from the institutional capacity building measures resulting in improved enforcement and in reduced crime.

Complementary and Past EC Assistance

The police programme that started under the EC 2001 Rapid Reaction Mechanism (RRM), and the 2000 and 2001 integrated border management programmes complements proposed activities to fight money laundering and the drug problems.

A EU JHA Experts' Assessment mission to FYROM in June 2002 has shown to be a useful exercise for providing initial analysis of migration and asylum issues. This analysis will be fed into the National Action Plan process.

Related Activities of Other Donors

The proposed 2002 *money laundering* project will closely coordinate its activities with those of the American Embassy managed (US Treasury funded) "anti terrorist training project", with the Luxembourg based Agency for the Transfer of Financial Technology (training of financial institutions funded by Luxembourg under the umbrella of the Stability Pact) and with the SECI Centre in Bucharest. The proposed *drug control* activities will need to be closely coordinated with the ongoing UNDCP programme, with Europol, Eurocustoms, and the Lisbon based European Monitoring Centre for Drugs and Drug Addiction.

Project Activities

6.3.3.1 Support to Anti- Money Laundering Programmes (approx. €0.7 million)

Expert services will be provided to the Ministry of Finance's Directorate Against Money Laundering to: (i) develop enforcement mechanisms for existing legislation; (ii) draft and/or review secondary legislation; (iii) develop cooperation mechanisms among all institutions involved in the fight against money laundering; and (iv) train staff in domestic financial institutions as to how to deal with money laundering identification, prevention and enforcement issues.

Expert services will also reinforce the operational capacity of the Directorate through the procurement and installation of software and electronic connections between the Directorate and financial institutions. This will allow for more effective and efficient processing of reported financial transactions.

The Directorate will be the key project implementation partner. All activities will be jointly designed and undertaken with the support of the Directorate. The Ministries of

Justice and Interior will also be closely associated to the preparation of a detailed action plan.

6.3.3.2 Support for Anti Drug Trafficking Programmes (approx. €0.3 million)

Experts will assist in (i) drafting the law on narcotics; (ii) preparing secondary legislation on precursors and narcotics; (iii) prepare recommendations for the development of a comprehensive national strategy for the fight against drugs; (iv) prepare recommendations for the development of an operational institutional framework; and (v) develop a framework for effective cooperation mechanisms and information exchange in the country and region.

Project Partners are expected to be the Ministry of Health and the Interministerial Commission composed of representatives from the Ministries of Health, Justice, Interior, Agriculture, Education, Customs and the pharmaceutical industry.

7. PROGRAMME IMPLEMENTATION

Tendering and Contracting

The contracts for services, works and supplies will be concluded in accordance with the tendering and contract award procedures as laid down in the Financial Regulation, Council Regulation 2666/2000, the "Manual of instructions for contracts concluded for the purpose of Community co-operation with third countries" (adopted by the Commission on 10 November 1999) and the EuropeAid manual entitled "Practical Guide to EC External Aid Contract Procedures".

Project Planning and Implementation

This programme will be implemented under the responsibility of the European Agency for Reconstruction (except for the €3 million Tempus III programme), which will usually sign all necessary financing agreements and contracts with service providers and suppliers.

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

In addition to the general SAA conditionality, programme/ project conditionality may be imposed. This programme and project conditionality will be defined in the Financing Agreement/ Memorandum to be signed with the authorities. Failure to comply with programme/project conditionality may lead to delay, suspension or cancellation of the planned or committed assistance.

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.

Monitoring, Evaluation and Audit

This programme (except for the Tempus III programme, which the Commission will implement) will be supervised and monitored by the Agency which shall:

- a) Supervise the implementation of the programme on the basis of regular reports;
- b) 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 programme components may be checked at intervals by an outside auditor contracted by the Commission without prejudice to the responsibilities of the European Antifraud 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 FYROM under the Stabilisation and Association Agreement.

LIST OF ANNEXES

Indicative Disbursement Schedule.
Project Annexes with log-frames.

**ANNEX
Indicative Disbursement Schedule (€ million accumulated)**

Implemented by the Agency

Sector	June 2002	Dec 2002	Dec 2003	Dec 2004	Dec 2005	Dec 2006
Democracy and the Rule of Law		0.3	1.0	2.7	2.9	3.0

Private/Financial Sector Development		0.3	1.2	1.8	1.9	2.0
Trade		0.3	3.0	3.9	3.9	4.0
Local Infrastructure Development		0.5	5.5	13.5	13.8	14.0
Social Cohesion		0.3	1.0	1.8	2.3	2.5
Integrated Border Management		1.9	2.0	2.2	2.2	2.2
Immigration and Asylum		0.1	1.5	1.9	1.9	2.0
Fight Against Crime		0.2	0.5	0.9	0.9	1.0
Reserve Funds		1.1	2.7	3.5	3.7	3.8
TOTAL		5.0	17.2	30.3	33.4	34.5

Implemented by the Commission

	Dec 2003	Dec 2004	Dec 2005	Dec 2006	Dec 2007
Tempus	0.1	0.3	0.4	2.8	3.0

Total: 34.5+3.0 = €37.5 million