

The former Yugoslav Republic of Macedonia the European contribution

1. Milestones in the relations between the European Union and the former Yugoslav Republic of Macedonia

- > **1996:** The former Yugoslav Republic of Macedonia becomes eligible for funding under the EU Phare programme.
- > **1997:** Regional Approach. The EU Council of Ministers establishes political and economic conditionality for the development of bilateral relations.
- > **January 1998:** - Co-operation agreement* and Agreement in the field of Transport enter into force.
- Opening of the Office of the Resident Envoy in Skopje.
- > **1999:** The EU proposes a new Stabilisation and Association Process (SAP) for five countries of south-eastern Europe. On 16 June 1999, the conclusion of a feasibility study to open negotiations with FYROM is positive.
- > **24 Jan. 2000:** The Council adopts negotiating directives for a Stabilisation and Association Agreement.
- > **March 2000:** - Upgrading of the EC Representation in Skopje to a permanent Delegation of the European Commission.
- Start of negotiations between the EU and the former Yugoslav Republic of Macedonia to conclude a Stabilisation and Association Agreement. The European Commission hopes to conclude the negotiations for a Stabilisation and Association Agreement (SAA) with the former Yugoslav Republic of Macedonia at the Zagreb Summit of 24 November 2000.

* Under the Co-operation Agreement, the former Yugoslav Republic of Macedonia benefits from asymmetric trade preferences with the EU

2. Main objectives of European Union assistance

- > The EU aims to support the achievements to date in the field of democracy by strengthening the institutional and administrative capacity of the state and of the actors of the civil society.
- > The EU aims to assist the government at central and local level to facilitate the process of economic and social transformation towards a market economy.
- > The EU aims to bring the former Yugoslav Republic of Macedonia closer to EU standards and principles, and to assist the country in the framework of the Stabilisation and Association Process.



3. Main areas of support

> Support to enterprises and the financial sector

The EU supports FYROM in its efforts to make the economic and commercial legislation compatible with that of the EU through technical assistance to draft new laws.

In order to help develop the SME sector in FYROM, the EU has supported the creation of a National Enterprise Promotion Agency (NEPA) which acts as a representative of the SME community at policy level. The agency aims to support enterprises in improving their management, marketing and know-how in order to create competitive, export-oriented companies. The EU also helped establish a network of Regional Enterprise Support Centres throughout the country, in order to provide entrepreneurs with direct business support services. A micro-credit scheme has also been set up to make it easier for SMEs to obtain bank loans.

Intensive training has been provided to the banking community in order to improve their capabilities in credit and risk management techniques, so they can better support the development of SMEs.

> Transport (Cross-border, EIB, Phare)

Two key transport corridors cross the country and intersect at Skopje. They form part of the EU-wide "Trans-European Networks" (TENs), and are known as Corridor 8 (E-65 East-West: Durres-Tirana-Skopje-Sofia-Varna) and Corridor 10 (E-75 South-East-North: Thessaloniki-Skopje-Belgrade-Zagreb-Passau or Munich). Improvements to these roads are funded as part of an overall programme for upgrading transport infrastructure. The EU supports this through different sources: through grants from the national programme for FYROM and the cross-border co-operation programme with Greece, and with loans through the European Investment Bank (EIB).

> Agriculture

The EU is assisting the Ministry of Agriculture in policy and strategy development for the transition to a market economy, and in order to bring animal and plant health controls to EU standards. European experts also helped draft a new law on agricultural land which is now in force.

> Environment

The EU helps the relevant Ministries in the development of national strategies for waste water and solid waste. Support is given to the Ministry of Environment to manage and enforce national environmental policy.

> Education

FYROM takes an active part in the EU inter-university exchange programme TEMPUS. Joint European projects are implemented with EU universities and individual mobility grants for students and professors are currently underway.

Advice and assistance to the Ministry of Education is given in order to establish a school curriculum which is better adapted to the needs of the labour market (Vocational Education and Training –VET).

> Social sector

The EU aims to assist the Minister of Labour and Social Policy to develop social welfare policies in line with EU best practice.



> Local government development

The main objective of this EU assistance programme is to strengthen the capacity of the Ministry of Local Self-government to manage the process of decentralisation, and to enhance the dialogue between the different levels of government: central and local.

> Cultural development

The EU assists the Ministry of Culture with a cultural development programme which aims to develop commercial and autonomous management of cultural institutions, financial assistance to upgrade major national cultural institutions, a fund for small projects related to cultural activities and support for the conservation of monuments and sites.

> Democracy and civil society

To strengthen the Macedonian civil society and the social network, the EU funds projects aimed to develop the activities of NGOs for example to support families with disable children or to help social integration of marginalised Roma communities.

Support is also given to independent media, which play an essential role in democratisation. A comprehensive audience research survey funded by the EU is currently underway in order to better understand the overcrowded media scene in FYROM and to help develop a sound media market with self-sustainable magazines, newspapers, radios and televisions.

> Reform

The EU gives key assistance in the reform of the public administration. It also helps setting up a statistical system compatible with that of the EU.

> Critical aid and humanitarian assistance

From 1992 to 1995, the country was faced with severe disruptions largely due the break-up of the former Yugoslavia. The European Community Humanitarian Office (ECHO) provided emergency assistance in the form of food aid, health care, water and sanitation and fuel oil. ECHO activities in FYROM stopped in 1996. Critical aid was also given under the EU Phare programme to meet the immediate needs of social and economic institutions.

> Kosovo crisis

In 1999, the Kosovo crisis had a negative impact on the economy of the former Yugoslav Republic of Macedonia: influx of 245.000 refugees in June when the crisis was at its height, disruptions of trade relations, lower investment flows. ECHO, the European Union's humanitarian arm, immediately re-opened its activities ended in 1996 in order to give immediate assistance both to refugees and to the host population.

In order to ease the burden placed by the Kosovo crisis on the Macedonian authorities, the EU provided budgetary support in order to cover refugee-related additional costs in the areas of health, education and the social sector.

Additional macro-financial assistance (Balance of Payments Support) has also be given to the country.

4. Orientations for future assistance

Future assistance to the former Yugoslav Republic of Macedonia will be delivered under the new CARDS programme to support the country in the framework of the Stabilisation and Association Process.

CARDS stands for Community Assistance for Reconstruction, Development and Stabilisation. The CARDS programme will be the main channel for the European Union's financial and technical co-operation with the countries of Southeastern Europe.

5. Facts and Figures

1991-2000 EC assistance to the former Yugoslav Republic of Macedonia

Allocations in millions of €

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | Total |
|-----------------------------|--------------|------|-------------|--------------|--------------|--------------|--------------|---------------|--------------|---------------|
| FYROM | | | | | | | | | | |
| Phare + Obnova | 60.00 | | | 25.00 | 25.00 | 33.00 | 25.00 | 47 | 25.00 | 240.00 |
| ECHO | 36.52 | | | 9.15 | 0.00 | 0.00 | 0.4 | 43 | 3.35 | 92.42 |
| Media | | | 0.05 | 0.28 | 0.00 | 0.21 | 0.28 | 0.00 | 0.2 | 1.02 |
| Democracy & Human Rights | | | | | | 0.50 | 0.20 | n.a. | n.a. | 0.70 |
| Balance of payments support | | | | | | 40.00 | | 20.00 | n.a. | 60.00 |
| Total = | 96.52 | | 0.05 | 34.43 | 25.00 | 73.71 | 25.88 | 110.00 | 28.55 | 394.14 |