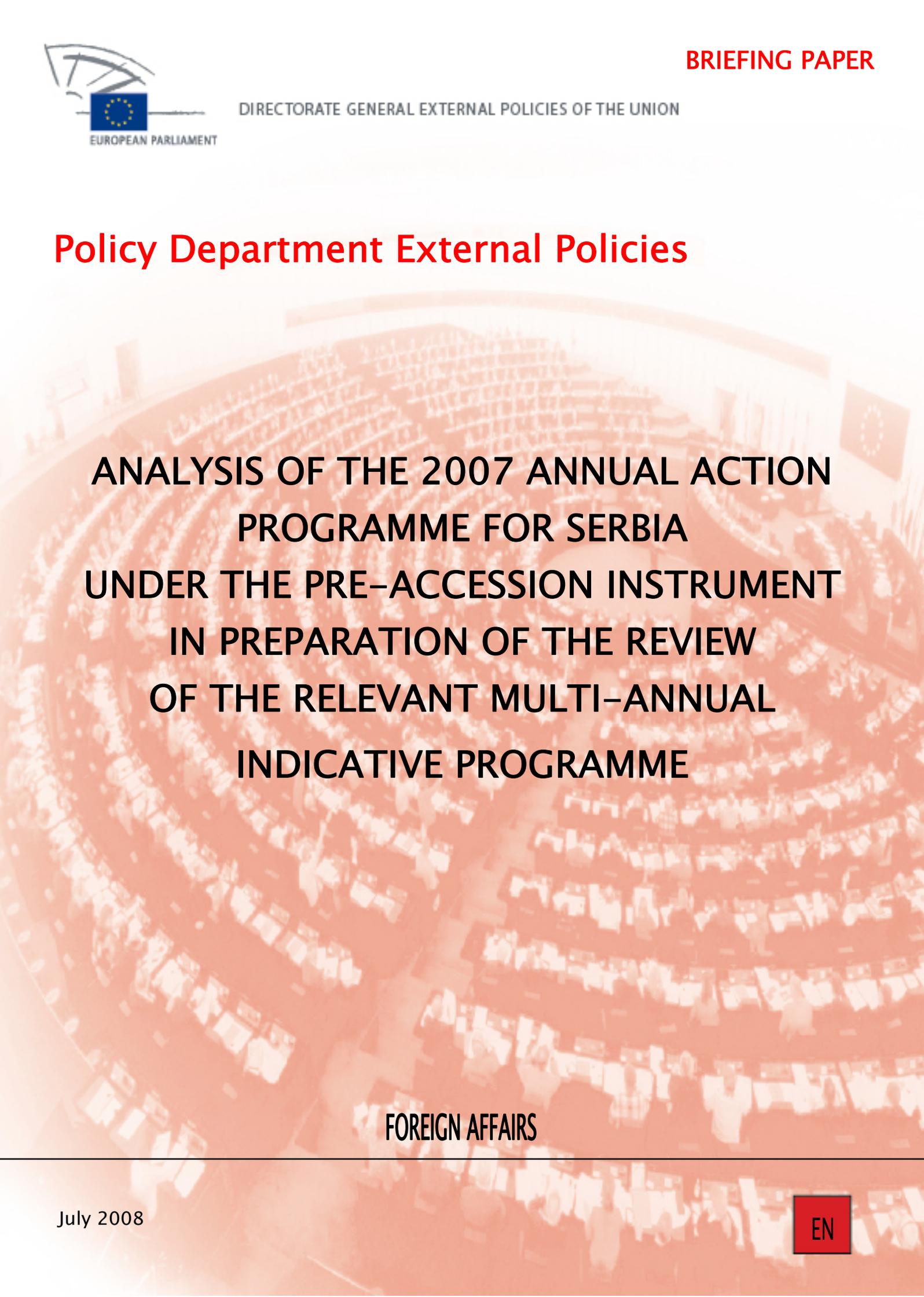


Policy Department External Policies



ANALYSIS OF THE 2007 ANNUAL ACTION PROGRAMME FOR SERBIA UNDER THE PRE-ACCESSION INSTRUMENT IN PREPARATION OF THE REVIEW OF THE RELEVANT MULTI-ANNUAL INDICATIVE PROGRAMME

FOREIGN AFFAIRS

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EXECUTIVE SUMMARY

Scope of the briefing: This Briefing Paper analyzes the coherence of the IPA Annual Action Programme 2007 for Serbia (AAP) with the European Union's (EU) pre-accession objectives. It evaluates the pertinence of the elements of analysis as put forward in the AAP and their adequacy to describe the conditions identified in the country concerned. In responding to this task, the AAP's allocation of funding and composition of projects will be projected against Serbia's specific needs as identified by the European Commission's (EC) Progress Report (Commission 2007a) and the Enlargement Strategy (Commission 2007b). This paper is divided into a political, an economic and a European standards section, following the structure of the Progress Report and the priority axes within the Multi-annual Indicative Programme (MIPD). Each section provides an analysis of the current situation, the projects identified by the AAP and an assessment referring to tasks above. The briefing closes with conclusions and recommendations.

Main findings: Generally, the objectives stipulated in the AAP are largely congruent with the tasks identified in the Commission's Progress Report and the Enlargement Strategy; especially political requirements figure prominently on the respective priority axis of the AAP.

Political Criteria: The projects within the AAP fully reflect Serbia's priority needs in view of EU approximation. However, good intentions to work on European standards exist on paper, but results seem difficult to achieve. There is "a strong track record in the production of legislation, but weak follow through in terms of the necessary resource commitment for implementation", as the European Commission puts it. Shortcomings on this priority axis relate primarily to the areas of governance, local government, secret services and state capture.

Economic Criteria: The projects assigned to the Socio-Economic priority axis are fully in line with the needs in this area. They are however identified almost solely according to criteria of economic efficiency, while social issues play only a minor role. The activities score low in terms of EU visibility "on the ground" and do not generate bottom-up legitimacy for further EU rapprochement.

European Standards: The projects chosen for funding are fully in line with the areas identified in the Progress Report. Especially the concentration on environment, rural development border control and the cross-cutting issue of administrative capacity building corresponds with the special demands Serbia has in this phase. However, serious deficits in the areas of corruption and organized crime identified in the Progress Report have not been addressed.

Main conclusions:

- Key priorities of the AAP rightly address public administration reform, strengthening of European integration structures, reform of the judiciary (independence, professionalism, and efficiency), cooperation with the ICTY, constructive approach with regard to Kosovo, and democratic control over armed forces.
- The AAP has so far not sufficiently addressed state building and governance issues other than central government structures, namely regional administration, and the role of the parliaments.
- The issues of informal and secret security structures and the phenomenon of "state capture" are neglected. Corruption and organized crime as specified within horizontal

issues of the AAP rank rather low on the agenda and are not addressed according to the needs laid down in the Progress Report.

- Education and youth employment as preconditions for long-term stability and development have not sufficiently been addressed. The recently more pro-active approach of the EU towards visa liberalization will have positive impacts especially on “brain-circulation” and connected effects of increasing foreign remittances and knowledge transfer. However, education only plays a secondary role in the AAP and its treatment does not live up to the far-reaching expectations evoked in the MIPD.
- There is a strong focus on harmonization issues, whereas employment and poverty reduction receive less attention. Social key problems are treated only indirectly by building on trickle-down effects from general growth stimulation. As can be seen from the recent economic development, however, the translation of growth into reducing unemployment and alleviating poverty has proven to be weak in Serbia.
- The AAP follows pretty much the usual top-down approach. Its activities score low in terms of EU visibility “on the ground” and do not generate bottom-up legitimacy for further EU rapprochement, which would be needed, especially in view of the surge of nationalism as a result of the EU’s support for Kosovo’s declaration of independence.

Recommendations:

- Strengthen local and regional administrations, judiciary, and civil society in order to broaden the “Europeanization” process to structures beyond the central government.
- Support parliamentary processes (enhance capacity building and transparency, decrease interference of political parties) and strengthen the role of the parliament in the political process (in particular as regards oversight rights).
- Address informal structures of policy making (secret services, “state capture” by tycoons) by devoting more attention to corruption and organized crime.
- Instead of just providing guidelines and advice on the Acquis, more efforts should be undertaken to enhance capacity and ownership by building a learning process in partner institutions. Particular emphasis should be given to decentralization, with increased responsibility for regional and local structures.
- A stronger orientation towards tackling social issues more directly and more visibly to Serbian citizens would contribute to matching the ambitions of the MIPD’s requirements while simultaneously generating legitimacy for further EU rapprochement.
- Education and youth employment as preconditions for long-term stability and development need to receive more attention. While visa liberalization is a step in the right direction more consistent efforts need to be made in order to improve the quality and efficiency of the Serbian education system.

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1. Introduction

The initial request for this Briefing Paper (EP/EXPO/B/AFET/FWC/2006-10/Lot1/18, Annex II) specifies that the Briefing Paper should analyze:

- the coherence of the annual programme with the Union's overall policy objectives as set for the pre-accession process in general and for the concerned country in particular
- the pertinence of the elements of analysis as put forward in the action programme and their adequacy (or lack of it) to describe the conditions observed /identified on the ground in the country concerned and considering the recent developments in the area
- the way in which results or lack of them (achievements and/or weaknesses) in implementing previous annual programme(s) and analysis of situation could be taken on board with a view to adjusting the Multi-annual Indicative Programme for the country concerned.

In responding to this task, we analyze the Annual Action Plan (AAP) and project its allocation of funding and composition of projects against Serbia's specific needs as identified by the European Commission's (EC) Progress Report (Commission 2007a) and the Enlargement Strategy (Commission 2007b).

We divide this paper into a political, an economic and a European standards section thereby following the structure of the Progress Report and the priority axes within the MIPD. Each section provides an analysis of the current situation, the projects identified by the AAP and an assessment referring to tasks above. The briefing closes with conclusions and recommendations.

The AAP at hand represents the first engagement by the Serbian administration and the EC Delegation in leading national EU programming under IPA. Its financial scope amounts to € 164,836,352 whereby € 56.5 million are allocated in priority axis 1 (Political Requirements), € 71 million in priority axis 2 (Socio-Economic Requirements) and € 34.5 million in priority axis 3 (European Approximation of Sectoral Policies). Programming was carried out during political instability in the first half of 2007 as the formation of a new government was awaited.

2. Political Criteria

2.1. Political Situation

Serbia has achieved considerable economic growth and gradual political stabilization over the last 7-8 years. However, the process of post-Milošević normalization had been overshadowed by the decision over Kosovo's political status which led to a political paralysis in many reform areas. President Boris Tadić (Demokratska Stranka (DS)), Prime Minister Vojislav Koštunica (Demokratska Stranka Srbije (DSS)) and Minister of the Economy Mladjan Dinkić (G17Plus) have been divided over major political issues. Now that Kosovo has formally declared independence, Serbia will probably confront a period of continuing internal turmoil and

deep divisions, which will negatively affect Belgrade's approximation strategy towards the EU. Nationalist rhetoric will continue to dominate the political climate.

Serbia is a potential candidate for EU membership and participates in the Stabilization and Association Process (SAP). After negotiations of a Stabilization and Association Agreement (SAA) were finalized in September 2007, the contract was signed on April 29. The European Union, however, claims full cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) before the agreement will be implemented. From 2007 onwards Serbia is a beneficiary of the Pre-Accession Instrument (IPA), (€164.8 million in 2007). Projects funded relate to, inter alia, democratic institutions, public administration reform, rule of law, reform of the judiciary, fight against corruption, human rights and protection of minorities, socio-economic requirements and European Standards.

Serbia has made steady progress towards EU requirements:

Democracy and the rule of law have made certain progress, but need to be further strengthened, in particular as regards reform of the judiciary which is particularly lagging behind. The constitution and constitutional law leave room for political influence. Corruption is widespread and requires a more systemic approach, including financial control and parliamentary oversight. Public administration reform has made progress, but again, oversight and enforcement of legal obligations are still on the agenda. Civilian oversight of the military needs to be improved.

Last, but not least, the work of the parliament has been hindered by sharp political divisions. There is a general lack of capacity and transparency in the parliamentary process, and the influence of political parties over the decision making process remains high.

Serbia has advanced as regards respect for human rights and the protection of minorities. Deficits relate to judicial enforcement, anti-discrimination legislation and minority representation in public services. More needs to be done in order to improve the situation of the Roma population.

Belgrade has played an active role in promoting regional co-operation (Stability Pact, SEECP, CEFTA). Its cooperation with the ICTY is however still insufficient.

2.2. The Action Plan

In light of the analysis provided by the country's "Progress report" and the "Enlargement Strategy Paper", the AAP adopted in August 2007 fully reflects Serbia's priority needs in view of EU approximation. Aims and objectives in the areas of democracy and rule of law, human rights and protection of minorities, as well as international obligations correspond both to the broad objectives of assisting Serbia in implementing the reforms needed to fulfill EU requirements, and broader political conditionality as prescribed by the Council (e.g., ICTY cooperation). Accordingly, political requirements figure prominently on the priority axis of the AAP as well as in the MIPD.

The AAP highlights the following key priorities:

- implement the public administration reform
- strengthen European integration structures
- reform of the judiciary (independence, professionalism, efficiency)

- reform of recruitment and career advancement of judges
- full cooperation with the ICTY
- respect of UNSCR 1244 and constructive approach with regard to Kosovo
- democratic control over armed forces

Specifically, the following measures shall be supported:

Democracy and the rule of law:

- Constitution: revision of the Constitution in accordance with European standards.
- Elections: electoral legislation reform and implementation of legislation on financing of political parties.
- Public administration: set up an Ombudsman's office in the public administration, build-up European integration offices in the line ministries, capacity building, implementation of existing laws, adopt and implement decentralisation reform.
- Justice: training for judges, prosecutors and staff, rationalising the court system, autonomy of the prosecution system, strengthen office of the prosecutor for war crimes, national strategy for judicial reform, enforcement of court decisions, capacity building to try war crimes.
- Anti-corruption: implementation of respective legislation, adopt and implement anti-corruption strategy, compliance with UN conventions.
- Defense reform: restructuring and reform of armed forces.

Human rights and protection of minorities:

- Implementation of respective international obligations, prevent ill-treatment, improve prison conditions, adopt anti-discrimination legislation, implement media legislation and ensure independence of broadcasting media, develop civil society organizations and adopt respective legislation, ensure protection of minority rights, strategies for integration of Roma, education to promote good interethnic relations, participation of minorities in judiciary and law enforcement bodies, anti-discrimination legislation.

Regional issues and international obligations:

- Respect of Dayton Agreement, promote regional cooperation and good neighbourly relations, conclude and implement agreements with neighbouring countries (including on trade, fight against crime, judicial cooperation, border management, environment protection, transport, energy, return and integration etc.).

2.3. Assessment

Two observations emerge from the cross-cutting analysis of key priorities and necessary activity: First, there is a general pattern of discrepancies between legislation and implementation in many areas addressed by the Action Plan. Good intentions to work on European standards exist on paper, but results seem difficult to achieve. Serbia has “a strong track record in the production of legislation, but weak follow through in terms of the necessary resource commitment for implementation”, as the European Commission puts it.

The reform agenda as set out in the AAP appears to be mainly driven by European Commission interests. In light of the specific situation in post-Milošević Serbia, the following issues would nevertheless need more attention in the future:

- Governance: There is an inherent paradox within the AAP (as well as in the EU's policy towards the region in general). Planning is very much focused on the executive, while neglecting the parliamentary process, thus giving "priority to efficiency over legitimacy", as one scholar put it. In result, parallel structures in terms of quality within the administration tend to be created (between a small "Europeanized" sector and large "traditional" one). Involuntarily, this also tends to reinforce critical public perceptions of the "Europeanization" process.
- Local government: In order to support forms of governance other than the central executive more emphasis should be given to the local and regional levels. Lessons from the CARDS Programme suggest that central government policy design and implementation need to be better linked with line ministries on a multi-annual programme basis. Further, central-local government relations need to be strengthened in order to enhance capacity building on a regional level.
- Secret Services: Although civilian oversight of the military is explicitly addressed by the Action Plan, activities focus exclusively on military reform, while the Civil Security Services remained virtually untouched. This is particularly relevant for the secret service BIA (Bezbednosno-informativna agencija) which is politically controlled by Koštunica's DSS. The activities of different secret services and their relations with the military are not open to public debate, let alone the question of democratic control.
- State capture: A main feature of Serbia's political life is the specific way in which the state interacts with private business actors and vice versa. In Serbia, a small group of powerful tycoons has assumed the power to "capture the state" and influence policy making, regulatory and legal frameworks to their own advantage. This phenomenon of "state capture" goes much beyond traditional forms of administrative corruption (bribery in connection with implementation of existing laws, rules and regulations).

3. Economic Criteria

3.1. Economic Situation

Economic growth has been and remains bright in the mid-term, but failed to translate into rising employment rates. Macroeconomic stability is by and large achieved as the economy continues to expand strongly, while inflation declined. The budget remained in surplus and expenditures were largely directed towards investment. At the same time, exports remain small, accounting for only 58% the size of imports.

Unemployment and poverty remain concerns in Serbia. Since the mid nineties instability, international isolation, and economic turmoil adversely affected the living standards of a majority of the population. The country's poor economic performance in this phase led to a decrease in real earnings and a sharp rise in poverty during the 1990s. Today, besides general unemployment (22%), especially youth unemployment is very high (49%). Per capita income increased slightly to 22% of the EU-27 average while about 30% of the active population is engaged in the grey economy. The share of education in overall public expenditure constituted only 3.5% in 2006.

The free interplay of market forces remains impeded by the low share of the private sector in total output (55%) and employment (60%) as well as the high proportion of administered

prices. The obstacles to promote SMEs as main job generators remain, such as the low level of liquidity, high indebtedness and little access to long-term financing. The judicial system suffers from inefficient courts, limited administrative capacity and poor case management resulting in an unfavourable business environment. Economic integration with the EU in terms of trade has advanced.

3.2. The Action Plan

The AAP addresses the major points ranking high in the Progress Report. With an expenditure share of 43% Socio-Economic Requirements form the centre of gravity among the priority axes, addressing infrastructure needs, capacity building and social issues. Unemployment is intended to be targeted by addressing competition/ productivity demands and facilitating new employment generation.

The AAP highlights the following key priorities:

- capacity building (central government, statistical office)
- strengthen private sector competitiveness (SMEs, tourism)
- improving the infrastructure/ emission reductions
- fight drug abuse
- reform of the Health Sector

In detail, it supports the following measures:

Building administrative capacity:

- Constituting the single largest area in this priority axis, the related projects address capacity building in central government with regard to regional development policy, improving services of the Statistical Office, support to implementation of the national tourism strategy as well as assisting the Ministry of Economy to implement the national SME strategy.

Promoting infrastructural development:

- The selection of projects addresses transport and infrastructure issues and aims at raising competitiveness of the Serbian economy. Speed and safety improvements are targeted by projects on the Danube River (Pan-European Corridor VII) as well as the Belgrade by-pass (Pan-European Transport Corridor X).

Addressing negative socio-political developments:

- This area activity clearly represents the smallest share in expenditure. A project to improve emergency medical services is part of the overall reform of health services and aims at improving logistical reach and quality of service delivery. It is supplemented by projects to support the health accreditation agency and the implementation of the national strategy to fight drug abuse in the ministry of health.

3.3. Assessment

The projects assigned to the Socio-Economic priority axis have no explicit connection to already ongoing programmes with similar foci.¹ Furthermore, they are selected almost solely according to criteria of economic efficiency, while social issues play only a minor role. The activities score low in terms of EU visibility “on the ground” and do not generate bottom-up legitimacy for further EU rapprochement, which would be needed, especially in view of the surge of nationalism as a result of the EU’s support for Kosovo’s declaration of independence.

- Unemployment and poverty as key problems of the Serbian society are intended to be addressed exclusively by general growth stimulation induced by capacity building and infrastructure projects. As can be seen from the recent economic developments, however, the translation of growth into reducing unemployment and alleviating poverty has proven to be weak in Serbia. A stronger orientation towards tackling social issues more directly and more visibly would contribute to match the ambitions of the Socio-Economic priority axis’ requirements and not least to generate legitimacy for further EU rapprochement.

- Education and youth employment as preconditions for long-term stability and development have not sufficiently been addressed. The recently more pro-active approach of the EU towards visa liberalization will have positive impacts especially on “brain-circulation” and connected effects of increasing foreign remittances and knowledge transfer. However, education only plays a secondary role in the AAP and its treatment does not live up to the far-reaching expectations evoked in the MIPD.

- As Russia’s Gazprom took over Serbia’s oil monopoly by acquiring a 51% stake in the state-owned company NIS, stronger political orientation towards Russia as a consequence of a continuing salient Kosovo problematique could be precursory for a parallel intensification of economic relations. Increasing trade integration with Russia however, especially in the energy sector, runs counter to the economic policy goal of a high degree of trade integration with the EU.

4. European Standards

4.1. Situation with reference to European Standards

With reference to the internal market one of the main problems is constituted by weak administrative capacity. This especially applies to *free movement of goods, customs and taxation, competition* and *public procurement*. Another sensitive point in this general area is constituted by the legislative area, where delays in the transposition of specific legislation (*market surveillance, public procurement*) or the need to strengthen the legislative framework (*consumer protection*) are underlined. Ineffective implementation of policies has been criticized by the Commission especially in the chapters *free movement of capital, customs and taxation, intellectual property law* and *employment and social policies*.

In sectoral policies Serbia shows mixed progress. While it is comparatively advanced in policy fields like industry and *small- and medium enterprises* (SME), it is lagging behind in *envi-*

¹ This refers to programmes like the Serbian National Economic Strategy, the National Investment Programme 2006-2007, the Danube Socio-Economic Strategy, the Foreign Direct Investment Strategy, the Danube Waterways Plan, the Poverty Action Programme or the National Employment Action Plan.

ronment as well as in *information society and media*. Serbia has a good institutional and regulatory framework for SMEs and adopted an SME strategy and an action plan. Potential for action remains in enhancing SME competitiveness and in drafting a modern industrial policy strategy. In *agriculture and fisheries* improvements in administrative capacities have been made. However, allocation of competencies in the area of food and feed control needs to be improved. *Environment* remains an area of little progress, with no progress at all in air quality. The administrative capacity of the newly formed Ministry of Environment needs to be strengthened as some directorates are understaffed. Also institutional capacity at the local level remains weak. In *transport policy* Serbia is relatively advanced but a number of laws in rail and in air transport stand out. Administrative capacity within the Ministry as well with regard to regulatory tasks needs to be strengthened. This evenly applies to the field of *energy*. In the area of energy efficiency and renewable energy a legal framework needs to be adopted. The telecommunication regulatory authority in the sector of *information and media society* lacks specific regulatory skills and sufficient institutional capacity. Regulatory conditions and market development needs to be improved while a number of laws in *information technologies and information society* services are pending. In *financial control* as well as in *statistics* institutional capacity needs to be strengthened.

With regard to justice, freedom and security, good progress was achieved in visa management and especially in negotiations on *visa* facilitation. However, the visa regime currently in place does not fully comply with EU standards. Some progress has been made in the area of *border control*. While the handover of state borders by the military to the Ministry of Interior was completed the law on State borders has not been adopted yet. The new *asylum* office was established but remains under interim management by UNHCR. Also, the framework asylum law has not been followed up by implementing legislation. There has been only limited implementation of the new legislative framework in the *money laundering* area. Besides the need to adopt a range of laws, co-operation among all competent national institutions remains insufficient. Legislation in view of a number of ratified international conventions against *drugs smuggling* is however in place. Still, the national strategy on preventing *drug* abuse and reducing supply has not been adopted. Administrative capacity and specialized services are limited. The bulk of regulations for implementing the law on the *police* have been adopted. However, the entry into force of the new criminal procedure code has been delayed until December 2008. Problems persist with regard to co-ordination between the war-crime and *organised crime* sector as well as to undue political influence and transparency in police work. In fighting organised crime there has been progress in a number of relevant court cases, but relevant framework legislation is still not in place. The action plan to implement the national strategy for fighting organized crime has not yet been finalized. Due to a lack of financing witness protection has only limited effect. There is no common data bank on *terrorism* suspects and no independent *data protection* supervisory authority with sufficient powers.

4.2 The Action Plan

The European standards priority axis with 21% of funds allocation is the smallest measured in overall expenditure. The projects were chosen to respond to multi-faceted problems and their ability to link up to other areas. Besides the main foci on border control, environment and the overall ability to join EU programmes, the priority axis exhibits a strong cross-cutting emphasis on administrative capacity building.

The AAP highlights the following key priorities:

- administrative capacity building (customs administration, rural development policies)
- improving customs and transit procedures
- enhancing the overall capability to join the Union
- support to rural development and environmental protection
- support to the Serbian intellectual property office

In detail, the following measures are carried out:

Capability to join the Union:

- Related projects support the Serbian participation in the community programmes as well as the introduction of the decentralized implementation system. The single largest project assists in the implementation of the Energy Community treaty. A further project supports the education and information centre of the Serbian intellectual property office.

Transit and border control:

- The selection of projects addresses administrative capacity building of the customs administration for the full implementation of the common EU transit procedure and overall improving border control standards. In this context implementation of the European common aviation area is supported.

Rural development and environmental protection:

- This area activity represents the largest share within priority axis 3. Several projects put a special emphasis on rural development: capacity building to implement rural development policies, strengthening administrative capacities to protect natural areas, the financing of a study of flood prone areas and a sewage and wastewater strategic master plan for the West Morava River. Furthermore, besides technical assistance to develop an environmental approximation strategy, administrative capacities to implement air quality management system are to be strengthened.

4.3. Assessment

Projects under the European Standards Priority Axis were allocated according to the need to accelerate law approximation in sectors like environment and agriculture and are supposed to link up to regional development support addressed in priority axis 2. In a similar vein, the projects with reference to transit and border control activities are to facilitate better exploitation of Serbia's transport and logistical advantages. The projects chosen for funding under IPA are fully in line with the areas identified in the Progress Report. Especially the concentration on environment, rural development, border control and the cross-cutting issue of administrative capacity building corresponds with the special demands Serbia has in this phase. However, important deficits identified by the Commission's Progress Report have not been addressed:

- Organized crime has not been addressed in the AAP despite the clear critique within the Progress Report that the implementation of the relevant action plan is constantly delayed. This is even more remarkable in view of problems amounting to state capture in Serbia (see above). In contrast to the present pre-accession mode, according to which candidates are obliged to begin with harmonization in selected policy areas while applying the economic and political Copenhagen criteria rather „ad-hoc“ (Grabbe, 2006: 11), especially political conditionality connected to good governance should be applied more consistently.

- The AAP lists promoting good governance with particular attention to fight against corruption as a horizontal issue. In the Progress Report, the Commission observed “undue political interference” in the work of the police. In response the AAP cites a transparent public procurement office and a capacity building project for the internal police as measures leading to a “break with the culture of the past”. Experiences from the past enlargement round show, however, that corruption demands full attention and strong political conditionality, which needs to be upheld even after accession. In this context, the existing cooperation and verification mechanism should be upgraded to a full-fledged “post-accession conditionality”.

5. Conclusions

Serbia has shown clear signs of stabilization and economic development. However, the Kosovo issue has continued to dominate the political agenda and has slowed down the overall pace of reform. Following Kosovo’s declaration of independence, a sense of humiliation and victimization that feeds nationalistic feelings is widespread. Key political parties (like Prime Minister Koštunica’s DSS and the Radical Party) currently oppose the EU integration process. There is a strong sense of frustration with Europe both in the political elite and in the public, and Serbian citizens feel that they do not benefit from compliance with EU requirements.

Generally, the objectives stipulated in the AAP are largely congruent with the tasks identified in the Commission’s Progress Report and the Enlargement Strategy; especially political requirements figure prominently on the priority axis of the AAP. Other tasks identified by the Commission, however, did not receive sufficient attention. The overall picture therefore remains rather mixed:

- Key priorities of the AAP rightly address public administration reform, strengthening of European integration structures, reform of the judiciary (independence, professionalism, and efficiency), cooperation with the ICTY, constructive approach with regard to Kosovo, and democratic control over armed forces.
- Also the projects selected for funding within the priority axis European Standards are fully in line with the areas identified in the Progress Report. Especially the concentration on environment, rural development and border control corresponds with the special demands Serbia has in this phase.
- Education and youth employment as preconditions for long-term stability and development have not sufficiently been addressed. The recently more pro-active approach of the EU towards visa liberalization will have positive impacts especially on “brain-circulation” and connected effects of increasing foreign remittances and knowledge transfer. However, education only plays a secondary role in the AAP and its treatment does not live up to the far-reaching expectations evoked in the MIPD.
- The AAP has so far not sufficiently addressed state building and governance issues other than central government structures, namely regional administration, and the role of the parliaments.
- The issues of informal and secret security structures and the phenomenon of “state capture” are neglected. Corruption and organized crime as specified within horizontal issues of the AAP rank rather low on the agenda and are not addressed according to the needs laid down in the Progress Report.
- There is a strong focus on harmonization issues, whereas employment and poverty reduction receive less attention. Social key problems are treated only indirectly by building on trickle-down effects from general growth stimulation. As can be seen from the

recent economic development, however, the translation of growth into reducing unemployment and alleviating poverty has proven to be weak in Serbia.

- The AAP follows pretty much the usual top-down approach. Its activities score low in terms of EU visibility “on the ground” and do not generate bottom-up legitimacy for further EU rapprochement, which would be needed, especially in view of the surge of nationalism as a result of the EU’s support for Kosovo’s declaration of independence.

Recommendations:

- Strengthen local and regional administrations, judiciary, and civil society in order to broaden the “Europeanization” process to structures beyond the central government.
- Support parliamentary processes (enhance capacity building and transparency, decrease interference of political parties) and strengthen the role of the parliament in the political process (in particular as regards oversight rights).
- Instead of just providing guidelines and advice on the Acquis, more efforts should be undertaken to enhance capacity and ownership by building a learning process in partner institutions. Particular emphasis should be given to decentralization, with increased responsibility for regional and local structures.
- Address informal structures of policy making (secret services, “state capture” by tycoons) by devoting more attention to corruption and organized crime.
- A stronger orientation towards tackling social issues more directly and more visibly to Serbian citizens would contribute to matching the ambitions of the MIPD’s requirements while simultaneously generating legitimacy for further EU rapprochement.
- Education and youth employment as preconditions for long-term stability and development need to receive more attention. While visa liberalization is a step in the right direction more consistent efforts need to be made in order to improve the quality and efficiency of the Serbian education system.

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