



III South-Eastern Europe: The Balkans

During the 1990s, democracy took root across much of Central and Eastern Europe, but war descended on the Balkans. Today, the European Union is playing a central role in repairing the damage of conflict, and equipping the countries of the region to sustain democracy and the rule of law, and to establish steadily closer ties with the European Union.



Peace and stability in the Balkans is one of the EU's foremost priorities.

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Each of the countries of the region – Albania, Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia and the former Yugoslav Republic of Macedonia – is a potential candidate for membership of the European Union. Our policy – known as the Stabilisation and Association process – is designed to help each of the countries of the region to implement fundamental economic and political reforms, and to make progress along the “road to Europe”.

Our contribution is on a substantial scale, recognising that the Balkans are part of Europe, and that the future of the region is closely linked to that of the rest of the continent.

The EC is the largest single donor in the Balkans, spending over €839 million in the region in 2001 alone on top of €956 million in 2000 through the CARDS programme. Given the emergency in the region in 2000 involving Kosovo, the programme has been front loaded.

€4.65 billion has been earmarked for the Balkans by the Commission between

2000 and 2006, reflecting the priority the Union attaches to achieving lasting peace and stability in the region. Contributions from Member States come on top of these sums, and are approximately the same amount. 28,000 troops from EU Member States and 800 civilian police are serving in the region, helping to keep the peace as work proceeds to establish strong institutions and promote regional co-operation so that their presence is no longer required.

EU assistance is focused on helping the countries to implement the Stabilisation and Association Process – namely, stabilising their internal economies and political relations, promoting regional co-operation between the countries and facilitating closer association with the EU. The specific support is tailored according to the differing needs of each country. It ranges from budgetary assistance and humanitarian aid, to helping with the need to reform judicial and police training, to border and customs co-operation, political relations, and public administration, legal and economic reform. The European Investment Bank contributed €154 million in loans to the different SAA (Stabilisation and Association Agreements) in the region: €120 million for Bosnia and Herzegovina, €34 million for Albania.

The Stabilisation and Association process draws heavily on experience in the candidate countries, and offers each of the

Balkan countries a demanding contractual relationship (SAA) with the European Union in which the Union undertakes to assist them in implementing reforms, in exchange for a proven commitment on the part of each country to carry out such reforms.

The year 2000 saw dramatic progress in the Balkans. In January, Croatian voters elected a moderate, reforming government committed to forging much closer ties with the EU; the Union responded by immediately upgrading its relationship with Croatia, and by offering considerable assistance. From Belgrade, Slobodan Milosevic responded by increasing political pressure on the democratic government in Montenegro, and by cracking down on the independent media in Serbia. The European Union – with others – provided considerable help to enable Montenegro to withstand that pressure, and to frustrate Milosevic's efforts to de-stabilise the republic; and offered a financial lifeline to the independent media.

On 5 October 2000, following national elections the Serbian people removed Slobodan Milosevic from power, opening the way for the return of the FRY to the European family of nations, and to a transformed relationship with the European Union. The European Commission responded rapidly, putting together a massive package of assistance designed, above all to help impoverished Serbia through the winter, and to reinforce its fragile new democracy. This practical assistance was flowing into Serbia within a few weeks of Milosevic's departure.

During the year, the European Union dramatically stepped up its performance in the region:

- ▀ in December 2000, a new and simpler regulation – the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) – replaced the OBNOVA and PHARE⁽⁴⁰⁾ programmes, which had previously governed the bulk of EC assistance to the Balkans;
- ▀ the European Agency for Reconstruction was set up in March 2000. After Milosevic's departure, the EAR's mandate was extended to cover the delivery of EC aid in FRY;
- ▀ following an initiative by the Commission, the European Union opened its entire market to exports from the Balkans in November 2000. This bold initiative will help to kick start economies in the region;
- ▀ negotiations for an SAA were completed with FYROM, and an SAA with FYROM was initialled in November 2000. The Commission recommended the start of negotiations with Croatia, and worked closely with Albania and Bosnia Herzegovina, and, after Milosevic's departure, with the FRY, to prepare these countries for negotiations.

Keeping the region peaceful and stable is one of the highest priorities of the EU.

(40) Phare is now limited to pre-adhesion countries.



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The table below offers a snapshot of EuropeAid programmes in the region:

WESTERN BALKANS	COMMITMENTS			PAYMENTS		
	Available € '000	Consumed € '000	%	Available € '000	Consumed € '000	%
Ex-Yugoslavia	313.542	313.140	99%	348.129	348.127	100%
Western Balkans – ATA *	6.090	5.490	90%	245	0	0%
Western Balkans	62.330	62.300	100%	100.005	100.005	100%
Kosovo	410.000	410.000	100%	205.832	205.756	100%
Transitional civil administrations	9.958	9.958	100%	9.000	8.760	97%
Ex-Yugoslavia – ATA *	5.840	5.840	100%	927	58	6%
Total	807.760	806.728	100%	664.138	662.707	100%

* Technical, administrative (ATA) and support expenditure covers necessary costs for the assistance to implementation of the Tacis and Cards programmes: for analysis, pre-feasibility and feasibility studies related to the programming of the main budget lines; and for information collection and dissemination and public awareness.

*Stabilisation
and Association
Agreements enable
West Balkan
countries to progress
along the "road
to Europe".*



1. Albania

Albania suffers from weak public institutions, which has contributed to serious instability in the past and which, if not sufficiently strengthened, pose a serious threat to its prospects of developing a closer relationship with the EU in the future. We are working with Albania to tackle these problems.

A large proportion of EC aid is being spent on administrative reform and on helping the national authorities establish the rule of law.

POLICE TRAINING

The Multinational Advisory Police Element (MAPE) provides advice and training to the Albanian police. In 2000, the EU provided new uniforms, police vehicles, spare parts and protection devices. It also renovated several police training centres (like those in Tirana and Durrës), and equipped them to host intensive training sessions lasting eight to nine weeks. So far, MAPE has trained some 7,000 police officers drawn from all ranks, including 60 senior managers. The next step is to equip the police with modern information technology. The EU is also helping the Albanian authorities to draw up professional police regulations and new laws on the policing of economic crime. From September 2001, an EC Police Assistance Mission to Albania replaces MAPE up to June 2002.

JUDICIAL REFORM IN ALBANIA

Albania's serious civil unrest in 1997 clearly demonstrated the need to reinforce the capacity of the national police force. The EU played a crucial role here, working together with the Council of Europe in helping with the training of judges and prosecutors (new school for magistrates) and setting up the State Publications Centre (new Official Journal). The death penalty was abolished and an ombudsman (People's Advocate) office created in order to strengthen the quality of the legislative process. It will also train more legal professionals and ensure that Albania's judicial institutions function correctly.

€10 million was devoted to this in 2000, including logistical support for building up government administration, the national judicial system and police force, and to help put in place a functioning customs administration capable of collecting the revenue needed to fund the state. €2.5 million was spent on Tempus inter-university co-operation projects, and €2.2 million was used to support the Stabilisation and

Association process. In all, €34.4 million was allocated to Albania in 2000, of which €1.5 million was spent.

In addition, in 2000 the country received humanitarian aid amounting to €3.4 million, concentrated on the rehabilitation of health and education facilities, as well as installing and improving water and sanitation networks in deprived areas.

Agriculture

Land distribution and market liberalisation are two areas where, over the past few years, considerable progress has been made in reforming the agricultural sector. However, major challenges remain: new legislation must be enforced, and the right market and service infrastructures still need to be developed to meet new farming needs. The EU is providing technical assistance to facilitate this, and advising the Ministry of Agriculture on modern agricultural policy and techniques.

2. Bosnia and Herzegovina (BiH)

The return of refugees and displaced people to their homes remains a key priority for EU aid to this country, which received a total of €103 million in aid during 2000. Special efforts were made to return people to the Republika Srpska in eastern BiH, and also to encourage cross-border returns from Croatia.

Helping refugees and internally displaced persons to return involves more than repairing houses and homes, however. It means helping to ensure that returnees also have jobs, schools for their children, healthcare, social security and other services. In this type of integrated return project the EU relies heavily on the involvement of NGOs.

To date (1996-2000), the EC has rebuilt over 21 150 houses all over the country as part of its major effort to help people return to their homes.

Economic regeneration

BiH's post-war boom was largely due to donor reconstruction. However, over the last two years GDP growth rates have fallen to below 10%, from a very low base; the situation has been compounded by negative trade balances, as imports continue to outstrip exports. Only Albania has a lower level of Foreign Direct Investment (FDI). EC assistance over the next five years will help BiH to make the transition to a market economy, and lay down the foundations for sustainable development, in order to prepare BiH's future integration in the EU.

Through the Quick Impact Facility project system, the EC provided €5.5 million for grants and technical assistance to

The strengthening of public institutions will help restore regional stability.

SMEs. As a result, 1200 new jobs were created in return areas throughout Bosnia and Herzegovina.

The European Commission's approach to encouraging economic development in this country focuses on the following:

- ▶ creating a single market between Bosnia's entities, in line with EU standards and institutions;
- ▶ supporting structural reforms to prepare for the transition to a market economy;
- ▶ stimulating the development of the private sector, especially SMEs;
- ▶ ensuring that both local economic development and refugee returns are sustainable.

Agriculture, forestry, and the environment

The EC has helped the veterinary services of both Bosnia and Herzegovina to work together to ensure better health and management of livestock, which will increase consumer confidence and trade.

BiH potentially possesses one of Europe's largest natural forest covers, but some of these 'forest lands' are currently bare and threatened by desertification, as well as by unexploded mines. With EC aid, 1350 hectares have been reforested (750 hectares directly funded by the EC, the rest financed bilaterally by Italy).

In the aftermath of the war, the protection of BiH's abundant natural resources has fallen even lower on the political agenda. With EC encouragement, a set of new environmental protection laws was drafted and is now being discussed with all interested parties.

3. Croatia

Parliamentary and presidential elections in January 2000 resulted in a change of government in Croatia and brought a dramatic change in the political climate. These changes have offered the opportunity for rapid progress in the relationship between Croatia and the EU. The EU responded swiftly with an immediate increase in contacts between the EU and Croatia; the status of the European Commission's office was upgraded to a Delegation, and the EU agreed in November 2000, to open negotiations with Croatia for a Stabilisation and Association Agreement.

The main priorities for EC aid in Croatia are ethnic reconciliation and the return of refugees, support for democratic principles and the Stabilisation and Association process, which has already been negotiated.



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REBUILDING NATIONAL INFRASTRUCTURE IN BOSNIA AND HERZEGOVINA

The public utilities are now up and running. Many major EU-funded countrywide reconstruction projects were completed during 2000. Water and electricity networks were repaired, bridges rebuilt, mines were cleared, kilometres of roads rehabilitated, hospitals rebuilt and equipped, schools, kindergartens and universities reopened and telephone lines restored. Sarajevo airport was substantially upgraded, following similar improvements made in previous years to the airports at Mostar and Banga Luka.

Mostar and Sarajevo: The extensive war damage inflicted on these two cities required several integrated reconstruction programmes. The results are already visible with new houses, public buildings, and restored networks for water, energy and transport.

Reconstructing Bosnia and Herzegovina: The war inflicted substantial damage to Bosnia's physical links to the rest of Europe. The EC has funded the repair and rebuilding of many bridges, including the bridges across the Sava at Gradiska, Benska and Brcko.

€10 million of the total €18.54 million budget for 2000 was set aside for the return refugee. The Croatian authorities were given another €3 million for technical assistance to help carry out vital reforms in key sectors such as: European integration, justice, public administration reform, SMEs, statistics and regional development. A further €2.34 million was provided for promoting SME and craft businesses. The €18.54 million total also includes €1.5 million support for the TEMPUS inter-university co-operation programme given by PHARE in 2000. An additional €1.5 million was given for technical and administrative assistance to support programme implementation.

The outcome of Croatia's January 2000 elections has significantly improved its relationship with the EU.



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Reconstruction and return of refugees and displaced persons

Reconstruction aid is concentrated on the formerly war-torn areas in Croatia, namely Eastern Slavonia and former sectors in the North and South. As elsewhere, the EU promotes an integrated approach to the return of refugees and displaced persons, the construction of houses therefore goes hand in hand with the rebuilding of health centres and schools, sustainability measures and efforts for the revival of small business. The 2000 programme which will come to an end in Spring 2002 aims to provide housing and other assistance for the return of approximately 2,500 refugees and internally displaced people.

4. The Former Yugoslav Republic of Macedonia – FYROM

A major milestone in the relations between the EU and the Former Yugoslav Republic of Macedonia was the negotiation of a Stabilisation and Association Agreement which was initiated in November 2000. Also in 2000, an asymmetrical trade regime was agreed. The enhanced relations between the EU and FYROM were marked by the upgrading of the Office of the Resident Envoy to a permanent Delegation.

ECHO allocated €5.36 million to the country still affected by the aftermath of the Kosovo crisis.

The main priorities for assistance in 2000 were to bring the country closer to EU standards and principles and to assist it in the framework of the Stabilisation and Association Process.

Strengthening of government institutions and improvement of infrastructure are key aspects of assistance which will enable the Former Yugoslav Republic of Macedonia to benefit from the Stabilisation and Association Agreement and comply with its obligations.

The national programme of €16.2 million focused on financial sector reform, approximation of legislation, justice and home affairs, integrated border management, support for data processing of the population and agricultural censuses and education.

€1 million was provided as the first part of the Commission's contribution⁽⁴¹⁾ to the construction of the South East Europe University in Tetovo. This University will be the first one providing tuition in the Albanian language in the country, thus seeking to address one of the long standing grievances of the Albanian population.

Upgrading of transport routes and border crossings is key for economic development, as FYROM is an important transit route for goods and people between the Balkans and the EU, so in addition to the national programme, €4 million was provided for upgrading Blace border crossing, the main crossing between Kosovo and FYROM.

CROSS-BORDER CO-OPERATION BETWEEN FYROM AND GREECE

FYROM's geographical position is important in the context of the TransEuropean Network (TEN) of cross-continental road routes. The TEN 'Corridor X' links the cities of Thessalonica, Skopje, Belgrade, Zagreb and Munich/Passau. To renew trade links, the EU has funded the modernisation of two critical border crossing points and also the upgrading of several stretches of Corridor X inside FYROM's borders. **Modernisation of Bodgorica Border Crossing (CBC):** the rebuilding of this important border crossing was completed in October 2000 with an EU contribution of €3.16 million. A new heavy vehicles terminal was added with all modern customs and inspection facilities. A further upgrading is planned, with new buildings for veterinary and plant health inspections.

Modernisation of Medjitlija Border Crossing: the EC contributed around €2.46 million towards building a completely new border crossing, with full customs and police facilities. **Upgrading of road E75:** the section of road from Gevgelija to the Greek Border near Bogorodica was completely upgraded by September 2000 with CBC funding of €5.68 million. Another section, nearly 10 km long between Negotino and Demir Kapija, is being upgraded in two phases at a cost of €14.6 million. This leaves the final section between Demir Kapija and Gevgelija, for which the necessary design and tender documents were ready at the end of 2000, at a cost of €2.7 million.

The return of refugees and displaced persons is still an important aspect of the activities being carried out in formerly war-torn areas.

(41) Another €4 million were provided in 2001.

5. The Federal Republic of Yugoslavia – FRY

Serbia

Emergency assistance programme

Following the transition to democracy in Serbia, the EC launched an emergency assistance programme for Serbia in November 2000. The programme, with a budget of €180 million provided support in a range of sectors, notably energy, health care and food commodities. It came after the already existing EC humanitarian aid to Serbia (€50.45 million in 2000). The Commission services worked fast to put the emergency package together and the delivery on the ground started in record time, making a major difference in people's lives during the winter months. Within the package, a contract worth €25.4 million was signed with the World Food Programme to provide 15,000 tonnes each of sugar and sunflower oil, two basic commodities for which there were shortages, at affordable prices to consumers in Serbia. Funds generated from the sales are being used to form a counterpart fund for the regeneration of Serbian agriculture.

Montenegro

Montenegro had differentiated itself from the Milosevic regime by pursuing a path of political and economic reform under its democratic-oriented government. The EU provided direct and continuing support exempting it from the sanctions regime against the FRY and supplying substantial material and technical assistance.

Thus, the EC contributed to the alleviation of government expenditures (social welfare payments of €13.4 million, electricity imports of €2.5 million, and expenses linked to the hosting of the displaced persons linked to the Kosovo crisis of €13 million). The EC also provided exceptional macro-financial assistance of €20 million, helped modernise infrastructure and supported the media, NGOs and democracy. There were key projects in the areas of tax reform, revenue collection, SME development, basic education and support to Government co-ordination structures.

As part of direct assistance for rural development, more than 1 000 pregnant cows were delivered by the EU directly to rural families living in difficult situations in Montenegro.

€9 million of humanitarian assistance was allocated to Montenegro to allow it to cope with the caseloads of refugees and internally displaced people (IDPs).



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Kosovo

The European Agency for Reconstruction has been responsible for the management of the main EC assistance programmes in Kosovo since it was established in February 2000. For the 2000 Kosovo programme of €263 million (including €51 million committed in December 2000), 79% of funds were contracted and 55% of these paid by 31 December 2000. Over 50% of the programme concentrated on energy and public utilities, while a further 25% concentrated on the reconstruction of houses.

The Agency undertook the reconstruction of some 8,500 houses with €60 million allocated in 2000, bringing the total number of houses repaired/reconstructed in Kosovo with EC funds to 12,000. This has secured homes for more than 100,000 people, while also supporting the local and regional building industry.

The poor state of Kosovo's main power stations near Pristina necessitated that the Agency implemented a €121 million programme in the energy sector, including a major overhaul of one power station and the equipping of the adjacent coal mines which feed the power stations. Funds were also provided for the importation of electricity and the establishment of a management team for the energy sector. In 2000, the Agency responded to the serious state of neglect of Kosovo's road infrastructure by focusing on the key transport axes with aid worth €15 million for rehabilitating 180 km of roads and four bridges, while work began on a major upgrade of the Blace border crossing with FYROM.

As part of its €15 million in support of enterprise and employment generation, the Agency and the World Bank created a €7.5 million credit scheme for small and medium-sized enterprises. In addition, the Agency launched a clean-up operation of the Trepca industrial complex, and conducted an environmental and technical audit of the Zvecan lead

The European Agency for Reconstruction has helped expedite the delivery of EC assistance.



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Legal institutions and human rights organisations will have to handle numerous torture and abuse cases that took place during the war years. This 52-year-old Kosovar Albanian was severely beaten during the 2 days he was in KLA custody.

smelter. €13 million worth of aid was used to assist rural livelihoods and the vital agriculture sector. Some 40,000 tons of fertiliser and seeds were imported and sold to farmers at reduced prices, with the revenue placed in a rural credit scheme to assist farmers.

In order to support civil administration in Kosovo, the Agency assisted UNMIK in the task of rebuilding local administration by rehabilitating municipal buildings, providing equipment and technical expertise. Specialist equipment was procured to facilitate the issuing of new identity documents.

In the health sector, Agency programmes worth €10 million facilitated the modernisation of the Kosovo blood transfusion service, and provided financial and technical assistance to support health care reform and the modernisation of the pharmaceutical sector. A programme of support for essential public utilities was launched to improve water and the environment and included improvements to sewage treatment and disposal, and to the quantity and quality of the water supply. It is contributing to the rehabilitation of water installations, emergency repairs, and the procurement of equipment for the municipal water companies.

In 2000 and in addition to other EC assistance, €26.8 million was allocated to Kosovo to cover the humanitarian needs of the population, in particular during the winter period. The rehabilitation of houses, schools, rural water and sanitation works was undertaken by ECHO.

6. Horizontal policies

European Initiative for Democracy and Human Rights

Central and Eastern Europe, Republics of Former Yugoslavia

In this region torn by years of war, the development of democracy involves supporting the peace process and calming tensions. In particular, the budget aid covers support for organisations working to re-establish democracy in civil society and to stimulate inter-ethnic dialogue in specific geographical areas. Also supported, in a more general fashion, are projects that encourage press and media freedom, promote equality between men and women and protect the most vulnerable groups in society. Altogether, €13.500.000 has been given.

The media in Kosovo

What is freedom without a free press? What type of ethics govern the media? To what extent is a journalist pushing a party line an objective journalist? One hundred and twenty people working in private and public radio stations in Kosovo will be taking professional training including a specific course in professional ethics, as the result of a €385 000 grant to *Internews Europe* in favour of *Kosovo Independent Radio*. This project is intended to make it possible to develop an independent local radio station (information channel reaching most towns in Kosovo) and to boost the capacities of municipal radio stations.

The Roma culture

The project *Encouraging a global approach to Roma-related questions*, is helping the governments of Bosnia-Herzegovina, Croatia and the Former Yugoslav Republic of Macedonia develop and implement policies to improve the conditions of the Roma. The project is based on the Council of Europe's experience and the initiatives it has been carrying out in Central and Eastern Europe since 1994. With a grant of €248.000, this organisation will be organising various round tables, brainstorming sessions, discussion groups and studies of existing legislation.

Parliament, NGOs and civil society

How can working relations between parliaments and NGOs be improved? *East-West Parliamentary Practice Project*, a Dutch-based NGO, which boasts solid experience in the area of parliamentary assistance, has just launched its "Legislative Assemblies and Citizens" initiative in various Balkan countries (Albania, Bulgaria, Croatia, Bosnia, Republics of the Former Yugoslavia, the Former Yugoslav Republic of Macedonia and Romania). The aim is to create a framework for interaction and co-operation between parliaments and civil society organisa-



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Much of the region's communication infrastructure was severely damaged during the war. EU funds are helping rebuild several bridges such as this one in Mostar.

tions in order to allow the development of a true representation of democratic interests. The project, which is receiving €1.27 million in support, also involves local partners, such as the Albanian Human Rights Centre, the Foundation for Democracy in Bosnia-Herzegovina, the Foundation for a Free and Democratic Bulgaria, the Helsinki Croatia Committee for Human Rights, the Serbia European Movement, FORUM (ARYM), the Centre for Democracy and Human Rights in Montenegro and the Association for Democracy in Romania.

Humanitarian aid (ECHO)

ECHO, the European Community Humanitarian Office, has adopted several financial decisions concerning humanitarian aid to this region to a total of some €98.7 million in 2000. Since 1992, ECHO has implemented humanitarian assistance programmes worth over €2.3 billion in the region.

7. Conclusions and perspectives

EU activities in the **Western Balkans** have expanded rapidly, now that democratic governments have been elected in Croatia and the Federal Republic of Yugoslavia while the level of EU activities in the NIS for example, remains broadly unchanged. The more favourable political climate in the Western Balkans is reflected in the doubling of assistance

from 2000 to 2001: from about €400 million through the Obnova/Phare programmes to €800 million through CARDS, their successor programme. The European Agency for Reconstruction is well staffed and was therefore able to deliver EC emergency and reconstruction assistance speedily and effectively to FRY during 2000.

The CARDS programme in the Western Balkans will continue to be a large, politically sensitive and visible EC assistance programme. However, in an environment of rapid and recurring political tension, it will be a major challenge to continue speedy and effective delivery of the right sort of assistance. Gradually, as stability begins to return to the region, our assistance is focusing less on emergency support and reconstruction, and more on a broad-based and sustainable development, in particular, on institution-building. This assistance is embedded in the overall framework of EU relations; it is being used to further the objectives of the Stabilisation and Association Process and the growing number of Stabilisation and Association Agreements signed, or under negotiation, with the countries in the region.