

**DRAFT PROGRAMME
SUPPORT PROGRAMME FOR THE FORMER YUGOSLAV
REPUBLIC OF MACEDONIA IN 2001**

1. IDENTIFICATION

Beneficiary state:	Former Yugoslav Republic of Macedonia
Programme:	Council Regulation (EC) No.2666/2000
Year:	2001
Cost:	€38.5 million¹
Expiry date:	31.12.2003 contracting 31.12.2004 disbursements
Sector:	AA
Group:	M
Budget line:	B7-541
Implementing Body:	

2. SUMMARY

This proposal is the second part of assistance to the Former Yugoslav Republic of Macedonia in 2001. The purpose of this assistance is to support the participation of the country in the Stabilisation and Association Process, following the signature of the Stabilisation and Association Agreement on 9 April 2001. The assistance also aims to contribute to helping the Government of the Former Yugoslav Republic of Macedonia to put in place some instruments to deal constructively and in accordance with EU principles and standards, with the emergency situation the country is currently facing.

As the CARDS Regulation was adopted in December 2000, the various programming documents mentioned in Article 3 of said Regulation are being prepared simultaneously in 2001.

This proposal consists of the following sectors and priorities.

1. Justice and Home Affairs : 11.5 million

- Judicial Reform – 2.5 million. Vocational training of Judges and Prosecutors. Assessment of the enforcement system
- Integrated Border Management – 5 million². Border demarcation with FRY and FRY/Kosovo. Integrated communications network for BCPs. Integrated border management strategy. Strengthening of control at 'Green Border'
- Customs Administration – 4 million. Development of secondary legislation. Strengthening of customs administration

¹ € 4 million were already allocated in a previous proposal

² These 5 Million € are part of the Regional Programme for "Integrated Border Management".

2. European Integration : 10 million

- Environment – 3.25 million. Preparation of National Environment Action Plan. Solid waste feasibility studies. Air quality monitoring stations
- Agriculture- 3 million. Veterinary and phyto-sanitary control. Extension of animal identification systems
- Support to Economic Reforms – 3.75 million. Support in preparation of a National Economic Development Programme. Support to the Institute for Norms and Standardisation. Policy advise to Ministry of Economy

3. Infrastructure development :13.5 million

- Transport : 11 million. Finalising the upgrading of the E75 road (Corridor X), section Negotino–Demir Kapija (Phase III)
- Small Infrastructure for Local Governments : 2.5 million. Small scale infrastructure Fund for municipalities

4. Education : 7 million.

- TEMPUS III – 3 million. Support to development of higher education
- South East Europe University – 4 million. Support for establishment of the University³

5. Small Scale Operations Fund: 0.5 million

- Small Project Fund for projects of less than 50.000 each. Managed by the EC Delegation.

Maximum available: €38.5 Million

3. GENERAL BACKGROUND

3.1. Past EC Funding

The former Yugoslav Republic of Macedonia became a Phare partner country in March 1996, having previously benefited under the Phare Critical Aid Programme (€ 85 million) between 1992 and 1996. The first Multi-Annual Indicative Programmes (MIP) for both the COP and the Cross border Cooperation Programme with Greece cover the period 1996-1999. The total funds allocated to the country over this period

³ This part of the programme has already been approved.

under both programmes amount to € 105 million, € 68 million under the COP and € 37 million under the Cross Border Cooperation (CBC) Programme.

The Cross-border Co-operation Programme with Greece has been primarily focused on infrastructure projects concerning the north-south Pan-European Corridor X and specifically on the up-grading of the E75 road, and east-west Corridor VIII (E65).

In 2000, assistance was based on priorities of the Stabilisation and Association Process. It totalled 18 million, and focused in particular on: approximation to internal market "acquis", public administration reform, justice and home affairs, education and support for the Central Finance and Contracting Unit.

Budget commitments in €millions										
Programme	1992	1993	1994	1995	1996	1997	1998	1999	2000	Total
Critical Aid		60		25						85
Cross Border Co-operation					10	10	10	7		37
Phare (national programme)					15	23	15	15	16.2	84.2
Phare (TEMPUS)					3		3		3	9
Phare (Blace border crossing)									4	
Phare (STAP/ATA)							1.6	1.2	1.8	4.6
EIB interest rate subsidy								20		20
ECHO		36.52		9.15	-	-	0.4	43.0		
Media			0.05	0.28	-	0.21	0.28	0.50		1.32
Democracy and Human Rights						0.50	0.20	-	-	0.7
BOP Support ⁴						40	-	80		120.0
Obnova (support for refugee related expenditure)								25		25
Total		96.57		34.43	28	73.71	30.48	191.7	25	475,89

3.2 Socio-political issues

The Former Yugoslav Republic of Macedonia became independent in 1991, following a referendum. According to the Constitution adopted in 1991, it is a parliamentary democracy, at present governed by a 3 party coalition. The current Government led by Prime Minister Georgevski took office in December 1998. It adopted an ambitious programme to boost the economy, reform legislation and the public administration,

⁴ Balance of Payment Support by DG ECFIN

reduce unemployment, increase foreign direct investment and to improve inter-ethnic relations as well as relations with neighbouring countries. A central plank of the Government's policy is the integration of the country into Euro-Atlantic structures.

Relations with the EC have been covered by the Co-operation Agreement, in force since 1998 and Agreements in the field of Transport and Textiles (in force since 1997). The Stabilisation and Association Agreement was signed on 9 April 2001, ratified by the partner country's Parliament on 12 April and received a positive opinion from the European Parliament on 2 May 2001. The Agreement will enter into force following ratification by the national Parliaments of the Member States.

In the meantime, an Interim Agreement which will enter into force on 1 June 2001 will regulate trade related matters of the Stabilisation and Association Agreement.

The priorities and policies adopted by the various Governments since independence have facilitated progress toward successful transition to a market based economy and fully democratic society. The main reform challenges the country faces in the near future are : (i) promoting private sector growth and job creation; (ii) enhancing the efficiency of the state; and (iii) alleviating poverty and developing human capital.

The capability of the public administration to implement and enforce legislation is weak ; this is particularly so at local level. Policy making skills within the public administration are generally low and in need of development. It is widely recognised by both the Government and international donors that public administration reform, including reform of the court system, is fundamental for the successful transformation of the country which is essential to bringing it closer to the European Union.

Reforms in public administration and in the economic sphere involving for instance loss making enterprises have meant far-reaching political consequences. Most decisions have an ethnic dimension which necessitates extreme sensitivity in a country where ethnic tensions are always just below the surface.

Following the FRY-FYROM border demarcation agreement, signed at the South East Europe Co-operation Process Summit in Skopje on 23/3/01, which left the village of Tanusevci on the FYROM side of the border, ethnic Albanian extremists began to foment trouble. Serious incidents at the border with FRY and Kosovo started on 4 March and lasted for several weeks around Tetovo with attacks by the ethnic Albanian extremists "National Liberation Army". The troubles resumed late April, spreading to other parts of the country; the situation is now extremely tense.

3.3 Socio-economic issues

Upon independence, the former Yugoslav Republic of Macedonia was confronted with very fragile enterprise, agricultural and financial sectors, as well as with weak – if not non-existent – institutions supporting the functioning of a market economy.

In 1997, the Economy of the Former Yugoslav Republic of Macedonia began a long-awaited recovery, albeit a fragile one, given regional circumstances. Following a sharp decline during 1994-95, output stabilised in 1996 and increased modestly by 1.5 % in 1997, 2.9 % in 1998, and 2.7 % in 1999. Recovery has generally reflected strong growth of agriculture and trade, somewhat offset by continuing poor performance of the industrial and financial sectors.

The country's economic growth will depend upon continued strong growth of agriculture, trade, and services coupled with accelerating growth in industry and mining, as formal enterprise performance improves. As a small country, growth depends heavily on export-oriented industries, trade liberalisation and promotion of foreign investment.

Unemployment remains exceptionally high at around 32.4 %, and has been a key factor in rising poverty rates since independence. The country's GNP per capita was estimated at US\$1,690 in 1999. A means-tested social assistance program was established in 1994 to alleviate rising poverty.

The country has made progress on structural reforms and macroeconomic stabilisation since 1994. By mid-1998, 95 % of industrial, commercial, and mining enterprises had been privatised. In the agricultural sector, half of the socially owned agricultural enterprises had been privatised, and the rest have privatisation projects underway. The sale of Telecommunications of the Former Yugoslav republic of Macedonia in 2000 provided fresh funds for Government finances, which in 1999 had been virtually in balance.

Trade has been liberalised and simplified, a number of free trade agreements have been signed, and the country has applied for membership to the World Trade Organisation and the Central European Free Trade Agreement. Although customs functions have been modernised, reforms are still needed.

New legislation has been adopted to stream-line bankruptcy proceedings, allow movable collateral, establish national property registries, prohibit monopolies, and speed up execution of claims. In 2000 Laws on Consumer Protection, Securities, Banks and Privatisation were passed. Value Added Tax (VAT) was introduced on 1 April 2000.

Reforms have been made to strengthen the financial system, which, however, still remains fragile. Reforms include the restructuring and sale of the largest commercial bank in April 2000, spin-off of branch banks, and the development of a national stock exchange. Labour laws and pension and health sector legislation have been amended to bring them in line with western standards.

Reforms are needed to rationalise public expenditures, restructure state institutions and civil service, and redefine the scope of state intervention in the economy.

4. PROGRAMMING CONTEXT

4.1 The current situation

The Stabilisation and Association Agreement offers substantial benefits such as better trade access and formal political relations with the EU. But the Agreement also entails obligations; to respect human rights and the right of minorities, the rule of law, to carry out economic reforms, to move towards free trade, to align legislation with EU standards. In fact the Agreement is a reform agenda in itself. In this respect, the process poses a serious challenge to former Yugoslav Republic of Macedonia, not only because it is the first country to sign a Stabilisation and Association Agreement,

but also to give a new impetus to the ongoing reform processes and to be able to deliver on the requirements of the Agreement.

The serious ongoing internal conflict has been taken into account notably in the creation of a Small Scale Infrastructure Fund, which aims at infrastructure development in the most disadvantaged areas of the country.

4.2 The programme rationale

In view of the situation of extreme tension and internal conflict, this programme wishes to target not only key sectors and priorities of the Stabilisation and Association Process, but also provide assistance to the Government in its efforts to deal with the present emergency situation in accordance with EU principles and standards.

4.3 The programming criteria

The main criteria are:

- To assist in the reform of sectors which will allow the country to comply with the obligations of the Stabilisation and Association Agreement
- To ensure that the programme is in line with the Government's own priorities
- To intervene in sectors where the EU has a comparative advantage
- To ensure there is no overlapping with activities undertaken by other donors

4.4 The choice of sectors

The sectors have been selected by reference to the priorities established in the Stabilisation and Association Process and an assessment of the challenges facing the country and the areas in which the European Community enjoys a comparative advantage as a donor. The sectors and priorities have been discussed with the Government of the partner-country and full account has been taken of the activities of other donors.

The sectors singled out for assistance in this proposal aim to contribute to strengthen the rule of law by improving the effectiveness of the Judiciary and legal professions, to help the State develop an integrated border management strategy, to strengthen the institutions of the State, to continue the process of legal approximation with the EU "acquis communautaire", to assist in the improvement of the country's transport infrastructure, and to improve the quality of university education in general.

5. IMPLEMENTATION

The programme will be implemented by the Commission Services on behalf of the national authorities in close collaboration with the relevant national and/or local authorities. While decentralisation may be decided on a case by case basis, centralised implementation will remain the model, awaiting deconcentration foreseen for 2002.

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

The contracts for services, works and supplies shall be concluded in accordance with the contract award procedures laid down in 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).

6. INDICATIVE DISBURSEMENT SCHEDULE (M€ ACCUMULATED)

Sector	Oct 2001	Dec 2001	June 2002	Dec 2002	June 2003	Dec 2003
Justice and Home Affairs		3.9	6.25	8.35	10	11.5
2. European Integration		4.85	6.35	7.85	9	10
3. Infrastructure development	2.5	3.5	6.5	9.5	12.5	13.5
4. Education		3	3	3	3	3
5. Small Scale Operations Fund	0.5	0.5	0.5	0.5	0.5	0.5
TOTAL		15.75	22.6	32.5	35	38.5

7. MONITORING, EVALUATION AND AUDIT

This programme will be monitored and supervised by the European Commission services, who shall:

- a) monitor 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 will be checked at intervals by an outside auditor contracted by the Commission without prejudice to the responsibilities of the European Commission, including the European Antifraud Office (OLAF) and the European Union's Court of Auditors.

8. RISKS

The programme has been designed with a view to minimising any risks which might arise, for example, from inadequate preparation of its various components. There remain, however, risks related to possible weaknesses in co-ordination between the various Government services involved in the programme, the obligation of the beneficiary institutions to provide adequate staff and facilities for programme implementation, the commitment of the Government to provide the necessary budgetary resources in future years to ensure programme sustainability and changes in policy orientations underlying programme design. The smooth implementation of the programme could be jeopardised in the event of a deterioration of the situation in the country.

ANNEX 1**Sector 1: Justice and Home Affairs**

Programme: Judicial Reform

Budget: € 2.5 million

1. PROGRAMME SUMMARY

The purpose of this programme is to assist in reinforcing the rule of law and consolidating the independence of the Judiciary. This will be achieved by:

- Providing vocational training for judges and prosecutors
- Providing technical assistance to carry out an assessment of the enforcement system

2. BACKGROUND

There are 27 Basic Courts, 3 Appellate Courts, a Supreme Court and a Constitutional Court in the former Yugoslav Republic of Macedonia. There are no specialised courts. Over 650 judges sit on the bench.

The Annual Report for the Work of Courts in 1999 of the Supreme Court of the former Yugoslav Republic of Macedonia stresses the fact that each judge is responsible for more than 1000 cases per year (many of which are of predominantly administrative nature).

There are 193 prosecutors, 1 Public Prosecutor of the Republic, 3 Higher Public Prosecutors, 22 Basic Public Prosecutors and 167 Deputy Public Prosecutors in the former Yugoslav Republic of Macedonia. There are 22 Basic Public Prosecutor Offices, 3 Higher Public Prosecutor Offices, and 1 Office of the Public Prosecutor of the Republic.

The Stabilisation and Association Agreement will have a positive impact on the improvement of the level of harmonisation of current legislation with EU legislation. The Agreement attaches particular importance to the reinforcement of the law-enforcement institutions and the machinery of Justice, and single out the improvement of the effectiveness and training of the legal professions as an area for co-operation.

The Ministry of Justice, is responsible in particular for continuing education, provision of equipment and adequate business location for the judicial administration.

The Centre for Continuing Education (CCE) of Judges is an NGO set up within the Judges Association of the Former Yugoslavian Republic of Macedonia. It became operational in March 1999. A network of eight installed computers is available for training of the association members and a web site is being created. So far approximately 5000 judges have been trained, meaning that the same judges attended several different courses.

The Public Prosecutors Association (MPPA) of FYROM has been established in June 1999 as a non-governmental, non-profit, non-partisan and professional organisation of the Public Prosecutors, Deputy Public Prosecutors and Expert Associates working in the Public Prosecutor Offices in the Country. There are approximately 190 members of the MPPA. The Executive Board of the MPPA has 13 members one of whom is the president, one the deputy-president and one the secretary.

3. PAST EU FUNDED ASSISTANCE

Reform of the Judiciary was included in the Public Administration Reform programme funded by the Phare 1997 national programme. Support focused on the analysis of the misdemeanour case system and providing IT equipment to the misdemeanour divisions of some of the Basic Courts, as well as on simplifying registration procedures for commercial companies and providing IT equipment for the three registration courts.

Under the 2000 programme, assistance is provided to enhance the effective fulfilment of tasks associated with reform of the court system and judicial administration. Specifically, the programme is intended to: (i) improve the level of compliance of national legislation in the area with EU legislation; (ii) implement sustainable means of managing the court administration reform process; (iii) reduce the volume of workload of the courts; (iv) provide a basis for a secure system of court budget execution; (v) increase of the efficiency of the court administration; and (vi) enhance the transparency to the public and access to court decisions.

4. GENERAL OBJECTIVE

The general objective of this project is to reinforce the rule of law and to consolidate the independence of the Judiciary.

4.1. SPECIFIC OBJECTIVES

The specific objective is to improve the effectiveness of the Judiciary and Legal professions.

5. ACTIVITIES

The activities foreseen under this programme are:

- Vocational training for Judges and Prosecutors (target: 150-200 persons in total) covering national private, public and penal law as well as Community law will be provided, on the basis of the case study method. The programme should also include the development of a training curriculum for judges and prosecutors. The training activities for the Judges and Prosecutors will enhance the effectiveness of the Judiciary. Not only will it introduce Community legislation into the practices of the Judiciary and Prosecutors, but the case study method will also train the Judiciary to deal more effectively with cases, and thus reduce the backlog. The so developed training curriculum can be used for future activities, with or without foreign assistance.
- Technical assistance to carry out an assessment of the enforcement system in the enforcement divisions of the courts.

6. BUDGET (in €)

	Investment	Institution Building	Other	TOTAL
Training (incl. TA component))		2 350 000		2 350 000
TA (assessment)		150 000		150 000
TOTAL		2 500 000		2 500 000

7. IMPLEMENTATION

This programme will be implemented by the Commission Services on behalf of the national authorities in close collaboration with the relevant national and/or local authorities. Decentralisation may be considered taking into account the deconcentration process foreseen for 2002.

The contracts for services and supplies shall be concluded in accordance with the contract award procedures laid down in 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).

8. LOCAL OWNERSHIP

The Ministry of Justice is responsible for the overall co-ordination of the programme. The training component will be implemented by the Centre for Continuing Education of Judges.

A Steering Committee composed of representatives of the Ministry of Justice, the Supreme Court, the Public Prosecutors' Association and the Centre for Continuing Education of Judges shall be established.

9. CONDITIONALITY

The successful implementation of this programme is conditional on the co-operation of the Centre for Continuing Education of Judges in the provision of training also to the prosecutors, in co-operation with the Prosecutors' Association. In the absence of such co-operation the Commission may suspend or cancel all or part of the programme

10. RESULTS

- Create the conditions so that 150 – 200 Judges and Prosecutors can be trained on the changes made in the legislation of FYROM due to its alignment to EU legislation
- A gap analysis of the enforcement system is made.

ANNEX 2

Sector 1: Justice and Home Affairs

Programme: Integrated Border Management
Budget: €5 million

1. PROGRAMME SUMMARY

The Integrated Border Management programme aims at supporting assistance to border control aspects of integrated border management.

Controlling the former Yugoslav Republic of Macedonia's international borders has implications both for the field of Justice and Home Affairs and for trade-related issues. First, and most importantly in the present situation, borders are not being controlled effectively and, by not being clearly defined and demarcated, are vulnerable to insurgency. Second, the former Yugoslav Republic of Macedonia's borders are acting as obstacles to trade and integration through long waits at border crossings, new visa requirements and high transaction costs.

An effective solution to border management must recognise that the worlds of Justice and Home Affairs and of trade facilitation meet at international borders. For this reason, an integrated approach is being developed for CARDS support to the former Yugoslav Republic of Macedonia in the area of border management. Under this approach, the Justice and Home Affairs border control and policing task will be integrated with the work of agencies involved in trade facilitation at the formal border crossings, notably customs, veterinary and phyto-sanitary agencies.

Reflecting the regional importance of this type of support, the €5 million foreseen in 2001 for integrated border management under the national programme has been provided from the CARDS regional envelope and is additional to the normal allocation for the former Yugoslav Republic of Macedonia's national programme.

The programme is subdivided into:

- Integrated Border Management Strategy
- Border demarcation
- Integrated Communications Network for Border Crossing Points
- Training of Border Guards for the monitoring of the Green Border

Subprogramme: Integrated Border Management Strategy

Programme: Integrated Border Management
Subprogramme : Integrated Border Management Strategy
Budget: €0.5 million

1. BACKGROUND

The authorities responsible for the management of the State border face difficult geographical conditions. The frontier often cuts across mountainous and sparsely populated terrain, and rarely coincides with natural features, e.g. rivers. The former Yugoslav Republic of Macedonia has a common border of 256 km with a Member State of the Union (Greece). Unstable situations are observed in some neighbouring countries, where political and public order problems are well catalogued. The border with Federal Republic of Yugoslavia has recently been agreed, whereas an agreement has been signed with UNMIK authorities regarding the border with Kosovo.

A range of illegal cross-border activities have been detected by the authorities charged with the management of the official Border Crossing Points. Significant levels of attempted illegal immigration (inbound traffic) have been reported at the Northern and Eastern borders, with information from apprehended persons indicating that most of this traffic is in transit to Member States of the European Union. The smuggling of drugs and weapons has been reported in the West and South (inbound and outbound). Numerous reports of illegal traffic in alcohol and tobacco products have also been reported.

Immediate objectives have been identified for improvement in the management of persons and goods crossing the State border of the former Yugoslav Republic of Macedonia. Further immediate objectives concerning the control of contraband materials within the State territory have been identified.

Five government ministries are responsible for the direct management and control of the State border:

- Ministry of Interior (Border Police Department): responsibility for management of the State border at the official Border Crossing Points.
- Ministry of Defence (Army): responsibility for the control of the Green Border.
- Ministry of Finance (Customs Administration): management of goods crossing the State Border and within the State territory.
- Ministry of Agriculture (Veterinary and Phyto-sanitary services): management of agricultural produce and foodstuffs crossing the State border.
- Ministry of Health: preventing inflow of contagious diseases.

The Border Police Department jurisdiction for the control of the State border is limited to the official Border Crossing Points and the immediate vicinity thereof. Responsibility for management of the Green Border resides with the Army of FYROM. Hence, there is no single authority having administrative or operational responsibility for the management of the State border.

The Border Police Department has primary responsibility for management and control of persons crossing the State border. The Border Police Department has additional responsibilities for the control of weapons and ammunitions, drugs and radioactive material. In this respect there is an overlap of responsibilities between the Border Police Department and the Customs Administration.

The Customs Administration has formal responsibility for the effective flow of goods, money and services within the territory of the State, and for the collection of fiscal duties, customs duties and related taxes under this authority.

Ministry of Agriculture services have responsibility for the management of agricultural products or foodstuffs within the State territory. At the level of the Border Crossing Point, the Veterinary and Phytosanitary services would work in close co-operation with the Customs Administration.

2. PAST EU FUNDED ASSISTANCE

The national programme 2000 provided 4.35 million for the development, implementation and maintenance of a co-ordinated strategy for management and control of persons and goods entering, leaving or transiting through the State territory, via all official Border Crossing Points.

3. GENERAL OBJECTIVES

The general objectives are to bring the border regime of the former Yugoslav Republic of Macedonia up to the level required to ensure international standards of border control and to create an effective and efficient border regime.

3.1. SPECIFIC OBJECTIVE

The specific objective is to implement a comprehensive national strategy for integrated border management.

4. ACTIVITIES

- Technical assistance to upgrade the working standards of the Border Guards to those of a modern law-enforcement agency; to develop new structures and maximise the impact this will have on recruitment, training and operations. To develop internal management providing the Ministry the opportunity to macro-manage a future National Border Guard Strategy, which takes the service to 2004 and beyond; to assist in the preparation of future proposals to the CARDS programme or any other bilateral or institutional donors. This assistance should include advice on priorities and implementation strategies. Further, the TA will advise on inter-agency co-operation and offer to him possible options for the Border Guards to be pro-active in developing new inter-agency operational and information-exchange forums.
- Technical Assistance for a policy-review, and development of a Management Strategy which seeks to bring the Border Guards up to the standard of a typical EU border management agency, although taking into consideration the serious economic restraints placed on the service.
- A review of the current legislation, including recommendations as to what new legislation is required for the agencies active at the border, and in particular for the Border Guards, and assessment of the standard of implementation of the current legislation.

- The development of modern operational techniques based on international norms and standards and on a review of all current operational procedures of the Border Guards and the provision of detailed recommendations as to how the service can adopt new practices, if necessary.
- A number of exchange visits between Border Guards and sister-agencies in the EU and/or candidate countries.
- Technical Assistance for the set up of a new training system, assistance to the acquisition of knowledge on international norms and standards at all hierarchical levels of the Border Guards corp.

Inputs to the strategy – including its scoping and further detailing – may be provided during the Justice and Home Affairs Situation Report Missions by Member States experts that shall be financed under the regional order for services.

5. BUDGET (in €)

	Investment	Institution Building	Other	TOTAL
Technical Assistance (incl. study visits)		500 000		500 000

6. IMPLEMENTATION

This programme will be implemented by the Commission Services on behalf of the national authorities in close collaboration with the relevant national and/or local authorities. Decentralisation may be considered, taking into account the deconcentration process foreseen for 2002.

The contracts for services, works and supplies shall be concluded in accordance with the contract award procedures laid down in 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).

7. LOCAL OWNERSHIP

It is important to stress that while private sector consultants and Member States expertise will be used in the development of the strategy and financed from CARDS, the strategy must be led and owned by the government of FYROM.

The Government needs to determine which Ministry will be responsible for implementation of the programme.

8. CONDITIONALITY

The Government should be committed to implement the strategy once completed.

9. RESULTS

- Assist the Government in the preparation of a comprehensive national border management strategy
- Assist the Government in preparing development plans for all Agencies with border control functions
- Assessment of the legislative framework so it can be adjusted to conform with EU standards and it addresses the needs of the Agencies
- Assessment of operational procedures so they are adjusted to conform with EU standards and norms
- Assist in the development of the Training curriculum for border guards

Subprogramme: Border Demarcation

Programme: Integrated Border Management
Subprogramme : Border Demarcation
Budget: €1 million

1. BACKGROUND

Article 5 of the Agreement for Border Demarcation Between the Former Yugoslav Republic of Macedonia and the Federal Republic of Yugoslavia⁵, signed in Skopje, on the 23rd of February 2001, provides for the setting up of a Joint Committee whose competence shall be, by reading the textual description of the spreading of the border line to commence the demarcation of the state border line on the spot. This shall be done within the period of two years from the entry into force of the agreement.

The Joint Committee shall commence the demarcation of the borderline and shall create the border documentation, in which it shall describe the adopted way of demarcation of the common borderline as well as the location of the border marks. The Joint Committee shall adopt secondary legislation, Guidelines for Demarcation and Technical Rules for the Preparation of the Border Documentation.

2. PAST EU FUNDED ASSISTANCE

None

3. GENERAL OBJECTIVE

The general objective of this project is to define and demarcate all border lines of the former Yugoslav Republic of Macedonia.

3. 1. SPECIFIC OBJECTIVES

The immediate objectives are to assist in the demarcation of the border lines with the Federal Republic of Yugoslavia and the FRY/Kosovo and to increase the security of the state borders of the former Yugoslav Republic of Macedonia and the Federal Republic of Yugoslavia, including FRY/Kosovo.

4. ACTIVITIES

For the beginning of the demarcation procedures the following activities are needed:

- Technical Assistance to the preparation of the legal framework and geodesic and construction experts for the performance of the works and preparation of the border documentation. It is necessary to produce border documentation consisting of descriptions of the location of the border pyramids and the spreading

⁵ The actual title of the document is *Agreement between the Republic of Macedonia and the Federal Republic of Yugoslavia for the spreading and description of the state border line*

of the border line, outlines/drawings describing the location of each boundary-pyramid and photos of the pyramids.

- Purchase of equipment, including terrain vehicles, communications means, hand GPS devices, laptop and software, binoculars, maps, cameras, first-aid field equipment, etc – to facilitate the Joint Committee in the performance of its field activities.
- Construction works including the construction and laying of the main (big) and auxiliary (small) border-pyramids.
- Clearing of a border zone a few meters deep from the border line, and all along the 280kms of the frontier.
- Maps and plans – in the preparatory phase it is necessary to provide copies of the cadastre plans and maps locating the state borders.

5. BUDGET (in €)

	Investment	Institution Building	Other	TOTAL
Equipment (incl. field vehicles etc.)	250 000			250 000
Construction works (incl. use of helicopter)	550 000		100 000	650 000
Clearing of the border zone	100 000			100 000
TOTAL	900 000		100 000	1 000 000

6. IMPLEMENTATION

This programme will be implemented by the Commission Services on behalf of the national authorities in close collaboration with the relevant national and/or local authorities. Decentralisation may be considered, taking into account the deconcentration process foreseen for 2002.

The contracts for services, works and supplies shall be concluded in accordance with the contract award procedures laid down in 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).

7. LOCAL OWNERSHIP

The Joint Committee for Demarcation shall be managed by representatives of the Ministries of Foreign Affairs, according to their competencies, with participation of the appropriate experts from other Ministries and organisations.

For the needs of the FYROM part of the Committee for Demarcation a Secretariat should be formed from representatives of the Ministry of Foreign Affairs.

The Administration of Kosovo shall be regularly informed and when necessary consulted.

8. CONDITIONALITY

Agreement of FRY and FYROM authorities to the action is necessary. Complementary actions on the FRY side of the border are to be performed, as required under international law on demarcation. The involvement of UNMIK in the process is also a necessary component.

The composition of the Joint Committee, the expropriation of land and property at the border and the time-frame need to be determined by the parties concerned.

9. RESULTS

The results outlined below are very dependent on the agreement between the FRY and the FYROM authorities to implement this programme.

- Relevant legal framework and border documentation developed and prepared.
- Procurement of the equipment.
- Construction works, including the construction and placement of the main (big) and the auxiliary (small) border pyramids, performed.
- Creating the conditions so that 280km of border zone are cleared.
- Cadastre maps and plans for the border regions are developed.

**Subprogramme: Integrated Communications Network
for Border Crossing Points.**

Programme: Integrated Border Management
Subprogramme : Integrated Communications Network for Border Crossing Points.
Budget: €1.5 million

1. BACKGROUND

The Ministry of Interior is in the process of expanding the communications network and connecting the relevant border crossings. Last year, through the Government's decision of 10 October 2000, the Ministry of Interior became responsible for the data-transfer system for the state services active at BCPs. This decision provided the necessary conditions for the connection of the Customs terminals with the main computer centre. On the basis of this decision and in compliance with the Law for Internal Affairs and the Law for Telecommunications, the Ministry of Interior and the Ministry of Finance (Customs Administration) signed an Agreement that regulates relations between these two institutions and to establish a comprehensive integrated communications network for BCPs.

For this purpose the Government has allocated the necessary resources for the upgrading of the servers for data-transfer and to increase the number of leased lines and/or telecommunications capacity to fulfil the needs of Customs, providing the necessary number of connections (on the border and in the state - customs terminals).

The terminals on the official border crossings are also to be provided with special equipment (PCs, servers, printers, passport readers, hubs, fingerprint scanners, digital cameras, video systems, faxes, telephone switches, phones, generators, UPS, etc.). The purchase of this equipment is partly covered with a credit of 30 million USD from Ex-Im Bank and through Phare national programme 2000 (1.5 Meuro).

The institutions dealing with border control services in the country need to be able to share information and have access to the same databases. The increasing number of users, more applications for access to the existing databases and the creation of new ones, urgently require the expansion of disk space in the main frame. Equally important is the need to increase the level of software protection, for example through firewalls, because of the increase in the flow of sensitive data. The preparation and maintenance of an integrated border control system needs extensive education for IT experts (courses, seminars, training). Training on the methodology and procedures applied in the EU member states will also be needed to create the possibility of data transfer.

The programme is designed to establish a system in which the participant institutions can share common databases in a new sub-system for Integrated Border Control and that can be shared in the future with European Union's Member States. The system for data-transfer featuring the possibility of automated control of people and goods at official border crossings will be the first step in this direction.

Five government ministries bear responsibilities in relation to the direct management and control of the State border:

- Ministry of Interior (Border Police Department): responsibility for management of the State border at the official Border Crossing Points.
- Ministry of Defence (Army): responsibility for the control of the Green Border.
- Ministry of Finance (Customs Administration): management of goods crossing the State Border and within the State territory.
- Ministry of Agriculture (Veterinary and Phytosanitary services): management of agricultural produce and foodstuffs crossing the State border.
- Ministry of Health: preventing inflow of contagious diseases.

The Border Police Department jurisdiction for the control of the State border is limited to the official Border Crossing Points and the immediate vicinity thereof. Responsibility for the management of the Green Border rests on the FYROM Army. Hence, there is no single authority having administrative or operational responsibility for the management of the State border.

The Border Police Department has primary responsibility for the management and control of persons crossing the State border. The Border Police Department holds additional responsibilities for the control of weapons and ammunitions, drugs and radioactive material. In this respect there is an overlap of responsibilities between the Border Police Department and the Customs Administration.

The Customs Administration has formal responsibility for the effective flow of goods, money and services within the territory of the State, and for the collection of fiscal duties, customs duties and related taxes under this authority.

The services of the Ministry of Agriculture are responsible for the management of agricultural products or foodstuffs within the State territory. At the level of the Border Crossing Points, the Veterinary and Phytosanitary services would work in close co-operation with the Customs Administration.

2. PAST EU FUNDED ASSISTANCE

The national programme 2000 provided 4.35 million for the development, implementation and maintenance of a co-ordinated strategy for management and control of persons and goods entering, leaving or transiting through the State territory, via all official Border Crossing Points.

The 2000 programme focused on the improvement of procedures, methodologies, capability and procedures of the Border Police Department, Ministry of Interior and customs administration for the management and control of goods and persons at the border Crossing Points.

3. GENERAL OBJECTIVE

The general objective is to improve the co-operation and efficiency of the border police and customs authorities in the fight against crime and the prevention of illegal activities.

3. 1. SPECIFIC OBJECTIVES

The specific objectives are to improve internal communications between the services of the Ministry of Interior and those of the Customs Administrations and to develop an Integrated Communications Network for the control of persons and goods at the border crossings and organise databases which could be shared between all the institutions responsible for border control services.

4. ACTIVITIES

The following activities are foreseen :

- Technical assistance to develop a comprehensive IT and training strategy.
- Education of IT specialists for security measures and procedures.
- Technical Assistance to provide support in defining and adjusting the software development of the border control procedures in order to bring it in line with EU practice.
- Procurement of equipment (PC, printers, etc.) for Ministry of Interior, Customs Administration, Ministry of Agriculture (Phyto-sanitary and Veterinary Inspectorates), Ministry of Health and other Institutions providing border crossing services.
- Upgrading and migration of the Communications Network.
- Education of IT development specialists of the institutions providing border crossing services on development of software components.

5. BUDGET (in €)

	Investment	Institution Building	Other	TOTAL
Development of training strategy		50 000		50 000
IT training		150 000		150 000
Special purposes IT equipment		900 000		900 000
TA for development and implementation of applications		400 000		400 000
TOTAL		1 500 000		1 500 000

6. IMPLEMENTATION

This programme will be implemented by the Commission Services on behalf of the national authorities in close collaboration with the relevant national and/or local authorities. Decentralisation may be considered, taking into account the deconcentration process foreseen for 2002.

The contracts for services, works and supplies shall be concluded in accordance with the contract award procedures laid down in 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).

7. LOCAL OWNERSHIP

The Government needs to determine which Ministry will be responsible for the implementation of the Programme

8. CONDITIONALITY

The successful implementation of this project is conditional on the adoption by the Government of an integrated strategy for customs, border crossing points and border controls. In the absence of such a strategy the Commission may suspend or cancel all or part of the project.

9. RESULTS

The programme has created the conditions for :

- A comprehensive training strategy addressed to IT staff.
- IT specialists trained on security measures and procedures.
- IT development specialists trained on the Development of software components.
- IT equipment installed and operational.
- Development and implementation of software applications.

**Subprogramme : Training of Border Guards for the monitoring
of the “green border”**

Programme: Integrated Border Management
Subprogramme : Training of Border Guards for the monitoring of the “green border”
Budget: € 2 million

1. BACKGROUND

The Army of the former Yugoslav Republic of Macedonia secures the state border, line and combined, or the border zone for 100 meters into the territory.

The competence of the Army and the Ministry of Defence is sanctioned by the *Law on crossing and movement within the border area*. The procedures for implementation of the border security measures, controls, co-operation with other Ministries (MI⁶), Customs office, local self-government and the population are enshrined in the *Border Service Rule* in accordance with the *Law on crossing and movement within the border area*. The above-mentioned law lays the foundations for the creation and functioning of the border units.

According to the same law, four border battalions are formed, one for each of the borders of the Former Yugoslav Republic of Macedonia. The reach of the border-guard houses varies for each border: one watchtower controls a region of 20 km, towards Bulgaria around 45 km, towards Greece around 37 km, and towards Albania 10 km..

The border units have detected a large number of illegal crossings of the border. Several incidents of illegal trade of narcotics and weapons, and cross-border transit have been registered. Only during the second half of 2000 illegally imported goods for a value of approximately 200.000 DM were confiscated by the Border Guards of the Ministry of Defence.

Considering the provisions of the *Law on crossing and movement within the border area*, that define the competencies of the border units of the Army within the border zone, the enhancement of the operating procedures and further equipment for the Border Guards would improve the functioning and efficiency of the security system.

2. PAST EU FUNDED ASSISTANCE

None

3. GENERAL OBJECTIVE

The wider objective is to create the conditions for total operational readiness of the FYROM Army border units up to the level required to ensure international standards of border control.

⁶ Ministry of Interior

3. 1. SPECIFIC OBJECTIVES

The specific objectives are to improve the efficiency of the border guard units in the prevention of uncontrolled migration, illegal trafficking at the “Green Border” and to optimise the co operation and information flow between the Border Guards of the Ministry of Defence and the Border Police of the Ministry of Interior and the Customs Officers of the Ministry of Finance.

4. ACTIVITIES

The following activities are foreseen under this programme :

- Technical assistance for adoption of the concept of integrated border management and definition of certain border control procedures for the border guards on the “Green Border”.
- Training: definition, adoption and practical implementation of the concept, training in the usage of the technical equipment and implementation of the immediate tasks to be performed at all levels to carry out controls at the “Green Border”.
- Introduction of special-purpose equipment and its constant usage (inspection and computer equipment like border monitoring and control equipment, including vehicles and vision and telecommunications equipment, currently being detailed).
- Building of training capacity and improvement of the practical experience as well as upgrading the degree of expertise of border-guard officials. Training will include the basics of law enforcement (including anti-corruption), familiarity with the relevant legislation, information-handling, processing and dissemination, documentation controls and documentation-forgery, technical training (communication skills, EU legal systems, immigration procedures, crisis management, criminal case analysis etc, for target groups of border guards, guard and immigration officers), management skills (f.e. development of an integrated and coherent strategy for the most efficient use of human and financial resources among the border guards/police/immigration services), dealing with refugees, asylum seekers and illegal immigrants. A substantial component will be focused on language training and maintenance of equipment.

5. BUDGET (in €)

	Investment	Institution Building	Other	TOTAL
Training of the border guards (incl. training on usage of equipment, language training)		600 000		600 000
Technical Assistance		100 000		100 000
Special purpose equipment	1 300 000			1 300 000
TOTAL	1 300 000	700 000		2 000 000

6. IMPLEMENTATION

This programme will be implemented by the Commission Services on behalf of the national authorities in close collaboration with the relevant national and/or local authorities. Decentralisation may be considered, taking into account the deconcentration process foreseen for 2002.

The contracts for services, works and supplies shall be concluded in accordance with the contract award procedures laid down in 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).

7. LOCAL OWNERSHIP

The Ministry of Defence (Army) is responsible for the management and control of the "green border". Co-operation with the Border Police Department of the Ministry of Interior should be ensured whenever necessary.

8. CONDITIONALITY

Training will only be provided to officials permanently employed at the Border Guard services of the Army. The equipment component needs to be precisely identified to allow its optimal use and to ensure it is destined to the performance of civilian functions of the Border Guards. In the absence of identification of equipment, the Commission may suspend or cancel all or part of the programme.

9. RESULTS

The programme aims to create the conditions for:

- Operational procedures of the Border Guards units of the former Yugoslav Republic of Macedonia developed.
- Special purpose equipment delivered and functioning.
- Trained border guard officials, resulting in an increased rate of detection

ANNEX 3

Sector 1: Justice and Home Affairs

Programme: Institutional capacity building of Customs Administration
Budget: € 4 million

1. PROGRAMME SUMMARY

The purpose of this programme is to assist in the creation of a fully operational Customs Administration compliant with EU norm and standards. This will be achieved by:

- Technical assistance for the review and amendment of legislation, and recommendations for future activities on the basis of blueprints
- Providing training for customs officials as well as Border Police and Phytosanitary and Veterinary inspectors, in customs related matters
- Supply of special purpose equipment and communications equipment

2. BACKGROUND

A range of illegal cross-border activities have been detected by the authorities charged with management of the official Border Crossing Points. Significant levels of attempted illegal immigration (inbound traffic) have been reported at the Northern and Eastern borders and the information received from apprehended persons indicates that most of this traffic is in transit towards EU member states. On top of this, the smuggling of drugs and weapons has been reported in the West and South (inbound and outbound). Numerous reports of illegal trafficking in alcohol and tobacco products have been reported.

As far as the legislative framework is concerned, the new Customs Law was enacted in 1998 and was published in the Official Gazette No. 21/98. The general elements of the Law entered in to force on 01.01.1999, while the application of the elements connected with customs procedures started on 01.04.2000. Therefore, the process of enactment of appropriate secondary regulations should be finalised thus facilitating the legal application of the Customs Law.

In 1998, Customs representatives of EU Member States and Phare Partner Countries developed, under Commission's supervision and with assistance of Eurocustoms, a set of minimum standards (Blueprints) for 13 key-sectors within the Customs area. The Customs Administration then conducted a gap-analysis, identifying the gaps between these "minimum standards" and the existing situation in each Customs area, and initiated activities aimed at closing these gaps.

Immediate objectives have been identified for support to the Customs Administration in completing the legal framework for its operation and improving its operational capacity to meet the requirements set forth in the Blueprints and in Article 88 of the

Stabilisation and Association Agreement.

The Customs Administration, according to its status, belongs to the Ministry of Finance, its position being determined by the terms of the new Customs Law (1998). This position of the Customs Administration was maintained with the New Law on Organisation and Activities of the State Administration Bodies (OG 58/2000).

The Customs Administration has formal responsibility for the effective flow of goods, money and services within the territory of the State, and for the collection of fiscal duties, customs duties and related taxes under this authority. With specific reference to border management, the Customs Administration has primacy for the management of goods and the control of contraband across the State border.

Its activities cover four sectors: (i) Customs and Legal Matters; (ii) Control and Investigation; (iii) Organisation, Personnel, Training and Finance; and (iv) Information. The Control and Investigation Sector has 74 staff, with a Control and Revision Department (31), and an Investigation Department (Investigation Service - 8, Intelligence Service - 18, and Mobile Service - 16). The Department for Training and Normative Activity within the Organisation, Personnel, Training and Finance Sector has 7 staff.

3. PAST EU FUNDED ASSISTANCE

The national programme 2000 included a Justice and Home Affairs programme of 4.35 million. In the field of customs, the objectives of this programme were:

- a) To improve the procedures, methodologies and equipment of the customs Administration and Border Police Department for the detection and control of contraband materials and illegal persons crossing the State border at or in the vicinity of the Border Crossing Points.
- b) To improve the procedures, methodologies and equipment of the customs Administration for the detection of contraband materials and customs offences within the State territory, and the disruption of illegal activities connected with contraband.

4. GENERAL OBJECTIVE

The general objective of the project is to create a fully operational Customs Administration compliant with Community norms and standards.

4.1. SPECIFIC OBJECTIVES

The specific objectives are to assist in harmonising national primary and secondary Customs legislation with the *acquis* and to strengthen the enforcement capacity of the Customs Administration.

5. ACTIVITIES

The programme foresees the following activities :

- The gap-analysis conducted by the Customs Administration with regard to the Blueprints will be reviewed and updated, and recommendations will be provided for further necessary activities.
- Technical assistance will provide a general review of primary and secondary legislation compatibility with the acquis on Customs. The recommendations ensuing from this review would be used to draft an action plan for legislative changes and supplements.
- Further technical assistance would be provided in the formulation and enactment of laws and by-laws, with relevant training in the application of such legal instruments and EC regulations; a special focus will be on strengthening the enforcement capacity of the Customs Administration.
- Special awareness-building and training will be provided to the partners of the Customs Administration, i.e. Border Police, Phytosanitary and Veterinary inspectors, in matters related to customs. The possibility of undertaking internships and practical training by visits and exchange of experiences is also foreseen, preferably at a Customs Administration of a EU Member State.
- Special-purpose equipment, including radioactivity and controlled substances (portable) detectors as well as communications equipment.
- Support to the Training Centre (trainers' training, development of curricula and training materials, equipment) to prepare it to be self-sufficient.
- Continued TA and exchange of practical experience by means of internships and on-the-job training for Customs officers in EU member states (2-4 weeks) in selectivity and intelligence-based inspections, investigation and crime prevention.
- Training of border guards and other personnel in usage of communications systems.

6. BUDGET (in €)

	Investment	Institution Building	Other	TOTAL
Secondary legislative framework		700 000		700 000
1.1. Technical Assistance			700 000	700 000
Training		700 000		700 000
Strengthening the enforcement capacity	1 300.000	600 000		1 900 000
TOTAL	1 300 000	2 000 000	700 000	4 000 000

7. IMPLEMENTATION

This programme will be implemented by the Commission Services on behalf of the national authorities in close collaboration with the relevant national and/or local authorities. Decentralisation may be considered, taking into account the deconcentration process foreseen for 2002.

The contracts for services, works and supplies shall be concluded in accordance with the contract award procedures laid down in 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).

8. LOCAL OWNERSHIP

The Ministry of Finance shall provide appropriate facilities for the technical assistance team as well as relevant staff and documentation upon arrival.

The Commission Services shall be kept informed regularly by the European Integration Sector and the Ministry of Finance about the inputs provided by other donors in this sector, thus facilitating the co-ordination and avoiding duplication of efforts and funds.

9. CONDITIONALITY

The national authorities shall nominate adequately qualified and motivated staff and high-ranking civil servants capable of and committed to the implementation of the proposed programme. In the absence of appropriate counterparts, the Commission may suspend or cancel all or part of the programme.

10. RESULTS

The programme will contribute to achieving the following results :

- An updated gap-analysis in regard to the Blueprints.
- An assessment of the compatibility of the former Yugoslav Republic of Macedonia's Customs legislation with the "acquis". *acquis*
- Secondary Customs Legislation drafted.
- Special-purpose equipment delivered.
- Creation of conditions so that the 71 Customs Officials (including the Director) are trained in investigation and crime-prevention methods, and increased rate of crime-detection.
- Officials of partner administrations and agencies trained on basic Customs functions (number of officials to be determined in the Terms of Reference, and to include police, army, financial inspection, and veterinary and phytosanitary inspection).

ANNEX 4

Annex Sector 2: European Integration

Programme: Institutional capacity building - Agriculture
Budget: €3 million

1. PROGRAMME SUMMARY

The purpose of this programme is to assist the agriculture sector in addressing the impact of non-tariff barriers to trade, specifically on veterinary and phytosanitary control, food quality and livestock. This will be achieved by providing :

- Technical assistance in a range of specialised fields related to food quality control with the emphasis on primary agricultural production and information dissemination to produce a comprehensive assessment of needs.
- Training and equipment to ensure that the animal identification system covers all the livestock of primary importance, and can then be expanded
- Equipment to extend the veterinary and phytosanitary control capabilities

2. BACKGROUND

Agriculture accounts for over 20 per cent of the gross social product (GSP) and 15 per cent of total employment in former Yugoslav Republic of Macedonia. Nearly half of the population resides in rural areas and many people have close family links to agriculture. Moreover, agricultural products contribute strongly to the export earnings of the country. Considering the importance of the agricultural sector for the economy, an adequate reform plan in this sector is recognised as a priority.

The privatisation of the former state owned agribusiness is proceeding, although the state often maintains effective control and the available facilities are still outdated. The agriculture sector is characterised by large numbers of small farmers, who are unable to produce in accordance with the efficiency and quality standards demanded in modern agriculture. Some progress has been made with the development of farmer associations to bring together groups of individual farmers as is commonly seen in Member States.

The Ministry of Agriculture, Forestry and Water Economy (MAFWE) is responsible for national policy and development of agricultural and forestry production and water resources. As the pace of economic and social reforms quickens, the role of MAFWE has great importance for issues such as: the establishment of sustainable and efficient structures, increasing the efficiency of agricultural production, improving the marketing of agricultural products, increasing exports, improving the welfare of farmers, protecting the environment and managing the natural resources of the country. The reforms are based on the enactment of relevant agricultural legislation,

compatible with that of the EU, as well as on the creation of policy and strategy for development.

Signing the Stabilisation and Association Agreement will require urgent action in the agricultural sector, bearing in mind the potential consequences of import penetration from the removal of tariff barriers. Current exports to the EU comprise mainly unprocessed, low value products such as tobacco, lamb meat, wine and fruit pulp.

The lack of an effective structure to specifically control the quality of primary agricultural production, will essentially impose non-tariff barriers on exports, both to the EU and also to other Balkan states. In addition, the opening of the domestic market to EU imports will have negative trade impacts and reduce the market for producers, who are effectively limited to supplying the home market. This will be particularly true of higher value-added products.

The control of food products requires the involvement of a number of government agencies and the current situation remains unclear. Whilst work is being undertaken in a number of different areas, there is a need to create a single homogenous document that provides a comprehensive plan for development that can be utilised by both government and donors to harmonise efforts.

Another essential element in veterinary control is the development of an effective animal identification system. Funding under Phare 99 is being directed at initiating this system, but further funding will be needed to ensure inclusion of all livestock. Initially, the animal identification system will include cattle, whilst sheep and goats as secondary priorities. Pigs, as they generally do not travel during their rearing, are seen as a lower priority. Continuation of the funding already provided will enable the expansion of the animal identification system.

The responsibility for agricultural and rural policy issues is spread across a number of ministries. MAFWE is composed of the following departments: agricultural production, land reform and livestock, international co-operation and development, and forestry. It also includes directorates for: veterinary, plant protection, seed and plant material, water economy, inspection for forestry and agriculture, forestry policing services as well a unit for legislation.

The Ministry of Agriculture is responsible for quality control of primary agricultural products, f.e. fruits and vegetables, milk products and meat, while the Ministry of Health is responsible for consumable products.

The various research institutes (for different types of production) do attempt some cost-analysis of production but this is based on standardised technical relationships and has little value as a guide to actual costs and returns. There are therefore no indicators concerning trends of farm income-level. Price data are monitored by the MAFWE but there are no appropriately weighed time-series to show average agricultural prices.

3. PAST EU FUNDED ASSISTANCE

Previous Phare support to the former Yugoslav Republic of Macedonia has included the supply of equipment for veterinary and phytosanitary control to enhance the level of protection of domestic agriculture. The equipping of border inspection posts,

regional and central laboratories is a task that will need extensive further investment to achieve EU standards. Continuing to provide funding for equipment in this sector will build on the efforts of previous programmes (which, estimated by MAFWE, have covered only 30 % of the needs) and will, in addition, support the development of border control facilities being funded under other areas of the 2001 programme.

4. GENERAL OBJECTIVE

The general objective is to assist the agriculture sector in addressing the impact of non-tariff barriers to trade, specifically on veterinary and phyto-sanitary control, food quality and livestock.

4.1. SPECIFIC OBJECTIVES

The specific objectives are :

- To strengthen the Food Quality Control System of the primary agriculture.
- To further expand the National Animal Identification System.
- To provide further equipment in the areas of veterinary and phyto-sanitary control

5. ACTIVITIES

- Technical assistance in a range of specialised fields related to food quality control laid the emphasis on primary agricultural production and information dissemination to produce a comprehensive assessment of needs. These fields will include: information systems and hardware, institutional development, legislation and standards, epidemiology, laboratory design and equipment specification. The output of the programme will be a document that will address the activities that have to be undertaken by different government bodies and the interactions envisaged between them in the short, medium and long term. For example, information on food control will have to be distributed between Ministries of Health, Agriculture, Economy and Interior, and will have to link into the specific information systems developed by these bodies. The programme will be developed in close co-ordination with the relevant government institutions (which may, as a result of the agriculture policy project funded under COP99, be revised prior to project implementation) and will be formalised by them. This will create an agreed 'roadmap' for the development of integrated quality control in the food sector that will form the basis of future funding;
- Training and equipment will be provided to ensure that the AI system covers all the livestock of primary importance (cattle) in the country, and then expanded to include species such as sheep and goats. Specific areas will be defined on the basis of what is being achieved under the ongoing project ;
- Further equipment will be provided to extend the Veterinary and Phytosanitary control capabilities in the former Yugoslav Republic of Macedonia.

6. BUDGET (in €)

	Investment	Institution Building	Other	TOTAL
Strengthening of the Food Quality Control System		250 000	50 000	300.000
Expansion of the National Animal Identification System	1 100 000			1 100 000
Veterinary and Phytosanitary Equipment	1 600 000			1 600 000
TOTAL	2 700 000	250 000	50 000	3 000 000

7. IMPLEMENTATION

This programme will be implemented by the Commission Services on behalf of the national authorities in close collaboration with the relevant national and/or local authorities. Decentralisation may be considered, taking into account the deconcentration process foreseen for 2002.

The contracts for services, works and supplies shall be concluded in accordance with the contract award procedures laid down in 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).

8. LOCAL OWNERSHIP

The Ministry of Agriculture will provide the necessary (human) resources for the proper functioning of the programme. Administrative issues will be covered by the Central Financial Contracting Unit (Ministry of Finance) in case of decentralisation.

9. CONDITIONALITY

The component strengthening the Food Quality Control System is designed to provide a document that will be used by all involved Ministries. Therefore an inter-ministerial agreement on the structure of the programme, through a signed Memorandum of Understanding, is a precondition of the Programme.

The expansion of the National Animal Identification System on sheep and goats will depend on the results from the previous Programme, which must be sufficiently advanced to enable essential information to be included in the 2001 programme.

Veterinary and Phytosanitary Equipment provided under previous programmes should be installed and effectively used, before the start of this Programme.

In the absence of these preconditions, the Commission may suspend or cancel all or part of the programme.

10. RESULTS

The programme will contribute to make it possible to set up :

- A single comprehensive plan for development of food products quality-control with emphasis on primary agricultural production that can be utilised by both government and donors to harmonise efforts.
- An animal identification system which includes all cattle with a possible extension to sheep and goats.
- Strengthened veterinary and phyto-sanitary control capabilities.

ANNEX 5

Sector 2: European Integration

Programme: Institutional capacity building – Support to Economic Reforms
Budget: € 3.75 million

1. PROGRAMME SUMMARY

The purpose of this programme is to support the process of economic reform by building the institutional capacity of the Ministry of Economy, with improved macroeconomic performance and prospects, and in compliance with market-economy principles. This will be achieved by:

- providing technical assistance to the Ministry of Economy to develop a National Economic Development Plan and introduce strategies for economic policy development and its implementation
- providing technical assistance for the establishment of efficient Institutes for Standardisation, Metrology, Accreditation and Quality Validation, in accordance with requirements set out in the Stabilisation and Association Agreement

2. BACKGROUND

Achieving a good level of economic growth is crucial for society in general. The development of a sound economic policy is at the root of success, facilitating the development of private and public sectors in compliance with good practice in market economies, providing a road map for economic reform. Industrial capacities are under-utilised and old markets have been lost. The unemployment rate is very high (32.4% in April 2000). The standard of living is low, and is not expected to exceed the GDP per capita threshold of USD 1,600 this year.

The Government needs a coherent economic development policy focused on addressing the issues of accelerated economic growth, creation of new jobs, fostering regional, local and social development, to develop an entrepreneurial spirit and a new business culture, and to access new markets.

The major organisational reshuffle in the Government in 2000 resulted in the disappearance of some of the old ministries and the creation of new ones. In this process, the Ministry of Economy has undergone a major change and has taken up a series of new responsibilities. In order to meet these new challenges, and to ensure a better macroeconomic performance, the need has been recognised to develop a National Economic Development Plan and to widen the policy environment to encourage entrepreneurship and pursue a practical development policy that is conducive to promoting and supporting the economic sector.

The status of standardisation and its related activities are presently in a critical stage. Quality controls continue to be carried out with the same procedures as before independence. The liberalisation of the economy, the privatisation process, the loss of several traditional export markets and the consequent need to penetrate new

markets, the focus on export oriented economy and the Government's goal to join the EU, give further urgency to the implementation of the standardisation and quality conformance and verification activities. Standardisation, Metrology, Accreditation and Conformity Assessment are specifically identified as priority areas in Article 73 of the Stabilisation and Association Agreement, whose provisions are to be read in light of Article 5 of the same Agreement.

3. PAST EU FUNDED ASSISTANCE

The importance of economic reform has made it one of the sectors where EU assistance has been present since the country became a Phare partner country in 1996. Past assistance has focused on reform of the banking sector and of the payments operation system, as well as legislation (competition, consumer protection).

The 2000 programme included approximation to internal market acquis, to improve the regulatory framework of the financial sector in order to create better conditions for entrepreneurs and the general public. This entailed further reforms in the banking sector and accelerating the development of a competitive insurance market, subject to appropriate supervision.

In addition, approximation of legislation also included preparation and reorganisation of the institutions to take on the responsibilities for its implementation, as well as training in the following areas: competition; consumer protection; intellectual, industrial and commercial property; standardisation, metrology, accreditation and conformity assessment; public procurement; state aid and data protection.

4. GENERAL OBJECTIVE

The general objective is to support the process of economic reform by building the institutional capacity of the Ministry of Economy, with improved macroeconomic performance and prospects, and in compliance with market-economy principles.

4. 1. SPECIFIC OBJECTIVES

Specific objectives of this programme are to:

- Develop a National Economic Development Plan.
- Introduce strategies for the development of the economic policy and the instruments for its implementation.
- Establish efficient and effective Institutes for Standardisation, Metrology, Accreditation and Quality Validation in accordance with the SAA requirements and ISO 9000 certification.

5. ACTIVITIES

The programme foresees technical assistance to the Ministry of Economy and to the Institutes for Standardisation, Metrology, Accreditation and Quality Validation

Technical assistance to the Ministry of Economy:

- Formulation of a National Economic Development Plan.

- Support in formulating a comprehensive Industrial Restructuring policy for specific sector, including a Strategy for the Restructuring of the Steel sector.
- Provision of technical assistance on issues of organisation, strategy and policy within its field of responsibility, in compliance with the principles of market economy and the formulated National Economic Development Plan.
- Formulation and application of specific measures and instruments necessary for the implementation of formulated strategies and policies.

Technical assistance to the Institutes for Standardisation, Metrology, Accreditation and Quality Validation:

- Development of structures and operational procedures for the implementation of standards and norms; provision of international expertise and training in specific areas of expertise; prioritisation and development of specific standards.
- Introduction of Certification and Inspection Bodies and their accreditation (according to the 21 relevant Community Directives).
- Introduction of an Information Point for the provision of information and the reduction technical barriers to trade.
- Preparation for and participation in international standards bodies and conventions.
- The supply of required laboratory equipment and precision-measurement instruments (mass, length, time and frequency, electrical, temperature, etc.).

6. BUDGET (in €)

	Investment	Institution Building	Other	TOTAL
Institutional support to the Ministry of Economy: (long-term TA, specific expert inputs)		1 300 000		1 300 000
Support to the Institutes for Standardisation, Metrology, Accreditation and Quality Validation	1 450 000	1 000 000		2 450 000
TOTAL	1 450 000	2 300 000		3 750 000

7. IMPLEMENTATION

This programme will be implemented by the Commission Services on behalf of the national authorities in close collaboration with the relevant national and/or local authorities. Decentralisation may be considered, taking into account the deconcentration process foreseen for 2002.

The contracts for services, works and supplies shall be concluded in accordance with the contract award procedures laid down in 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).

8. LOCAL OWNERSHIP

The Ministry of Economy shall provide appropriate facilities for the technical assistance team as well as relevant staff and documentation upon arrival.

The Commission Services shall be kept informed regularly by the European Integration Sector and the Ministry of Economy about the inputs provided by other donors in this sector, thus facilitating the co-ordination and avoiding duplication of efforts and funds.

9. CONDITIONALITY

The new laws on Standardisation, Metrology, Accreditation and Quality Validation will have to be enacted before the outset of the programme.

The national authorities shall nominate adequately qualified and motivated staff and high-ranking civil servants capable of and committed to the implementation of the proposed programme. In the absence of appropriate counterparts, the Commission may suspend or cancel all or part of the programme.

10. RESULTS

The activities foreseen with assist in achieving the following :

- A National Economic Development Plan drafted.
- Specific strategies and policies formulated, supported with applicable measures and instruments for enforcement and implementation.
- A comprehensive Pilot Project on Industrial Restructuring Policy completed, a strategy and action plan formulated and their application started.
- Structures and Operational procedures for the Institutes for Standardisation, Metrology, Accreditation and Quality Validation developed and implemented.
- Five Certification and Inspection Bodies established and accredited (indicatively, out of the 16 needed to comply with relevant Community Directives).
- One Information Point established.
- A National Quality Award introduced and awarded.

Annex 6

Sector 2: European Integration

Programme: Legal approximation – Environment Sector
Budget: € 3.25 million

1. PROGRAMME SUMMARY

The purpose of this programme is to assist in the implementation of the National Environmental Action Plan, which should contribute to solving environmental problems, create conditions for sustainable development and facilitate future integration in the EU.

In particular, this programme will (i) provide Technical Assistance to develop and draft the second National Environmental Action Plan; (ii) assist in the preparation of seven separate solid waste feasibility studies and investment proposals for each region; (iii) supply 5 Air Quality Monitoring Stations.

2. BACKGROUND

In January 1998 a Cooperation Agreement with the European Union was signed. This Agreement commits the country to reviewing its approach to environmental legislation, policies, economic instruments etc. with the aim of gradually implementing the EU environmental "~~acquis~~" acquis. By signing the Stabilisation and Association Agreement the former Yugoslav Republic of Macedonia commits itself to adapting the national environmental legislation to the Community "~~acquis~~" acquis.

The first National Environmental Action Plan (NEAP) produced in 1996 identified the major challenges the country had to face at that time and the policy priorities arising thereof. The FYROM National Environmental Action Plan defines policy and priority actions and identifies human health and environmental concerns.

The NEAP, developed with the active involvement of all stakeholders (NGOs, municipalities and representative of industrial sector), clearly defined policy and priority actions to be developed in line with EU requirements, and towards the improvement of environmental protection. It is based upon the following principles:

- Sustainable Development;
- Integration of Sectoral Policies;
- Economic and Technical Development in Accordance with Environmental Policy;
- Polluter Pays Principle;
- Public Access to Information;

The creation of the Ministry of Environment and Physical Planning is a clear endorsement of the commencement of the implementation of the guidelines and recommendations set out in the FYROM National Environmental Action Plan 1997

(NEAP). Following the reshuffling of Ministries in 2000, the Ministry took over part of the former responsibilities of the former Ministry of Urban Planning and Construction.

In order to meet the target goals and objectives of the National Environmental Policy, there is a critical need to reform the whole approach to environmental protection management, with particular reference to the institutional strengthening of current environmental monitoring, the correction of legislative overlapping and the establishment of systems and procedures which have the potential for sound environmental protection management.

There is a need for regular updating of the National Environmental Action Plan to continuously address and resolve the environmental problems in the country. Considering the fact that most of the activities determined in the first NEAP have already been implemented, there is a need to produce the second National Environmental Action Plan for the next 10 years taking into account the provisions of the Stabilisation and Association Agreement.

The preparation of seven separate solid waste feasibility studies and investment proposals for each region builds on the National Solid Waste Management System. The feasibility studies and the investment proposals will be a tool in the hands of the Government for the appropriate allocation of funds from the budget, and a basis for the mobilisation of resources from other donors as well as a tool for attracting the foreign investments.

A national plan for a nation-wide air pollution monitoring system requiring 16 fixed Air Quality Monitoring Stations was previously prepared. There is a need for more Air Quality Monitoring Stations to cover the gaps in the existing monitoring system and to provide more accurate information.

3. PAST EU FUNDED ASSISTANCE

EU assistance to the Environment Sector under the Phare 1997 programme was devoted to institution and capacity building of the Ministry, specifically to assist in defining and establishing strategies, policies and procedures for managing, implementing and enforcing the national environmental policy. In addition, one of the main results from the PHARE SOP 97 project "Wastewater, Water Quality and Solid Waste Management", was the development of the National Solid Waste Management System.

Support to approximation of legislation has included water quality and air quality, and was also given under the Phare 1999 national programme. This last programme deals with Integrated Pollution Prevention and Control system of Licensing-Permitting, Environment Impact Assessment, Hazardous Waste Legislation and Nature Protection

4. GENERAL OBJECTIVES

The general objectives of this programme are to support the resolution of environmental problems, to create conditions for sustainable development and to facilitate future integration to the EU.

4. 1. SPECIFIC OBJECTIVE

The specific objective is to assist in the implementation of the National Environmental Action Plan to be adopted.

5. ACTIVITIES

The activities foreseen are:

- Technical Assistance to develop and draft the second National Environmental Action Plan.
- The preparation of seven separate solid waste feasibility studies and investment proposals for each region
- Supply of 5 Air Quality Monitoring Stations.

These activities will build on results of previous EU programmes, and take into account assistance being provided by other international donors.

6. BUDGET (in €)

	Investment	Institution Building	Other	TOTAL
Preparation of second National Environmental Action Plan		700 000		700 000
Preparation of separate solid waste feasibilities studies and investment proposals		1 350 000		1 350 000
Environmental monitoring equipment	1 200 000			1 200 000
TOTAL	1 200 000	2 050 000		3 250 000

7. IMPLEMENTATION

This programme will be implemented by the Commission Services on behalf of the national authorities in close collaboration with the relevant national and/or local authorities. Decentralisation may be considered, taking into account the deconcentration process foreseen for 2002.

The contracts for services, works and supplies shall be concluded in accordance with the contract award procedures laid down in 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).

8. LOCAL OWNERSHIP

The Ministry of Environment will provide sufficient (human) resources for proper functioning of the programme. Administrative issues will be covered by the Central Financial Contracting Unit (Ministry of Finance) if the Decentralised Implementation System is used for implementation.

9. CONDITIONALITY

The Government should decide on the preparation of the Second National Environmental Action Plan before commencement of the Programme.

The Government and local authorities commitment for resources allocation for further activities related to the implementation of Regional Solid Waste Management system.

Prior to the launching of the Tender for procurement of the Air Quality Monitoring Stations, the Ministry of Environment and Physical Planning will complete all necessary activities like the determination of locations and permits.

If the above mentioned preconditions have not been met, the Commission may suspend or cancel all or part of the programme

10. RESULTS

By the end of the programme, EU assistance will have contributed to:

- Preparation of the second National Environmental Action Plan.
- Preparation of five separate solid waste feasibility studies and investment proposals.
- Procurement of seven air quality monitoring stations.

ANNEX 7

Sector 3: Infrastructure development

Programme: Transport
Budget: € 11 million

1. PROGRAMME SUMMARY

The purpose of this project is to finalise the upgrading of the E 75 road (Trans-European Corridor X), section Negotino – Demir Kapija (Phase III).

2. BACKGROUND

The all-weather road network in the Former Yugoslav Republic of Macedonia can be considered fairly well developed, extending for more than 8,000 km, of which almost 5,000 km are paved. The network consists of good quality 'national' roads (including motorways : the M- and E-) and of 'regional' roads (3-digits, like 112 or 509), which, generally speaking, have lesser standards.

The continuous efforts of the European Community to build an open, integrated market have created the need for a continent-wide, reliable and balanced transport system. Priorities for further development of a Pan-European transport infrastructure were established in 1996 with the identification of the Trans-European Network, consisting of 'Transport Corridors'. Corridors X (North-South) and VIII (West-East) are the main corridors crossing the Former Yugoslav Republic of Macedonia.

The E75 motorway makes up part of Corridor X and has been largely upgraded in recent years. The need for its completion is well evident and the basis for its realisation is available. The highway is of great strategic importance since it links the network hub of Belgrade with the whole Mediterranean area through the port of Thessalonica. Both in FRY and in Greece the Corridor X is developed to motorway standards. The few kilometers/sections remaining to be upgraded in the Former Yugoslav Republic of Macedonia and in the FRY will complete this strategically important branch of the Pan-European network.

The proposed programme represents one of the final investments in the upgrading of the most important transport corridor crossing the country, with the remainder almost totally constructed or covered by existing commitments to construction. The completion of the Corridor will ensure that the construction works funded by the Community in other sections of the Corridor are fully effective as investments in the infrastructure of the transport sector provide their true value only if the final objective is achieved.

The programme is also going to produce a positive impact on the domestic economy since the majority of the construction works will be undertaken by local companies which primarily use locally produced raw materials.

The programme does not seem to pose any significant problems in terms of absorption capacity for the local authorities involved. The local counterparts, the Ministry of Transport and Communications acting as employer, and the Fund for National and Regional Roads which will deal with all technical matters, possess a good degree of experience in the management of this type of infrastructure projects.

Although the Commission's priority within the framework of CARDS are undoubtedly focused on institution and capacity-building rather than on infrastructure development, the completion of the E75 motorway section is exceptionally included in the 2001 programming document due the high strategic and symbolic value it possesses in view of favouring and enhancing the process of regional integration in south-eastern Europe.

Responsibility for the transport sector on a strategy level lies with the Ministry of Transport and Communications and the Fund for National and Regional Roads is the implementing body dealing with all technical matters.

3. PAST EU FUNDED ASSISTANCE

The E75 road has received EU funding from previous Cross Border Co-operation programmes. Works on the section from Gevgelija to the Greek border received €5.68 million (CBC 96 and 97) and were completed in September 2000. The design and tender documents for the section Demir Kapija-Gevgelija have been prepared, with funds totalling €2.7 million.

The section from Negotino to Demir Kapija has been split in three phases. Phase I, €8.1 million from CBC 98, for 5.6 km of road, is under construction; it is hoped it will be finalised in March 2002. The construction of Phase II (4 km) is expected to begin in September 2001, and will receive €6.5 million from the CBC 99 programme.

4. GENERAL OBJECTIVES

To develop modern transport infrastructures favouring regional mobility, fostering the economic development of different regions in a balanced way and boosting intra-regional co-operation.

4.1. SPECIFIC OBJECTIVE

Finalising the upgrading of the E75 road (Corridor X), section Negotino – Demir Kapija (Phase III)

5. ACTIVITIES

- Construction works: the construction works will consist of the upgrading of the last stretch of 6.621km of the section.
- Supervisory works.

6. BUDGET

	Investment	Institution Building	Other	TOTAL
Construction works	10 000 000			10 000 000
Supervisory works			1 000 000	1 000 000
TOTAL	10 000 000		1 000 000	11 000 000

7. IMPLEMENTATION

This programme will be implemented by the Commission Services on behalf of the national authorities in close collaboration with the relevant national and/or local authorities. Decentralisation may be considered, taking into account the deconcentration process foreseen for 2002.

The contracts for services, works and supplies shall be concluded in accordance with the contract award procedures laid down in 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).

8. LOCAL OWNERSHIP

In case of decentralisation, the Ministry of Transport and Communications will act as Employer in the works contract, and the Fund for National and Regional Roads will act as Employer's Representative. Detailed design for the referenced section is completed and the expropriation process is well advanced.

9. CONDITIONALITY

The financing of the programme is subject to the commitment of the appropriate amount of co-financing by the Ministry of Transport. Satisfactory completion within a reasonable timeframe of the necessary land-expropriation procedures and the assurance that financing of the following section of the road (from Demir – Kapija to the border with Greece) has been secured are also necessary conditions.

10. RESULTS

Completion of the works for the upgrading of the E75 road (Corridor X), section Negotino – Demir Kapija (Phase III), leading to virtually doubling the traffic-capacity of the road.

ANNEX 8

Sector 3: Infrastructure development

Programme: Small infrastructure for Local Government
Budget: € 2.5 million

1. PROGRAMME SUMMARY

The purpose of this programme is to create a fund to favour small infrastructure development in favour of small and most disadvantaged local communities and to improve local infrastructure in the underdeveloped rural areas. The fund can be used for example, for construction or improvement of water supply systems, upgrading of local roads including paving, drainage and extension.

2. BACKGROUND

The Constitution identifies the municipalities as the units of local self-government. The Law on Local Self-Government adopted in 1995, increased the number of municipalities from 34 to 123. The City of Skopje has been granted a special status codified into a separate law. Both the Constitution and the Law on Local Self-Government assign autonomous decision-making, as well as wide power and responsibilities, to local self-government. Many responsibilities assigned to municipalities have not yet been transferred to them.

Municipalities have very limited financial autonomy, lacking a coherent system of local public finance. The planning and financing of investments at the local level is still centrally managed. Municipalities mostly lack skilled personnel to carry out effective control on the system of local public services.

In December 1998, following the general elections, the Ministry of Local Self-Government was created. A Government strategy on public administration reform was published in May 1999 and confirmed the importance attached to the process of decentralisation and stressed the need for significant financial and staffing improvements at the level of municipal authorities.

The Fund shall provide grant support to small projects designed to raise the standards of physical infrastructure facilities in local municipalities. The country has significant needs in terms of infrastructure development and the identification of a series of small-scale projects will undoubtedly produce a beneficial impact on small local communities.

The initial budget of the Fund will be €2.5 million which are drawn from the budgetary allocation for the CARDS programme 2001. The limited budgetary allocation requires a careful and strategic selection of the beneficiaries in order to make the funds available where they are most needed and are more likely to have a major impact on the conditions of the local communities targeted. Therefore, the funds will be channelled towards those municipalities which are more disadvantaged economically as well as those most affected by the current crisis.

The setting up of the Fund will be covered by the existing Local Government Programme. The establishment of a Fund for small scale infrastructure programmes in local municipalities follows the path marked by the 1999 programme and aims to reinforce the existing mechanisms to foster local self-government with particular reference to those municipalities where inter-ethnic relations appear to be most problematic.

3. PAST EU FUNDED ASSISTANCE

A specific programme designed to favour the effective development of the Local Self-Government programme and the then newly-created Ministry, is being financed by the European Commission under the PHARE Country Operational Programme 1999.

The programme aims to strengthen the capacity of the Ministry of Local Self Government to manage decentralisation, enhance dialogue between central government and authorities operating at local level, strengthen the capacity of local government and strengthen local government associations.

4. GENERAL OBJECTIVES

- To provide support to investment projects promoted by local municipalities with the aim to improve infrastructure facilities.
- To contribute to the development of the most disadvantaged areas of the country and to improve the living conditions in underdeveloped rural areas.
- To strengthen the sense of self-respect, self-initiative and responsibility of local communities in particularly disadvantaged areas.
- To favour inter-ethnic integration.

4. 1. SPECIFIC OBJECTIVES

- To favour small infrastructure development in favour of small and most disadvantaged local communities.
- To improve the local infrastructure in the underdeveloped rural areas (construction or improvement of water supply systems, upgrading of local roads including paving, drainage and extension).

5. ACTIVITIES

The fund will provide financial means for small scale projects, which may include:

- Improvement of local infrastructure in underdeveloped rural areas.
- Upgrading and refurbishment of schools, hospitals and public buildings.
- Upgrading and building of sporting facilities and leisure and cultural centres.
- Upgrading and building of sanitation (e.g. sewers).
- Upgrading and building of electric distribution infrastructure.

6. BUDGET (in €)

	Investment	Institution Building	Other	TOTAL
Infrastructure development	2.500.000			2.500.000
TOTAL	2.500.000			2.500.000

7. IMPLEMENTATION

This programme will be implemented by the Commission Services on behalf of the national authorities in close collaboration with the relevant national and/or local authorities. Decentralisation may be considered, taking into account the deconcentration process foreseen for 2002.

The selection of the projects to be financed will be made on the basis of public calls for tender.

8. LOCAL OWNERSHIP

The fund will be managed by the relevant national authorities. The detailed mechanisms for the management of the Fund may take the following forms:

- Administrative support to the Fund by the Ministry for Local Self-Government.
- Direct management of the Fund by the FYROM Development Bank.
- Creation of a Steering Committee including representatives of the Ministry for Local Self-Government and of the selected local municipalities.

The management mechanism to be established will provide for regular monitoring and evaluation by Commission Services and independent auditing of accounts and operations of the Fund, without prejudice to the responsibilities of the European Commission, including the European Antifraud Office (OLAF) and the European Union's Court of Auditors.

9. CONDITIONALITY

The possibility of making applicants' co-financing a specific requirement for financial support from the fund is currently being examined.

Any applicant's project must be ready for tendering (ie. technical specifications must already have been prepared) and it has to produce a relevant impact on the conditions of the local communities targeted and, wherever possible, to inter-ethnic integration.

10. RESULTS

The programme will make it possible to:

- Establish of the Small Scale Infrastructure Fund and of all necessary conditions for the functioning of its operational mechanisms in the years to come.
- Complete a number of small infrastructure development projects

Annex 9

Sector 4: Education

Programme: TEMPUS III (Trans-European co-operation scheme for higher education)
Budget: €3 million

1. PROGRAMME SUMMARY

The purpose of this programme 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. This is done through the Joint European Projects and the Individual Mobility Grants.

2. 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 Newly Independent States of the former Soviet Union. 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 Newly Independent States of the former Soviet Union 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 the Bologna Process requires structural reforms 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 mere association of faculties).

The Tempus programme will further contribute to the strengthening of regional cooperation 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 appears as 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 cooperation can also contribute to mutual understanding and the overcoming of ethnic and political boundaries. Universities from FYROM, due to their links to various neighbouring countries, can play an important role in fostering such regional cooperation.

3. PAST EU FUNDED ASSISTANCE

The Former Yugoslav Republic of Macedonia became eligible for Tempus funding in 1997. To date, the total TEMPUS budget allocated to the country is € 8.7 million. The number of Joint European Projects Supported is 41; 11 Complementary Measures have been supported, and 216 Individual Mobility Grants.

The Tempus Programme supports so-called “Joint European Projects”, whose aim is to contribute to the long term development and renewal of the partner countries higher education through co-operative activities between European Union and partner country higher education institutions. Joint European Projects (JEP) can focus on one of the following areas:

- University Management
- Curriculum Development
- Institution Building
- Mobility
- Networking Projects
- Regional Projects

Joint European Projects have a maximum duration of either two or three years, and must involve at least one higher education institution from the partner country and at least two institutions from two different EU countries, including at least one higher education institutions

The Tempus programme also supports Individual Mobility Grants. These provide an opportunity to individuals to visit other countries for a short period of time (1-8 weeks) with the objective of disseminating the results of Tempus projects or networking in a particular area relevant for the Tempus programme.

4. GENERAL OBJECTIVE

The general objective is to contribute to social and economic development and the strengthening of civil society in the Former Yugoslav Republic of Macedonia.

4. 1. SPECIFIC OBJECTIVE

The specific objective 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.

5. ACTIVITIES

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.
- **Mobility:** Mobility JEP's aim at establishing long-term institutional cooperation for student exchange. Support is given to strengthening links between international relations offices, making provision for the mutual recognition of study periods spent abroad, and introducing mentoring and supervisory mechanisms at the host university.
- **Networking Projects:** they are designed to disseminate results of past Tempus projects and to link institutions working on higher education reform in similar subject areas. Networking projects usually include a larger number of partners from South-East Europe and the European Union.
- **Regional Projects:** 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. Regional projects are considered a priority of the Tempus programme.

6. BUDGET (in €)

	Institution Building	Other	TOTAL
Projects, Individual Mobility Grants and local support		2 850 000	2 850 000
Technical Assistance	150 000		150 000
TOTAL	150 000	2 850 000	3 000 000

7. IMPLEMENTATION

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 cooperation with the partner country authorities, and taking into account the objectives of the Stabilisation and Association Process and the policy objectives of EU cooperation with the Tempus partner country.

In implementing the programme, the Commission is assisted by the Tempus Committee, set up by the Council Decision on Tempus III and consisting of representatives of the Member States.

A "National Tempus Office" in the Former Yugoslav Republic of Macedonia provides local information and assistance in the programme implementation, dissemination and the monitoring of projects.

A network of National Tempus Offices in the other South-East European partner countries and a network of National Contact Points in the EU countries ensures the link to higher education institutions from all countries participating in the Tempus programme.

The European Training Foundation (ETF) in Torino provides technical assistance in the implementation of the Tempus programme including the selection process, contract administration, report processing, monitoring, information and publication activities and administrative support.

8. LOCAL OWNERSHIP

The Ministry of Education and Science has set up the "National Tempus Office" to provide local information and assistance in programme implementation, dissemination and monitoring of projects.

9. CONDITIONALITY

Tempus projects must be in line with the general framework conditions established by the Tempus Guide for Applicants and the specific country priorities established in cooperation with the partner country priorities.

10. RESULTS

- Increased synergy between higher education legislation and policy and reforms at the institutional level
- Strengthened strategic management capacities of higher education institutions
- Modernisation of management and administration of the participating higher education institutions
- Teaching and learning according to revised curricula and study courses in line with changes social and economic needs
- Improved skills of non-academic staff relevant for public administration reform and civic society development

Annex 10

Annex Sector 5: Small Scale Operations Fund

Programme: Small Scale Operations Fund

Budget: € 0.5 million

1. PROGRAMME SUMMARY

The fund provides grant funding of small scale operations to finance projects for less than 50.000 each.

2. BACKGROUND

This small fund has been designed as a quick reaction mechanism to address funding requests at local level by small NGOs, Co-operatives, educational institutions, women's groups, independent media, cultural groups. The fund therefore benefits projects that, due to their size, would not normally attract major international donors.

3. GENERAL OBJECTIVE

The fund is specifically designed to support actions that contribute to inter-ethnic integration and favour the development of positive inter-ethnic relations.

4. BUDGET (in €)

	Institution Building	Other	TOTAL
Small scale operations		500 000	500 000
TOTAL		500 000	500 000

7. IMPLEMENTATION

The Fund is managed by the EC Delegation directly in a decentralised/deconcentrated manner.