

Regional Convention on the European Integration of the Western Balkans

INSTRUMENT FOR PRE-ACCESSION ASSISTANCE AND THE COUNTRIES OF THE WESTERN BALKANS

June 2018



European Movement
Montenegro



**INSTRUMENT FOR
PRE-ACCESSION
ASSISTANCE AND THE
COUNTRIES OF THE
WESTERN BALKANS**

„INSTRUMENT FOR PRE-ACCESSION ASSISTANCE AND THE COUNTRIES OF THE WESTERN BALKANS“

Publisher

European Movement in Montenegro

For publisher

Momčilo Radulović

Authors

Momčilo Radulović, Mila Brnović, Marko Lubarda, Ivan Knežević, Elvira Mujkić, Srđan Blagovčanin, Artan Murati, Aleksandar Kolekeski, Armela Maxhelaku

Design and printing

Studio MOUSE - Podgorica

Volume

300

European Movement in Montenegro (EMIM)

Vasa Raičkovića 9, 81000 Podgorica

Tel/Fax: 020/268-651;

email: office@emim.org

web: www.emim.org, www.eukonvencija.me

This study was produced within project "Fostering the partnership between V4 and WB and capacity building in Western Balkans", implemented by the European Movement in Montenegro, European Movement in Serbia, European Movement Albania, EUROTHINK - Center for European Strategies Skopje, Kosova Democratic Institute, Transparency International Bosnia and Herzegovina, EUROPEUM, Institute for Foreign Affairs and Trade, Research Center of Slovak Foreign Policy Association and Center for Analyses of the Jagiellonian Club

Note: This project is financed by the International Višegrad Fund, but this study presents solely opinions of the authors and not of the IVF.

Podgorica, Montenegro

June 2018

Contents

INTRODUCTION	5
--------------------	---

ASSESSMENT OF IPA II ABSORPTION CAPACITIES IN MONTENEGRO

1. Introduction.....	9
2. Legal and institutional framework	9
3. Programming	11
4. Monitoring and evaluation	13
5. Implementation and financial management.....	14
5.1. National IPA II	15
5.2. IPA II Regional, Territorial and Cooperation Sector (8th Sector)	21
5.3. EU support to CSO in Montenegro in the IPA II period	22
6. Administrative capacities	26
7. Conclusions and recommendations	27
8. Bibliography.....	27

ASSESSMENT OF IPA II ABSORPTION CAPACITIES IN ALBANIA

1. Introduction.....	31
2. Legal and institutional framework	31
3. Programming	34
4. Monitoring and evaluation	39
5. Financial management and control	42
7. Sector budget support.....	44
8. Bibliography.....	45

ASSESSMENT OF IPA II ABSORPTION CAPACITIES IN BOSNIA AND HERZEGOVINA

1. Introduction.....	49
2. Legal and institutional framework	50
2.1. General Overview of the National Regulatory Framework Applicable to IPA.....	50
2.2. Framework Agreement between BiH and European Commission.....	50
2.2.1. Implementation and Management Methods.....	51
2.2.2. Institutional Structures and Authorities	52
2.2.3. Sector Strategies.....	54
3. Programming	55
3.1. Indicative Country Strategy Paper.....	55
3.2. Sector Planning Documents	56
3.3. Action Documents.....	57
3.4. Operational Programmes and Sectoral Agreements.....	59
4. Monitoring and evaluation	60
4.1. IPA Monitoring Committee	60
5. Financial management and control	62
5.1. Financial Agreements.....	62
6. Administrative capacities.....	64
7. Cross-Sectoral Approach.....	65
The European Partnership	65
Sector Budget Support.....	66
8. Conclusions and recommendations	67
9. Bibliography.....	69

ASSESSMENT OF IPA II ABSORPTION CAPACITIES IN KOSOVO

- 1. Introduction..... 73
- 2. Legal and institutional framework 74
 - 2.1. Legal framework..... 74
 - 2.2. Institutional framework 75
- 3. Programming 75
- 4. Monitoring and evaluation 77
- 5. Financial management and control 78
- 6. Administrative capacities and Sectoral Approach 78
 - 6.1. Administrative capacities..... 78
 - 6.2. Sectoral Approach and Sectoral Budget Support..... 79
- 7. Conclusions and recommendations 80
- 8. Bibliography..... 81

ASSESSMENT OF IPA II ABSORPTION CAPACITIES IN THE REPUBLIC OF MACEDONIA

- 1. Introduction..... 87
- 2. Legal and institutional framework 88
- 3. Programming, planning and absorption 93
- 4. Monitoring and evaluation 98
- 5. Financial management and control 99
- 6. Administrative capacities 100
- 7. Conclusions and recommendations 102
- 8. Bibliography..... 103

ASSESSMENT OF IPA II ABSORPTION CAPACITIES IN SERBIA

- 1. Introduction..... 107
- 2. Legal and institutional framework 107
- 3. Programming 111
- 4. Monitoring and evaluation 114
- 5. Financial management and control 115
- 6. Administrative capacities 117
- 7. Conclusions and recommendations 118
- 8. Bibliography..... 119

- FINAL CONCLUSIONS 121**

INTRODUCTION

Dear friends,

During the period of the second half of 2017 and the first half of 2018, a network of CSOs gathered within the Regional Convention of the European Integration of the Western Balkans was fully dedicated to exploring of the structure, aims, achievements and capacities related to the Instrument for Pre-Accession Assistance (IPA) in all six countries of the region.

This policy study in front of you is a result of our deep and committed work of all our partners and colleagues from the project and it represents general overview of major facts within the analyzed area.

The Instrument for Pre-Accession Assistance (IPA) is one of the manifestations of European Union (EU) support offered as financial and technical help to undertaking necessary reforms in the countries envisaged to join the EU in the near future: Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo, Montenegro, Serbia and Turkey. Out of these 7 “enlargement countries”, 6 belong to the Western Balkans region, and represent the main beneficiaries of EU pre-accession assistance. For the period 2007-2013, IPA had a budget of around 11.5 billion EUR, while for IPA II, built on the results already achieved, 11.7 billion EUR was allocated for the 2014-2020 period. Here is the overview of IPA II allocations for WB countries:

Country	IPA 2014 – 2020 allocation (EUR)
Serbia	1.5 billion
Republic of Macedonia	664.2 million
Albania	649.4 million
Kosovo	645.5 million
Montenegro	270.5 million
Bosnia and Herzegovina	167.1 million

This particular study was conducted within the *Fostering the WB6-V4 Partnership and Capacity Building in Western Balkans* project, which was based on the already existing *Regional Convention on European Integration of Western Balkans* platform. One of the two main issues this project is focusing on, relates to assessing capacities and achievements of the 6 WB countries regarding the absorption of IPA funds, with main emphasis on IPA II, or the 2014 – 2020 period. This issue was addressed by conducting a comprehensive research on IPA II absorption in all 6 WB countries, by using the same approach and methodology. The content of all 6 assessments was divided as follows:

- 1. Legal and institutional framework** (all legal acts concerning IPA Framework Agreement transposition, institutions involved, operating structures, national strategic documents, types of management etc.)
- 2. Programming** (Indicative Strategy Paper for all countries, sectoral approach and Sector Planning Documents, impact of Sector Working Groups, indicative calendar of programming, Action Documents/Operational Programmes etc.)
- 3. Monitoring and evaluation:** (information on IPA Monitoring Committee, Sectoral Monitoring Committees, the use of indicators, targets, analysing overall impact and sustainability)
- 4. Implementation and financial management and control** (IPA funds allocated, IPA funds programmed for every programming year, absorption and contraction rate, Country Action Programmes and Cross-Border Cooperation Programmes, audit etc.)

5. **Administrative capacities** (human resources, systems and tools for management, governance, staff retention policies, turnover rate of IPA-involved personnel, strategic planning of training of public officials on IPA, financial incentives, indirect management capacities etc.)

Special emphasis was placed on cross-sector elements, such as the application of partnership principle, involvement of non-institutional actors in Sector Working Groups and their contribution, sector budget support and ownership of programmes.

We would like to thank our partners on the project which directly contributed to the development of 6 studies for each WB country: (European Movement in Albania, European Movement in Serbia, European Movement in Montenegro, EUROTHINK – Macedonia, Kosova Democratic Institute and Transparency International – Bosnia and Herzegovina), as well as to other external partners that have supported our project in different capacities: Government of Macedonia, Embassy of Montenegro to Macedonia, Government of Montenegro, Chamber of Commerce of Montenegro and Chamber of Commerce of Serbia.

Finally, and above all, this study and entire realization of the project would not be possible without financial support of the **International Visegrad Fund**, that was generously supporting our ideas and work since the very beginning of creation of the Regional Convention on European Integration of the Western Balkans.

We hope that we have justified the trust and hopes of our partners, friends and supporters and that following pages will find a practical use in the work of various structures, organizations and institutions that are dealing with IPA issues in the region of the Western Balkans and the EU itself.

Momčilo Radulović

President, EMIM



European Movement
Montenegro

ASSESSMENT OF IPA II ABSORPTION CAPACITIES IN MONTENEGRO

Authors:

Momčilo Radulović

Marko Lubarda

Mila Brnović

1. Introduction

Montenegro has been making use of EU financial support through different instruments since 1998. In the period between 1998 and 2010, it was granted 408,5m EUR, including CARDS assistance worth 277,2m EUR. These funding opportunities were used as support for necessary reforms and investments.

Montenegro has been considered the leading country in the region when it comes to the absorption of IPA funds for the period 2007-2013. In this period, it has contracted 93% of available funds, out of which 78% were paid, while in Cross-Border Cooperation 70.7% funds were contracted and 63% were paid. In terms of absolute figures, Montenegro used 235.7 million EUR. The support was divided through the following components: 1) assistance for transition and institution building: within 102 national projects, over 165 million Euros of EC support were granted; 2) cross-border cooperation: 174 projects amounting to 31 million Euros; 3) regional development: financial support of 23 million Euros, 4) human resources: financial support of 6 million Euros. In addition to this, Montenegro participates in regional projects, supported through multi-country IPA with 125 implemented regional projects in all beneficiaries.¹

IPA II format was developed as an improved platform for assistance to countries striving to become EU members. It aims at greater level of institutional ownership, balance between strategic planning and necessary annual revisions, as well as availability of all components for funding.

The overall available funds for the period 2014-2020 are 270.5 million EUR, which is a 10% increase compared to IPA 2007-2013.

The process of applying for IPA funds is a rather complicated one, especially for Montenegrin administration and its limited capacities. It becomes even more complicated in the phase of monitoring and evaluation. What seems to complicate it additionally is the fact that this is the topic which is often raised and rarely truly understood. Most of the information about the process end at the level of fund availability and mere description of Montenegrin structures in charge of IPA II. Although this structure is clear, unique database of all contracted projects is not available, and only partial information within a specific funded sector can be obtained. Implementation of IPA II in Montenegro fails to meet several important principles: strong administration, institutional ownership, transparency, clear strategic overview and monitoring and evaluation of the effects of contracted projects and implemented projects.

This paper is based on a desk research and interviews with experts, together with data obtained through official channels by institutions dealing with IPA II. It presents all the available information at this moment in time, shortcomings in the functioning of the system and proposes improvements. Despite its leadership role in the region, Montenegro should absorb as much of the available funds as possible, constantly striving towards making a balance between overarching strategic goals and peculiarities of specific sectors. In order to successfully focus these funds where they are really needed, constant process of evaluation and monitoring is necessary, with readiness to adapt to new challenges.

2. Legal and institutional framework

IPA II functions with several novelties and goes through several stages. *Country Strategy Papers* are developed for a seven-year-long period (duration of IPA II) laying out long term priority areas in which the funds will be used for further development in a given country. This document also ensures that country-specific priorities are aligned with the enlargement process. Additionally, it sets out indicators and targets which can measure the level of fulfilment of priorities and their effects.

¹ Information found on: <https://www.eu.me/mn/ipa>

Indicative Strategy Paper for Montenegro (2014-2020) stipulates a list of specific objectives: “(a) support for political reforms, (b) support for economic, social and regional development, (c) strengthening the ability of the beneficiaries listed in Annex I to fulfil the obligations stemming from Union membership by supporting progressive alignment with, implementation and adoption of, the Union acquis, (d) strengthening regional integration and territorial cooperation.”²

It also lists following priority sectors: democracy and governance, rule of law and fundamental rights, environment and climate action, transport, competitiveness and innovation, education, employment and social policies, agriculture and rural development and regional and territorial cooperation.

Regarding *Multi-Country IPA assistance*, four channels are available: horizontal support (technical assistance, information and training), regional structures and networks (regional cooperation and networking), regional investment support (targeting project with regional dimension) and territorial cooperation (cross-border programmes).

Within IPA II system three types of agreements are signed: *Framework Agreement* that sets out rules of cooperation between the EU and a country in question, *Sectoral Agreement* is signed between a state and the European Commission regarding a specific program of support and *Financial Agreement* is signed with the purpose of implementing designated funds for a period of one or multiple years (here European Commission delegates the power of budget implementation to the beneficiary).

Framework Agreement between the Government of Montenegro and the European Commission on the Rules for Implementation of the Financial Assistance of the Union to Montenegro within the Instrument for Pre-Accession Assistance (IPA II) is the basis for the absorption of IPA funds in the period 2014-2020. Montenegro signed Financial Agreement and Sector Agreements in order to precisely determine deadlines for payments, specific needs of sectors, general plan of activities and other specific issues related to the implementation phase.

Responsibility for programming and implementation of IPA II is on the Beneficiary, which is in this case Montenegro, represented by NIPAC who is the primary partner to the European Commission in the whole process of strategic planning, coordination of programming, monitoring of implementation, evaluation and reporting on IPA II.

Government of Montenegro adopted *Information on Establishment of DIS in Montenegro by the Government in February 2008*. In accordance with Framework Agreement and Government's Decision, following structures were established:

- *National IPA Coordinator (NIPAC)* is appointed by the Government of Montenegro as a person in charge of programming and monitoring of IPA at the national level, along with the regular communication with the European Commission, to which it reports annually.
- *Competent Accrediting Officer (CAO)* competent for accrediting NAO and making sure that the procedure is done in accordance with the rules.
- *National Accreditation Officer (NAO)* which approves budgetary expenditure and controls budget management by all the other institutions, which is the role of the Ministry of Finance. It naturally includes managing the *National Fund*.
- Operational structures, such as: *Central Financing and Contracting Unit (CFCU)* managed by the *Programme Authorizing Officer (PAO)* and *Project Implementation Unit (PIU)* managed by the *Senior Programme Officer (SPO)*.
- *IPA Agency for Rural Development (IPARD)* in charge of promoting, choosing projects, as well as accreditation, control and accounting tasks related to the realization of payments.
- *Audit Authority (AA)* in charge of ensuring stable system of management and control.

Beside basic structure of bodies necessary for successful implementation of IPA II, numerous supporting mechanism are developed either to support the basic structure or to tackle the needs of specific features of IPA II, such as cross-border projects.

2 http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-montenegro.pdf p.3

IPA Monitoring Committee needs to be formed the latest after six months since Financial Agreement entered into force, with the task to ensure that conditions laid out in the Agreement are met in an efficient, effective, coherent and coordinated manner. It has the power to suggest changes in implementation to NIPAC and NAO and propose measures for better alignment and coordination of IPA II. It consists of the representatives of the Commission, NIPAC and other relevant institutions and organs of IPA II beneficiary.

Sectoral Monitoring Committees are formed in agreement with the Commission, by IPA II beneficiary, in specific policy areas, programs or even sectors. These bodies are in charge of following the process of realization of financial agreements in a given sector, overview of annual reports, indicators, implementation issues, as well as to follow through with the measures of informing the public and ensuring visibility and transparency. These committees gather representatives of all national organs and bodies, as well as other entities, if necessary international and civil society organizations.

There are specific bodies that are set up in the framework of cross-border cooperation, such as *Joint Monitoring Committee* and *Joint Technical Secretariat*. JMC is set up by countries participating in cross-border cooperation with the goal to overview the implementation process. Beside them, members are also representatives of NIPAC or coordinators for territorial cooperation, as well as operational structures for cross-border cooperation. Sometimes, civil sector organizations are members of such bodies, depending on the topic and the programme in question. JTC is set up to support the Commission, operational structures and JMC and is funded from the budget for technical assistance.

3. Programming

Programming framework for management of the pre-accession assistance IPA II for the period 2014-2020 is based on national sector and multi-sector strategies and EC programming documents. According to the **Montenegro IPA II Framework Agreement**, support is being implemented through programmes and measures from Articles 2 and 3 of the Decree on Common Rules for Implementation. The implementation, as a rule, is being realized through annual or multi-annual programmes for one or more countries, as well as for programmes of Cross-Border-Cooperation, designed in relation to strategic documents, provided by either IPA II Beneficiary or the European Commission and, depending on particular cases, adopted by the EC. Annual or multi-annual programs for one or more countries are based on Action Plans, unless otherwise envisaged by the Framework Agreement. Action Plans are prepared on the national level by Authorizing Bodies named by IPA II Beneficiary, with the exception of cross-border programmes, which are prepared by the Commission, in cooperation with IPA II Beneficiaries. It is the duty of NIPAC to ensure alignment between the goals defined in operational activities or programs suggested by IPA II Beneficiary and the goals stemming from strategic documents of the country. In cases in which programme documents are prepared by the IPA II Beneficiary, NIPAC has to coordinate the preparation of the document and deliver the final version to the Commission.

According to Article 5(6) of the Decree on IPA II, Commission instigates cooperation among relevant actors during the assistance preparation period. In line with the principle of taking responsibility from the Article 6 of the Montenegro IPA II Framework Agreement, IPA II Beneficiary is obliged to ensure that all relevant actors, including CSOs and local municipalities, are consulted or enabled access to relevant information which strengthens their participation in the programming period.

In Montenegro, this sectoral approach is reflected in the creation of Sector Planning Documents and the formation of Sectoral Working Groups. For all 7 Sectors, leading institutions are Government bodies: Ministry of Justice, Ministry of Public Administration, Ministry of Transport, Ministry of Sustainable Development and Tourism, Ministry of Labor and Social Welfare, Ministry of Economy and Ministry of Agriculture and Rural Development. Other stakeholders, such as other national institutions, CSOs and local municipalities are represented in the 7 Sector Working Groups. Leading institutions coordinate the work

of SWG, which, as a rule, ought to participate in the creation of priorities which ought to be strategically represented in Strategic Planning Document and then translated into individual Action Programmes to be supported by IPA II.

- For the purpose of this study, the 7 leading Sectoral institutions have been contacted to describe their impression regarding the involvement of non-government representatives in SWGs (CSOs and local municipalities), having the following choices at their disposal: very active, neutral and non-existent. Out of 7 contacted institutions, 5 replied. Four institutions described the involvement as “very active”, while one institution opted for “neutral”. This, of course, cannot be a solid indicator of the actual inter-SWG dynamics, but it should be noted that the European Commission, through the Delegation of the European Union to Montenegro, insists on the thoroughness of the sectorial approach, and detailed report on the involvement of SWGs is required from leading institutions at Sector Monitoring Committees.

According to the Indicative Strategy Paper, the programming of IPA II for the period 2014-2020 is framed by Montenegro’s strategic goal of joining the European Union. The European Commission’s 2013-2014 Enlargement Strategy emphasizes the need for addressing fundamental reforms first. This translates into a renewed focus on democracy and governance, the rule of law and fundamental rights, as well as on measures improving economic governance and competitiveness. Progress on the accession path will require Montenegro to implement an ambitious reform agenda aimed at respecting the Copenhagen criteria for membership of the EU.

In this sense, the financial assistance to be provided under IPA II will assist Montenegro in this process and will complete national reform efforts and the interventions of other international donors. IPA II support will be warranted for actions that have a clear relevance for the accession process or make a substantial contribution to the socio-economic development of Montenegro, with a view to converging with EU levels and aligning with EU legislation. Montenegro’s needs related to the process of institutional and legislative reforms, but also regarding investments in infrastructure, are far greater than the resources available from national funds, IPA or support from other donors. Therefore, the ISP calls for the prioritization of EU support, which will be enabled by the quality of formulating priorities during the programming phase.

During the programming phase, special emphasis needs to be placed on the priorities regarding the strengthening the capacity of the national authorities to prepare national strategic documents, ensure sector coordination and monitor the implementation of such strategies, while moving towards multi-annual, performance-based budgeting. In addition, IPA II support can also be diverted in response to unforeseen priority needs relevant to the course of accession negotiations, which do not fall under the aforementioned priority sectors. This may include short-term technical assistance (TAIEX) and twinning projects or grants to the civil society.

Concerning the availability of programming documents the following can be noted:

- SPDs and ADs are not available on any national website.
- All CBC Operational Programmes are available on www.eu.me
- IPARD Programme is available on the website of the Ministry of Agriculture and Rural Development, www.minpolj.gov.me
- Signed Financial Agreements are available on www.eu.me

According to the EC Progress Report “*some progress has been made in programming with the progressive introduction of the sectorial approach under the IPA*”. However there is a proliferation of strategies in some sectors, which need to be consolidated, budgeted and properly linked to budget planning³.”

In Montenegro, there is no central government database which through which all projects being realized through cooperation with international donors (not only including EU) could be gathered, monitored and evaluated, which could lead to a lack of complementarity of project activities on a national level. With the sectorial approach growing, an increase is anticipated with regards to the interconnectivity of

3 EC Montenegro 2018 Report

programmes realized within different Sectors, as well as alignment and duplicity of individual Sectors' needs. Subsequently, a lack of a unified body overseeing all international projects, particularly those providing technical assistance to public and private stakeholders, may hinder the quality of programming future Actions and defining needs and priorities of specific sub-sectors.

4. Monitoring and evaluation

In line with the IPA II Implementing Regulation 447/2014, an IPA II beneficiary who has been entrusted with budget implementation tasks of IPA II assistance shall be responsible for conducting evaluations of the programmes it manages. One of the available financial sources for the aforementioned evaluations is the EU Integration Facility Fund. Monitoring and evaluation of the implementation of this Action will be conducted in accordance to the rules of direct and indirect management and respecting the requirements and provisions of IPA II regulations and those laid down in the Framework Agreement and in the respective Financing Agreement. Achievement of the Action results will be regularly monitored by the Delegation of the European Union to Montenegro and the National IPA Coordinator.

Additionally, in compliance with Article 19 of Commission Implementing Regulation No 447/2014, Implementation of this Action will be subjected to special attention of the Sectorial Monitoring Committee and IPA Monitoring Committee which shall measure the progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution.

The SMC shall report to the IPA Monitoring Committee and may make proposals on any corrective action to ensure the achievement of the objectives of the actions and enhance the efficiency, effectiveness, impact and sustainability of the assistance provided. The Sectorial Monitoring Committee will report to the IPA Monitoring Committee and will make proposals on any corrective measures to ensure the achievement of the objectives of the action and enhance its efficiency, effectiveness, impact and sustainability. The results of evaluations shall be taken into account by the IPA Monitoring Committee and the Sectorial Monitoring Committee.

In accordance with the Commission Implementing Regulation (EU) No. 447/2014, NIPAC shall take measures to ensure that the objectives set out in the Action are appropriately addressed during the implementation of EU assistance.

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations.

- Notes from the JMC and SMC meetings are not available on the NIPAC office website.
- Evaluation reports are not available on the NIPAC office website

All activities related to the individual IPA II Sectors are followed by Lead Sector Institution through its management structure laid out in the Systematisation Act. The Directorates within the Lead Institutions are responsible for creating policies, drafting primary and secondary legislation proposals and overseeing the implementation of adopted policies and laws. All envisaged activities are outlined in the Lead Institution's Action Plan, which is an integral part of Sector Strategy and complimentary with obligations stemming the negotiating process in relevant EU Chapters. Sector IPA II Action Programmes ought to be in sync with Sector Strategies and Action Plans. Monitoring of the IPA II implementation dynamic is conducted by various persons responsible in the Leading Institutions, mainly including: the SPO/Chief Negotiator for EU Chapter relevant to the institution/Director General. This dynamic is usually being overseen by

State Secretary and Minister via the system of internal periodic reports by the heads of individual sections of the Lead Institution. Reports are being sent to the Commission on annual basis.

National financial means are allocated to the Lead Institution within the annual state budget. Payments are made to the Lead Institution from the national budget, usually on a monthly basis, while Lead Institutions report on the spending of allocated funds to the Ministry of Finance on a quarterly and annual basis. In some Lead Institutions, all payments must be approved by the Minister, in others, it is not the case.

Inspection, Advisory Services and Directorates personnel are usually in charge of overseeing the implementation of legislation, projects financed by public calls and, in general, maintaining close contact with non-institutional stakeholders. Since the introduction of the centralized model of financing NGOs in Montenegro in 2017, Lead Institutions have also maintained contact with NGOs for the purpose of defining priorities for annual funding. The role of NGOs can also be characterized through their involvement in IPA Sectoral Working Group.

With regards to the implementation and monitoring of projects financed by non-national funds, the reporting is conducted in a similar fashion, with the addition of rules and procedures outlined in individual projects. Normally, specific Directorate/Department oversees all projects in which the Lead Institution is involved with external partners, including all bilateral relations with other countries and projects financed by EU, UN, World Bank, foreign embassies etc. Depending on the area in question addressed by an international project, the Lead Institution exercises a level of involvement providing expertise or managing the implementation of project activities. The heads of the Lead Institutions are notified on the progress of the implementation of international projects via periodic reports, although this dynamic varies. Lead Institutions publish reports on all implemented activities on an annual basis, available on their websites.

EC Montenegro Report 2018 stated on monitoring and evaluation: *“the monitoring committees under decentralized/indirect management have been set up and meet regularly. An interim evaluation for regional development operational programme is under implementation, as well as an ex-post evaluation on the performance of the human resources development operational programme. A management information system still needs to be developed”*. Even though the monitoring committees have been set up and functioning, it is necessary to continue with capacity building for results oriented monitoring and evaluation. More training opportunities should be organized within national administration as well as for all stakeholders planned to be involved in the future implementation of IPA programmes/projects.

5. Implementation and financial management

For the purpose of improving the overall efficiency and effectiveness of delivering assistance to Montenegro, a transition has been made from a project-based approach under IPA I to a sector-based approach under IPA II. This sectoral approach enhances cooperation among various areas, leading to synergy and strengthening of project implementation quality. This way, more stakeholders can be animated to contribute to the EU accession process and better ownership of project results can be achieved. In this sense, IPA II is supporting the following Sectors:

- Democracy and Governance
- Rule of Law and Fundamental Rights
- Environment and Climate Action
- Transport
- Competitiveness and Innovation
- Education, Employment and Social Policies
- Agriculture and Rural Development
- Regional and Territorial Cooperation

4 EC Montenegro 2018 Report

When it comes to the Regional and Territorial Cooperation Sector, Montenegro will be involved in 9 cross border and transnational projects:

- four bilateral programs (with Albania, Bosnia and Herzegovina, Serbia and Kosovo)
- two trilateral programs (Croatia-Bosnia and Herzegovina-Montenegro and Italy-Albania-Montenegro)
- three transnational programs (Danube, Mediterranean and Adriatic-Ionian)⁵

Management of IPA II funds can either be direct/centralized (by European Commission, through the Delegation of the EU in Montenegro) or indirect/decentralized (by the Beneficiary itself, in Montenegro's case – Directorate for Financing and Contracting of EU funds within the Ministry of Finance and the Directorate for Public Works). Also, Country Action Programmes can be placed under mixed management, with one or more Programme components managed differently than the others.

5.1. National IPA II

The table below⁶ shows IPA II funds available to Montenegro, per Sector for each of the years, excluding cross-border cooperation funds.

Montenegro	2014	2015	2016	2017	2018-2020	Total 2014-2020
DEMOCRACY AND RULE OF LAW	18.8	15.8	12.8	13.3	38.5	99.2
Democracy and Gov- ernance	29.1				17.8	46.9
Rule of Law and Fun- damental Rights	31.6				20.7	52.3
COMPETITIVENESS AND GROWTH	20.7	19.8	24.7	26.3	85.0	171.3
Environment and climate action	18.8				18.7	37.5
Transport	20.2				11.8	32.1
Competitiveness and innovation	12.3				8.9	21.2
Education, Employ- ment and Social Pol- icies	15.3				12.8	28.1
Agriculture and Ru- ral Development	24.7				27.7	52.4
Total	39.5	35.6	37.5	39.6	118.5	270.5

It should be noted that only amounts in "Total 2014-2020" column remained relatively unchanged, while year-by-year planning of support to specific Sector was devised before IPA II implementation and remained only indicative, which will be shown in practice.

Below, a breakdown is shown regarding actual absorption of IPA II funds per Sector, for the programming years: 2014, 2015, 2016, 2017 and 2018 (which is in the final phase of programming).

5 Information on Preparations for IPA II, Ministry of Foreign Affairs and European Integration, Podgorica, 2014, p.5

6 Table taken from: https://eeas.europa.eu/delegations/montenegro/27530/eu-projects-montenegro_en

IPA II Country Action Programme⁷⁸⁹

IPA II Sector	IPA 2014		IPA 2015		IPA 2016		IPA 2017		IPA 2018 (still in the phase of negotiation)		IPA 2014 – 2018 total		Leading Institution
	EU support (€)	No. of Actions	EU support (€)	No. of Actions	EU support (€)	No. of Actions	EU support (€)	No. of Actions	EU support (€)	No. of Actions	EU support (€)	No. of Actions	
Rule of Law and Fundamental Rights	5m	2	21m (20m IBM ⁷ + 1m)	2	/	/	/	/	13.5m	1	39.5m	5	Ministry of Justice
Democracy and Governance	14.42m	6	3.13m	2	/	/	18.87m	3	/	/	36.42m	11	Ministry of Public Administration
Environment and Climate Action	2.8m	2	/	/	16m	1	/	/	/	/	18.8m	3	Ministry of Sustainable Development and Tourism
Transport	5.14m	2	/	/	/	/	9.64m	1	/	/	14.78m	3	Ministry of Transport
Competitiveness and Innovation	5.3m	3	/	/	6.94m	1	/	/	/	/	12.24m	4	Ministry of Economy
Education Employment and Social Policies	/	/	5m (SOP ⁸)	/	4.95m (SOP)	/	5.4m (SOP)	/	/	/	15.35m	1	Ministry of Labour and Social Welfare
Agriculture and Rural Development	2.88m	2	/	/	/	/	/	/	9.5m	1	51.38m (+ IPARD ⁹ 39m)	3	Ministry of Agriculture and Rural Development
TOTAL:	35.54m	17	29.13m	4	27.89m	2	33.91m	4	31m	2	196.45m	30	

⁷ Support to the Integration of the Integrated Border Management Strategy (Sector Budget Support)

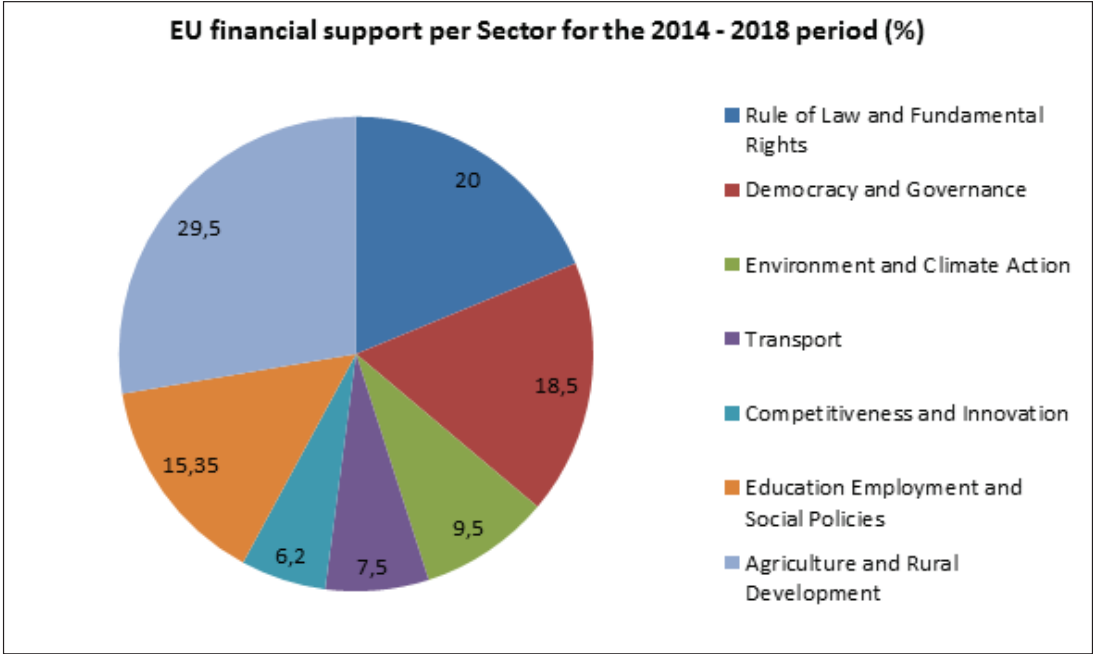
⁸ Sectoral Operational Programme

⁹ IPA II support to Rural Development

The first conclusion which can be made consists of the fact that in the **2014 – 2018 period, 72.6% out of allocated 270.5m for the 2014-2020 period was programmed** by Montenegro's 7 Sectors through **30 Actions** (including Sector Operational Programme, IPA Rural Development, Integrated Border Management (Direct Budget Support) and Support to Public Administration Reform (Direct Budget Support)). The breakdown of sectors is as follows:

Sector	Amount programmed through Country Action Programmes by 2019 in relation to the IPA II total allocation
Agriculture and Rural Development	100 %
Democracy and Governance	77.65%
Rule of Law	75.5%
Education Employment and Social Policies	58,5%
Competitiveness and Innovation	57.7%
Environment and Climate Action	50.1%
Transport	46%

It should be noted that this data reflects only the **tempo** of absorption, and the remaining funds are still available to be programmed. However, the numbers for some of the sectors signal an alarming scope of work which needs to be invested in the final two years of programming, in order to make full use of the funds available. Out of 196.45m EUR, the following Sectors have managed to absorb the most funds:



In this way, Sectors Agriculture and Rural Development (mainly thanks to the large-scale IPARD II programme) and Rule of Law and Fundamental Rights have managed to take up most of the so far programmed funds, while Transport, Environment and Climate Actions and Competitiveness and Innovation are at the bottom with regards to the funds programmed. It should be noted that this data only shows one type of absorption: programming in relation to funds available, while there is also the other type of absorption: contracted (successful tenders and contracts signed) funds in relation to the funds programmed. For those Actions managed by the Delegation of the European Union, we managed to receive full data with regards to the second type of absorption:

Absorption of IPA II Country Actions – directly managed

Action title	Final contracting deadline	Allocated funds absorbed (Y/N)	No of contracts envisaged	No of contracts signed	Total amount contracted	Absorption
IPA 2014/037812.17/MNE/ Support to the veterinary sector	4/10/18	N	5	2	0.7mEUR	30%*
IPA2014/037812.16/MNE/ Enhanced control and management of fisheries	4/10/18	N	2	2	0.486mEUR	97.2%
IPA 2014/037812.10/MNE/ Strengthening the capacities for implementation of the Water Framework Directive	4/10/18	N	2	1	1.4mEUR	74%*
IPA 2014/037803.08/MNE/ Support to the anti-discrimination and gender equality policies	4/10/18	Y	2	2	1.4mEUR	100%
IPA 2014/037803.7/MNE/ Support to the Implementation of Chapters 23 and 24 Action Plans	4/10/18	N	2	2	3.4mEUR	94%
IPA 2014/037803.6/MNE/EU Integration Facility	4/10/18	N	8-15	12	4.5mEUR	98%
IPA 2015/037894.04/MNE/ Promotion and protection of human rights of Roma and other vulnerable groups	22/09/19	Y	1	1	1mEUR	100%
IPA 2015/037894.03/MNE/ Support to implementation of IBM strategy	22/09/19	Y	1	1	20mEUR	100%
IPA 2015/037894.01/MNE/EU Integration facility	22/09/19	N	8-15	3	0.147mEUR	6%*

Data marked by a* refers to Actions and contracts which are currently in the phase of tendering. The data shows that for 6 out of 9 Actions, the final deadline for the finalization of tendering procedure and signing contracts is October 2018. However, the absorption rates of most of these 6 Actions are very close to 100%, with the exception of the project on water management, which has a slightly higher risk of not meeting the deadline.

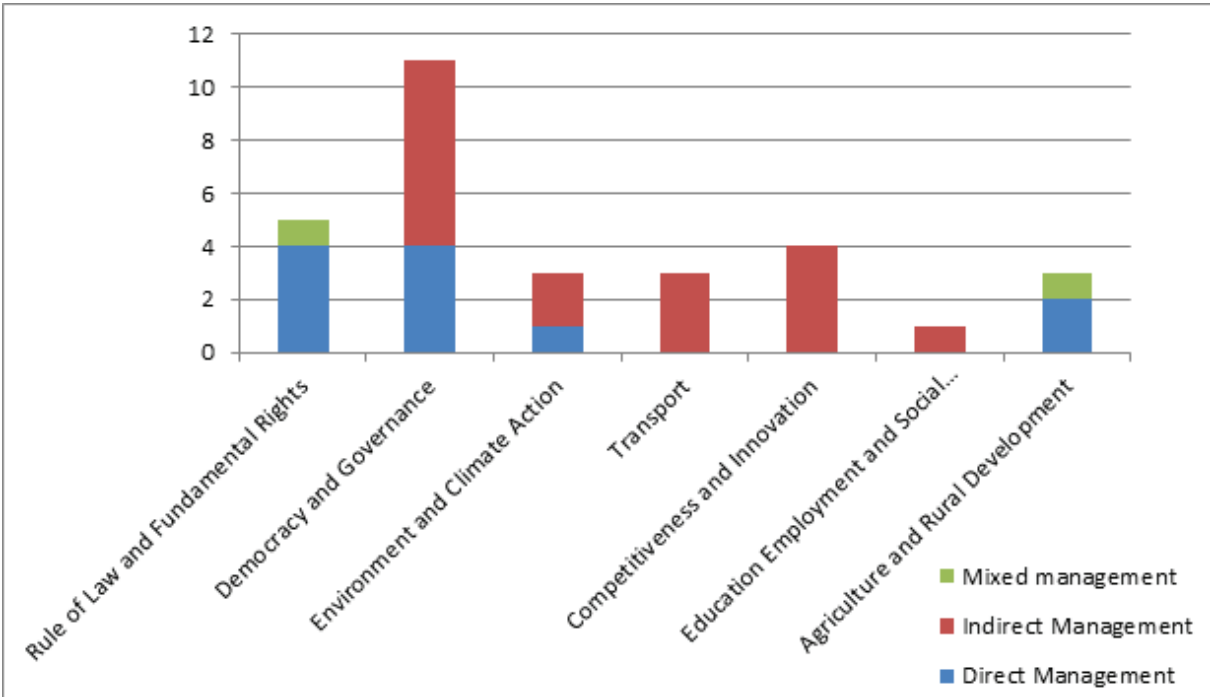
Regarding indirect management, we have not received detailed information regarding the contraction rate of Actions managed by CFCU and the Direction for Public Works. The only information available is that, out of 23 contracts within IPA II Action Programmes managed by CFCU, only 5 have been contracted so far in the amount of 2.5m EUR, with 18 remaining to be contracted by the deadline of December 2018. It will be interesting to monitor the dynamics of contracting in the future and whether CFCU will be able to meet the deadlines.

The following table shows the breakdown of the relationship between directly and indirectly managed Actions (and also those with mixed management), followed by a breakdown for each Sector and programming year:

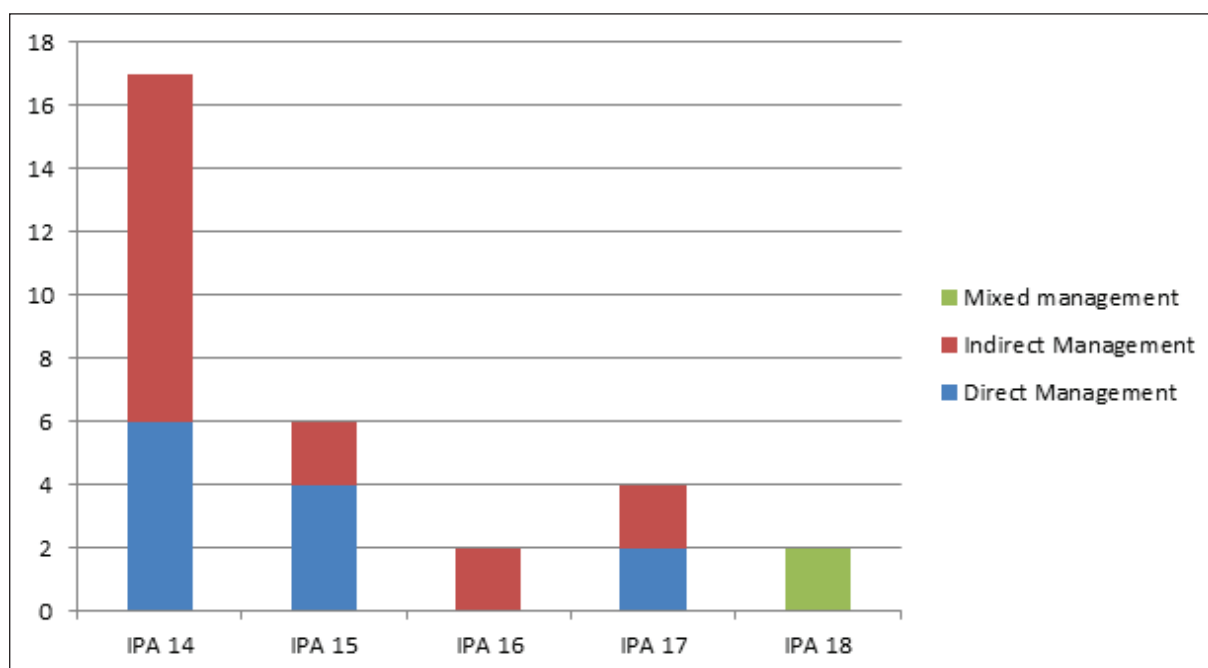
Types of management of IPA II supported Country Actions

IPA II Sector	Number of Actions in the 2014-2018 period	Direct Management	Indirect Management	Mixed Management
Rule of Law and Fundamental Rights	5	4	0	1
Democracy and Governance	11	4	7	0
Environment and Climate Action	3	1	2	0
Transport	3	0	3	0
Competitiveness and Innovation	4	0	4	0
Education Employment and Social Policies	1	0	1	0
Agriculture and Rural Development	3	2	0	1
Total:	30	11	17	2

Number of Actions and types of management per Sector



Number of Actions and types of management per programming year



From the data available, it is evident that the balance of types of management is unevenly distributed among the Sectors. For example, so far, Rule of Law and Agriculture and Rural Development Sectors have not had experience with indirect management, although that is about to change in IPA 2018, where the concept of mixed management will be introduced for the first time in the respective Sectors. In a similar fashion, Transport, Competitiveness & Innovation and Education & Employment, are strictly managed by national institutions. It is indicative that precisely these three Sectors have programmed the least amount of funds in the 2014 – 2020 period, while those managed by DEU are far more successful.

The final table demonstrates an important shift in the policy regarding the types of IPA II Action management: in the beginning, there was a balanced mixture of Actions for which implementation DEU was responsible and Actions managed indirectly, while the national institutions were still learning how to adjust to the new IPA and its sectoral approach. After each programming year, the ratio of indirectly managed Actions has gradually increased. This demonstrates the need for higher national ownership of IPA funded projects and the demand for showcasing to EU institutions that Montenegrin administration has actually made progress in their managerial capacities and that numerous technical assistance initiatives and learning-by-watching have actually made impact. Whether the tempo of CFCU and DPW development is adequate enough to respond to these increasing demands, it remains to be seen.

As far as the **EU Integration Facility Fund** is concerned, out of 7,054,734 EUR allocated through IPA 2014 and IPA 2015, **6,508,933 EUR** (or 92.2%) has been approved for the total of 29 projects. Out of 29 projects, 14 projects have finished total contracting while 15 are pending. The total amount contracted is: **4,298,218 EUR** or **66%** of approved EUIF funds.

Including the amount programmed through Country Action Programmes, Sectoral Operation Programmes and Direct Budget Support, this puts the total amount of funds programmed during 2014-2018 for Montenegro's first 7 sectors at around **203m EUR**, or **75%** from the total IPA II amount allocated to Montenegro for the 2014-2020 period.

5.2. IPA II Regional, Territorial and Cooperation Sector (8th Sector)

For 4 bilateral Programmes, a total of 37.1m EUR has been allocated for the 2014-2020 period, out of which 18.02m EUR has been programmed for the 2014-2017 period, or 48.5% out of the total allocation amount. The tempo of programming and absorption is demonstrated below:

MONTENEGRO – ALBANIA
<p>Financial allocation: 11,900,000 EUR</p> <p>Programmed so far: 5,780,000 EUR, 2 Action Programmes:</p> <ul style="list-style-type: none"> - IPA 2014: 1,190,000 EUR - IPA 2015-2017: 4,590,000 EUR <p>Absorbed so far: 8 projects, total value: 3,241,745.41 EUR – 56% of programmed.</p> <p>Programme specific objectives:</p> <ul style="list-style-type: none"> - The competitiveness of the tourism sector enhanced by the economic valorisation of the cultural and natural heritage - The protection of environmental resources in lake and alpine areas furthered - Employability and social inclusion fostered - Effective, efficient, transparent and timely implementation of the programme and awareness raising ensured
MONTENEGRO – KOSOVO
<p>Financial allocation: 8,400,000 EUR</p> <p>Programmed so far: 4,080,000 EUR, 2 Action Programmes:</p> <ul style="list-style-type: none"> - IPA 2014: 840,000 EUR - IPA 2015-2017: 3,240,000 EUR <p>Programme specific objectives:</p> <ul style="list-style-type: none"> - Promoting employment, labour mobility and social and cultural inclusion across the border - Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management - Encouraging tourism and cultural and natural heritage
MONTENEGRO – BOSNIA AND HERZEGOVINA
<p>Financial allocation: 8,400,000 EUR</p> <p>Programmed so far: 4,080,000 EUR, 2 Action Programmes:</p> <ul style="list-style-type: none"> - IPA 2014: 840,000 EUR - IPA 2015-2017: 3,240,000 EUR <p>Absorbed so far: 3 projects, total value: 1,036,876.79 EUR – 25.4% of programmed.</p> <p>Programme specific objectives:</p> <ul style="list-style-type: none"> - Promoting employment, labour mobility and social and cultural inclusion across the border - Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management - Encouraging tourism and cultural and natural heritage
MONTENEGRO – SERBIA
<p>Financial allocation: 8,400,000 EUR</p> <p>Programmed so far: 4,080,000 EUR, 2 Action Programmes:</p> <ul style="list-style-type: none"> - IPA 2014: 840,000 EUR - IPA 2015-2017: 3,240,000 EUR <p>Programme specific objectives:</p> <ul style="list-style-type: none"> - Promoting employment, labour mobility and social and cultural inclusion across the border - Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management - Encouraging tourism and cultural and natural heritage

For 2 **trilateral Programmes**, the following data is available:

- **Croatia – B&H – Montenegro:** 12 projects, total amount: 12,682,846.3 EUR
- **Italy – Albania – Montenegro:** 32 projects, total amount: 30,971,731 EUR

For 3 **transnational Programmes**, the following data is available:

- **ADRION:** 18 projects, total amount: 23,295,211.8 EUR
- **Danube Transnational Programme:** 13 projects, total amount: 25,709,558.55 EUR
- **Mediterranean Transnational Programme:** 10 projects, total amount: 25,937,916.1 EUR

These projects include various stakeholders from Montenegro: government institutions and bodies, media, NGO, public-private partnerships, local municipalities etc. They participate exclusively as partners or associated partners (lead partners have to be from the EU country of origin). It should be noted that the total amounts do not represent the amount absorbed by Montenegrin stakeholders, but the full amount granted to the projects as a whole, including partners from other two countries. Amounts dedicated to individual expenditures for Montenegrin stakeholders are unknown.

For **Multi-Beneficiary IPA**, in the period of 2014-2018, here is the breakdown of Actions and their budget in which Montenegrin institutions and organisations were involved:

Programming year	Total Budget (EUR)	Number of Actions
IPA 2014	204.36m	21
IPA 2015	308.1m	18
IPA 2016	467.085m	21
IPA 2017	206.5m	21
Total:	1.18 billion	81

5.3. EU support to CSO in Montenegro in the IPA II period

The EU has a dynamic history of supporting civil society organizations (CSO) in Montenegro, vis-à-vis strengthening their role to improve local ownership of development processes in Montenegro. Strengthening CSO is not only an essential element of the Political Criteria for Accession, but it also directly relates to the elements of the Enlargement Strategy, closely monitored by country Progress Report. For example, Montenegro 2018 Report states that *“there is a general acknowledgement that civil society has an important role in the accession process, but beyond CSO’s formal participation in various working groups, the conditions for a genuine consultation process remain to be strengthened¹⁰⁹”*.

One of the most important means of strengthening CSO in Montenegro is reflected in the absorption of EU funding. In the past, the IPA 2007 Programme (EUR 1 million) encouraged the networking of Montenegrin CSOs with EU counterparts and with local authorities in the areas of policy development and service delivery. IPA 2009 Civil Society Development (EUR 2.2 million) aimed at enhancing the contribution of CSOs to the social, economic and political development of Montenegro and included sub-granting schemes. The IPA 2011 CSF Programme (EUR 1.8 million) addressed the priority areas of relevance to Montenegro’s accession process. IPA 2013 CSF Programme (EUR 1 million) continued to focus on capacity building measures and strengthening service delivery. IPA 2014 CSF Programme (EUR 2.4 million) aimed to strengthen capacity building of small and middle-sized organizations through sub-granting schemes.

For the purpose of this study, a breakdown has been made regarding the absorption of the most prominent EU source of funding – Civil Society Facility 2014 - 2017, including the Media Professionalism Programme in 2016 and 2017, as well as the European Instrument for Human Rights and Democracy (EIDHR) 2016-2017.

10 EC Montenegro 2018 Report

Civil Society Facility was introduced in 2008 to support civil society financially and technically, proved to be a powerful means to strengthen participatory democracies in the Western Balkans. In its strategic documents, the European Commission has continued to underline the importance of the role civil society actors can play in a participatory democracy and particularly in enlargement countries. In Montenegro, 2 calls have been awarded so far: CSF 2015 with the budget of 2.500.00 EUR and CSF 2016 with the budget of 2.500.000 EUR.

Media Professionalism Programme is a part of CSF with the global objective to improve conditions for quality journalism including modern and innovative approaches to increase quality and credibility of investigative journalism. The specific objective is reflected in the support for quality media production in the areas related to Montenegro's European Integration and to enable media to report fairly, freely and in a professional and ethical manner while the ability of Montenegro's journalists to use investigative techniques are meant to be further strengthened. At the same time the citizens are meant to be further educated about their rights in the context of the Code of Ethics to strengthen implementation while the economic models of media enterprises should be strengthened. In Montenegro, 2 public calls have been awarded so far: MPP 2015/2016 with the budget of 500.000 EUR, and MPP 2016/2017 with the budget of 500.000

EIDHR is a thematic funding instrument for EU external action aiming to support projects in the area of human rights, fundamental freedoms and democracy in non-EU countries. In 2016, Country Based Support Scheme for Montenegro was supported with the budget of 700.000 EUR.

The full results of awards are shown below:

Civil Society Facility for 2014 – 2015 and 2016 - 2017

Beneficiary	Grant amount 2014-2015 (EUR)
Green Home (ME) with 4 partners	156,539.26
Network for affirmation of NGO sector-MANS (ME) , with 7 partners	174,971.52
Centre for civic education (ME) , NGO Bonum (ME) NGO Incubator – Space for Independent Cultural Initiatives (ME) Centre for investigative journalism (ME)	174,868.17
Fund for active citizenship (ME)	175,000.00
Association of parents of children and youth with disabilities (ME) National Association of Parents of Children and Youth with Disabilities (ME)	125,964.00
SOS telephone for women and children victims of violence-Podgorica (ME) Association for civil society development Bijelo Polje (ME) NGO CAZAS (ME)	158,992.23
Lithuanian Consumer Institute (LT) Centre for consumer protection (ME)	175,000.00
Institute Alternativa (ME) NGO Bonum (ME) NGO Natura (ME) New Horizon (ME) Centre for investigative journalism (ME)	155,250.16
Human Rights Action (ME) ANIMA-Centre for women's and peace education (ME) Mental Disability Advocacy Centre (HU)	132,599.89
FORS Montenegro (ME) Ecological Association Opstanak (ME)	172,350.04
EXPEDITIO (ME) with 4 partners	153,126.00
Centre for development of NGOs (ME) NGO Bonum (ME) NGO Nada (ME) New Horizon (ME) Democratic Centre of Bijelo Polje (ME)	156,252.57
Center for Monitoring and Research CEMI Centre for consumer protection (ME) Queer Montenegro (ME) Network of NGOs for the Affirmation of European Integration Process (ME)	174,692.26
Center for democratic transition (ME) with 5 partners	157,744.00
CARE Deutschland-Luxemburg e.V. (DE) Centre for Roma Initiatives (ME) Open Centre Bona Fida Pljevlja (ME)	175,000.00
CAZAS (ME) SOS telephone for women and children victims of violence – Podgorica (ME) NGO Parents (ME)	130,785.00
Total:	2.549.135.1

Beneficiary	Grant amount 2016-2017 (EUR)
Centre for development of Non- Governmental Organisations NGO "Active Zone", Association for civil society development	221.598,94
Centre for civic education (CCE) and Centar za građansko obrazovanje (CGO)	293.284,26
Centre for monitoring and research (CeMi), Center for Democracy and Human Rights Network of NGOs for the affirmation of the European integration process	262.800
Fund for active citizenship-fAKT	300.000
Transparency International e.V., Network for the Affirmation of NGO Sector (MANS) NVO Stečajci u Crnoj Gori	291.490
Institute Alternative New Horizon, Institute of Public Finance Zagreb	224.252,71
Connecting Natural Values and People Foundation the Netherlands, Regional Development Agency for Bjelasica, Komovi and Prokletije Berane, Unija stolarskih proizvođača sjevera Crne Gore Pljevlja	216.001,49
NGO Parents, Bračana Bračanovica 74a, Podgorica, Center for support of local and regional development (CeP), Herceg Novi, Union of high school students of Montenegro (UNSG), Juventas	230.535
Network for the Affirmation of NGO Sector (MANS), NVO Argus, Plana, Kolasin, Montenegrin Ecologist Society, Danilovgrad, Expeditio, Kotor, Green Home, Podgorica, Centar za zaštitu i proučavanje ptica-CZIP, Podgorica	270.771,85
Green Home/Zeleni Dom Montenegro Green Building Council, Podgorica, Climate Action Network EuropeBrussels	242.040,42
Total:	2,570,774.67

Montenegro Media Professionalism Programme under the Civil Society Fund, 2016 and 2017:

Beneficiary	Grant amount in 2016 (EUR)
TELEVIZIJA VIJESTI DOO and Network for Affirmation of NGO Sector (MANS)	124,500
Center for Investigative Journalism of Montenegro	80,925.00
Radio and Television of Montenegro RTCG	107,331
Center for Democracy and Human Rights TV Prva	97,420.45
Total:	410,176.45

Beneficiary	Grant amount in 2017 (EUR)
Montenegro Media Institute Peace Institute (Slovenia), Ethical Journalism Network (EJN) (UK)	124,955
Network for Affirmation of NGO Sector (MANS) Crime and Corruption Reporting Network, Association of Journalism Development Network	124,950
Centre for Investigative Journalism, Balkan Investigative Reporting Network and MONITOR	90,250
Centre for Civic Education (CGO) supporting UL-Info and Radio and Television of Montenegro	111,878.54
Infomont- MINA news agency and 35mm	115,147
DOO DAILY PRESS ZA IZDAVACKU DJELATNOST PODGORICA and Gradjanska Alliansa	124.997.20
Total:	692,177.74

European Instrument for Human Rights and Democracy (EIDHR) for 2016/2017

Beneficiary	Grant amount (EUR)
Centre for Civic Education	141,622.27
Centre for Monitoring and Research – CEMI	56,981.00
Association of Youth with disabilities	145,059.95
Juventas	150,000.00
Association for democratic prosperity ZID	117,909.72
Total:	611,572.94

The results show that Montenegrin CSOs have been very successful at absorbing EU funds in the IPA II period. Out of 5 public calls (2 CSFs, 2 MPPs, 1 EIDHR), 3 public calls (2 CSFs and MPP 2016) have been fully absorbed, while MPP 2017 and EIDHR have been partially absorbed, with the rates of 82% and 87.3% respectively.¹¹ The total financial support awarded through these 5 calls is: **6,833,839.9 EUR**

The success of individual CSO beneficiaries in all 5 calls can be shown in the following table (only top-absorbing beneficiaries):

Beneficiary	Calls and Types of Partnership. L = Leading partner P = Partner	Total amount awarded EUR	% from amount awarded in all 5 Calls
MANS – Network for Affirmation of NGO Sector	CSF 14-15 (L) CSF 16-17 (L) CSF 16-17 (P) MPP 16 (L) MPP 17 (L)	986,683.57	14.43%
CGO – Center for Civic Education	CSF 14-15 (L) CSF 16-17 (L) MPP 17 (L) EIDHR (L)	721,653.27	10.55%
Center for Investigative Journalism	CSF 14-15 (P) CSF 14-15 (P) MPP 16 (L) MPP 17 (L)	501,296.33	7.33%
CEMI – Center for Monitoring and Research	CSF 14-15 (L) CSF 16-17 (L) EIDHR (P)	494,473.71	7.23%
Green Home	CSF 14-15 (L) CSF 16-17 (L)	398,579.68	5.83%
Institute Alternative	CSF 14-15 (L) CSF 16-17 (L)	379,502.87	5.55%
Center for Democracy and Human Rights	CSF 16-17 (P) MPP 16 (L)	360,220.45	5.27%

In general, it can be said that CSOs in Montenegro have become well-versed in absorbing EU funds, even more so than national institutions. However, there is a worrying trend that, during that process, only a handful of NGOs are able to increase their capacities and make use of EU support available, which is demonstrated by their annual presence at the top of the award lists after almost every EU public call, on an annual basis. More attention should be diverted towards finding means of strengthening CSO capacities on a wider, horizontal basis, rendering the involvement of CSO in Montenegro's EU accession process more substantial and efficient.

¹¹ Note that all grants do not have a 100% of total eligible costs covered by the EU, in most Actions, the rate is around 90%

6. Administrative capacities

On administrative capacity, Montenegro 2018 Report summed it best with *“the management structure for IPA was reorganized and improved with the National Authorising Officer (NAO) being given a higher level of seniority. A new administrative procedure was also put in place requiring the opinion of the NAO on all organizational changes in the management structures of IPA funds. However, staff turnover remains an issue of concern, with the recruitment and retention plan still to be developed and implemented¹².”*

Unfortunately, we have not been able to obtain information from NAO regarding the total number of public institution employees involved in IPA, nor regarding the turnover rate of key staff (mainly SPO, NIPAC, task managers, PUI staff etc.) A major change in Montenegro related to staff turnover can be reflected in the resignation of the Chief Negotiator (who has been taking that position since the signing of SPP and opening of Negotiation Chapters), followed by the reorganisation of the Ministry for European Affairs, which has been turned into the Office for European Integrations.

Currently, the Office for European Integrations holds 28 working positions, including the National IPA Coordinator (NIPAC), the Advisor to NIPAC and the following 3 departments:

- Department for Horizontal and Strategic Affairs: 4 employed out of 5 available positions;
- Department for Coordinating EU support (including programming and monitoring IPA): 7 employed out of 10 available positions;
- Department for Territorial Cooperation: 7 employed out of 11 available positions.

This Office for European Integrations is now under the direct supervision of Prime Minister. In this way, it could be said that the process of European integration in Montenegro has become more centralised, which on one hand, can lead to a better uniformity and coordination, while on the other, bears the risk of becoming too politicized and under direct and more frequent scrutiny of the Government highest officials. It remains to be seen whether this approach will turn out to be more efficient and fruitful than the previous one, especially with regards to the absorption rate of IPA II funds and preparation for IPA III.

Positive trend is reflected in the fact that the Ministry of Finance has adopted a new Act on Systematization vis-à-vis Directorate for Financing and Contracting of EU funds (CFCU) which has enabled an influx of new employees in this unit, thereby strengthening personnel capacities for implementing indirectly managed IPA II contracts. Regarding staff retention policy, certain progress has been made in the sense that employees in the public administration involved with EU funds have started being employed on a permanent basis, which is the improvement on the previous practice of employing staff on one-year contracts, thereby contributing to turnover and loss of institutional memory. There are still no signs regarding the increase of remuneration for IPA-involved employees, which would provide a potential boost in administrative capacities from the financial incentive point of view. In the past two years, strengthening of administrative capacities has also been hindered due to the frequency of elections (parliamentary, presidential and local), which yielded in temporary bans on adding new personnel in public institutions. Remnants of the long-lasting practice in Montenegro of politically-motivated employment in public institutions may also have played a role in inhibiting merit-based and efficient administration (IPA implementation included), however, it is difficult to procure evidence and give an analytical breakdown of this impact.

12 EC Montenegro 2018 Report

7. Conclusions and recommendations

The assessment of Montenegro's IPA II absorption capacities has demonstrated that, although Montenegro has been using pre-accession instruments for almost two decades now, there is a need to continue to strengthen the absorption capacity, especially vis-à-vis implementation of IPA II Programmes under indirect management. The main conclusions remain as follows:

- IPA 2007 – 2013 has served as a great preparation for Montenegrin institutions to improve their capacities and meet the demands of IPA II. This is especially true with regards to planning and programming, since 17 Actions valued at 35m EUR were approved in the first programming year. However, in the following years, the amount of funds and the number of projects has gradually decreased.
- Sectoral Budget Support has been introduced and its success remains to be seen.
- Montenegrin IPA II Sectors are generally on pace to absorb the funds remaining in the 2014 – 2020 allocation, however, even greater efforts than before will need to be invested in order for this to be realized. The backlog of previous unrealized Programme activities poses a serious risk to having the new ones approved.
- IPA II Action Programmes were in the beginning mostly managed directly, but over time, the focus has shifted to indirect management. Actions under direct management have shown a significantly higher rate of absorption in comparison to those that were and are being managed by national institutions.
- Montenegrin CSOs have adjusted well to the new programming period and the amount of funds absorbed has increased. However, only a handful of CSOs are receiving most of the EU funds.
- Montenegro has adjusted well to the IPA II sectoral approach. Partnership and communication among institutions and between the private and public sector has increased and more stakeholders are involved. There is a lack of centralized management and control on the national level with regards to the complementarity between the EU and other donors.
- Administrative capacities of Montenegrin public administration remain a serious challenge to the improvement in absorbing EU funds. Programming and Implementation Units within national institutions are understaffed and underpaid. There is a clear lack of retention policy and staff turnover appears to be alarmingly high. There are significant advances with regards to the improvement of CFCU capacity; however, the tempo of its progress may not be sufficient to adjust to the dynamics of the ensuing programming year and, subsequently, IPA III perspective.
- There is a growing impression that commitment to achieving success in absorbing EU funds is still not a priority at the national level and this should change.

8. Bibliography

Delegation of the European Union to Montenegro
https://eeas.europa.eu/delegations/montenegro_en

European Commission website: European Enlargement and Neighbourhood Policy Negotiations
https://ec.europa.eu/neighbourhood-enlargement/instruments/funding-by-country/montenegro_en

Ministry of European Affairs
<http://www.mep.gov.me/ministarstvo>

Ministry of Finance - Directorate for Financing and Contracting EU funds
<http://www.cfcu.gov.me/direktorat/>

ME4EU, EU.ME portal
<http://www.eu.me/mn/ipa/ipa-ii-2014-2020>

Montenegro IPA II Framework Agreement
www.gov.me/files/1195231021.doc

Indicative Strategy Paper 2014 – 2020
<https://ec.europa.eu/neighbourhood...documents/.../20140919-csp-montenegro.pdf>

EU Montenegro 2018 Report
<https://ec.europa.eu/neighbourhood-enlargement/.../20180417-montenegro-report.pdf>

European Movement in Montenegro – IPA II Absorption Capacities
www.emim.org/images/publikacije/IPA-Absorption-Capacities.pdf

Interview with Zvezdan Cadjenovic, IPA and EU funds expert, May 10th 2018.



ASSESSMENT OF IPA II ABSORPTION CAPACITIES IN ALBANIA

Author: Armela Maxhelaku

1. Introduction

This policy paper has its focus on providing a critical evaluation of the programming and implementation of IPA II funds in Albania. It identifies key achievements, challenges, and obstacles encountered in the implementation of IPA programmes in Albania. As well, this paper will focus on the absorption capacities of the Albanian administration for managing the IPA II Funds and will point out some recommendations in order to further improve the system, by firstly including civil society organisations in the programming and implementation process of IPA funds.

This paper will underline the challenges and recommendations for the better management of IPA II Funds in Albania. This brief aims to address the issues related to Legal and Institutional frameworks, programming, monitoring and evaluation, cross-sectorial approach and financial management and control. A special emphasis is put on the development of administrative capacities, involvement of CSOs and private sector and underlining that Albania is the first country on the region that implements the sector budget support. This policy paper comes as a follow up and goes beyond of the previous work “*IPA II absorption capacities in Albania- A Brief Overview*”.

On 11 March 2014, the European Parliament and the Council adopted the Regulation No 231/2014 on establishing an instrument for pre-accession assistance. This instrument constitutes the legal basis for the provision of financial assistance to the IPA II beneficiaries to support them in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required by those beneficiaries, in order to comply with the Union’s values and to progressively align to the Union’s rules, standards, policies and practices, with a view to Union membership¹. IPA Framework Agreement sets out the rules for indirect management by the IPA II Beneficiary, focusing on management and control systems, rules for programming and implementation, rules on financial management of IPA II Assistance and provisions on multi-annual action programmes and cross-border cooperation programmes.

IPA II assistance in the Republic of Albania is implemented through direct management, which consists in implementation by the Commission departments, including its staff in Union Delegations and/or through executive agencies, or through indirect management whereby the Commission entrusts **budget implementation tasks of certain programmes or actions to the IPA II beneficiary and through indirect management** with entities other than IPA II beneficiaries and shared management with Member States, for cross-border cooperation programmes involving Member States of the European Union and implemented in accordance with the IPA II Implementing Regulation. The indirect management mode in the context of pre-accession strategy is important as it improves ownership and enables the country to self-implement EU funds and prepare for managing EU cohesion and structural funds once the country becomes a member state².

2. Legal and institutional framework

EU pre-accession funds are a sound investment into the future of both the enlargement countries and the EU itself³. IPA II sets a new framework for providing pre-accession assistance for the period 2014-2020. The most important novelty of IPA II is its strategic focus. It allows a move towards a more targeted assistance, ensuring efficiency, sustainability and focus on results. IPA II also allows for a more systematic use of sector budget support. Finally, it gives more weight to performance measurement: indicators agreed

1 Framework Agreement between the Republic of Albania represented by the Government of the Republic of Albania and the European Commission on “The arrangements for implementation of Union Financial Assistance to the Republic of Albania under the Instrument for Pre-Accession Assistance (IPA II)”, pg. 6.

2 “The indirect management of EU Funds Albania”, EU Policy Hub, 15 December 2016, pg 2-3

3 Ibid.

with the beneficiaries will help assess to what extent the expected results have been achieved. IPA II offers a new approach of assistance delivering, based on Sector Wide Approach, rather than specific projects, and avoidance of stand-alone actions/projects. Stand-alone actions are considered as a tool/possibility to fund the implementation of specific reforms, in vital sectors, where a sector strategy is missing, or under preparation. Also in IPA II (2014-2020) there is no more “co-financing”, but IPA II is considered as an instrument of co-financing the country reforms in the priority areas, already covered by the state budget.

The key institutions coordinating IPA II fund are defined in the Decision of the Council of Ministers no 1020, dated 2015 “*Designation of functions, responsibilities and relationships among the Authorities and Structures for the indirect management of the EU Instrument for Pre-Accession Assistance IPA II (2014-2020)*”, a sublegal act which designates the functions and responsibilities and establishes mutual relations among the authorities and structures for being entrusted with budget implementation tasks for the implementation of the IPA II Programme (2014-2020). For the purpose of management, control, supervision, monitoring, evaluation and reporting of IPA II assistance, in Albania are operating the following structures and authorities:

- a) The National IPA Coordinator (NIPAC)-Minister for Europe and Foreign Affairs⁴;
- b) The National Authorizing Officer (NAO);
- c) The management structure accountable to the NAO is composed of:
 - i. The National Fund.
 - ii. NAO Support Office.
- d) The operating structures are composed of:
 - i. Central Financing and Contracting Unit (CFCU);
 - ii. Structures responsible for management of IPA II programme in line ministries and/or beneficiary institutions (Senior Programme Officer SPO-Secretary General/General Director and IPA Units).
 - iii. NIPAC Support Office.
- e) The Audit Authority (AA).

Regarding administrative capacities, IPA structures in Albania are composed of management structures and operational structures. These structures are created based on the Annex A of the Framework Agreement between the European Commission and Republic of Albania on the arrangements for implementation of Union Financial Assistance to the Republic of Albania under the instrument of Pre-Accession Assistance (IPA II). Based on the DCM No 541, dated 18.06.2015, the management and operational structures are clearly defined. The management structures, composed of NAO Support Directorate and National Fund,

4 1.1 Regarding the article 7 of the Decision of the Council of Ministers no 1020, dated 2015, the operating structure is responsible for the implementation, information and visibility, monitoring and reporting of programmes and evaluation thereof whenever relevant in accordance with the principle of sound financial management and for ensuring the legality and regularity of expenditure incurred in the implementing of the programmed under its responsibility. The individual tasks of each body composing the Operating Structure are identified and regulated by an Operational Agreement between the NIPAC, Head of CFCU and Head of IPA Units in Line Ministries and/or beneficiary institutions, as well as the monitoring of the operation of the IPA II internal control system in the IPA Units. The Head of CFCU in addition to his/her responsibilities for the CFCU, is responsible for the supervision of the technical management of IPA II projects implemented by the IPA Units in Line Ministries and/or beneficiary institutions, as well as the monitoring of the operation of the IPA II internal control system in the IPA Units.

1.2. Based on article 7.1, as regards the implementation of a programme, the Operating Structure has responsibility to monitor the implementation of the programme, propose amendments, as needed and provide to the sectoral monitoring committee information on the progress of the programme in achieving its objective, to deliver all necessary information for the purposes of the reports drawn up by the NIPAC and the NAO and to draw up an evaluation plan and conducting interim and ex-post evaluations of the programmes it manages. As regards the selection and control of actions and financial management, the operating structure has the responsibility to ensure that the actions are selected for funding an approved in accordance with the procedures, arrange for procurement and grant award procedures, make payments to and recovery from the recipients of IPA II assistance, set up procedures to ensure retention of all documents regarding procurement and other procedures, ensure the maintenance either a separate accounting system or an adequate accounting codification for all transactions relating to an action etc.

currently are fully staffed: NAOSD (8 staff members, 1 director, IPA Unit 3+1, IPARD unit 2+1). National Fund (10 staff members, 1 director, Financial Control Unit (2+1), Financial Management (2+1) Accounting (2+1). Operational Structures are composed of CFCU, NIPAC and IPA Units. CFCU has about 25 staff members, 1 vacant position, the NIPAC is fully staffed, with 11 staff members. The total number of IPA Units in line ministries is 62, currently there are 10 vacancies.

	Total no Staff	No of staff working
NAOSD	8	8
National fund	10	10
CFCU	25	24
NIPAC	11	11
SPO-s	62	52

Based on the Manual of Procedures, Human Recourses Chapter, all the IPA structures need to prepare every year the Work Load Analysis in a three-year term. WLA 2018-2020 is prepared by all structures based on the methodology introduced and developed by the NAOSO and it includes all tasks performed by the staff, described in details. Currently there is no any concrete plan concerning retention policy. Regarding training programmes, based on the Manual of Procedures, all IPA structures need to develop every year a Training Need Analysis and a Training Plan. With the cooperation of Department of Public Administration, a 14 day training on “*Management of EU funds and financial assistance*” is organized twice a year. All new staff that work in IPA structures are encouraged to participate in this training. This training is published in the website of Department of Public Administration.

Regarding the turnover rate among the key appointees (NIPAC, NAO, PAO and SPOs) the situation is as follows:

NIPAC - the Minister of Europe and Foreign Affairs from September 2017. From September 2013- September 2017 the NIPAC was the Minister of European Integration.

NAO - the Deputy Minister of Finance and Economy, from September 2013- until now.

PAO - the General Director of CFCU. From February 2018 the PAO is Ms. EnkelejdaKokthi. From 05.March 2015- January 2018 the PAO was Mr. ManolSimo.

Referring to the Albania 2018 Report, regarding administrative capacities, the problems faced by the Audit Authority were partially addressed in 2017 by increasing its staff. However, further capacity-building measures should be taken for the Audit Authority and the CFCU, in particular for the public procurement process. The CFCU’s procurement department should be increased to ensure it can handle the volume of tendering procedures effectively and promptly. The supervisory capacity of the National Authorising Officer’s Support Office has yet to be strengthened and a proper retention strategy needs to be developed for all indirect management structures. The administrative capacity and monitoring of the integrated policy management group secretariats still need to be improved and business continuity ensured.

On the legislative framework, the national strategy for development and integration and several sectoral reform strategies have been adopted and are being implemented. A national medium-term budget plan still needs to be drafted and adopted. Adequate co-financing capacity for EU programmes at national and local level has yet to be established. Regarding the institutional framework, the reorganisation of Albania’s institutions after the general elections in 2017 affected the progress of setting up the institutional bodies to implement the regional development policy and manage EU pre-accession assistance (IPA). The functions of national IPA coordinator were transferred to the Minister for Europe and Foreign Affairs. The coordinator’s support office is being reorganized as well. As a result of this reorganization, two Directoriesof the IPA Programming and Monitoring Directory and the Territorial Cooperation Directory, which in the

former Ministry of European Integration were dealing with IPA coordination, are joint together in one Directory – the EU Funding Directory. In total, only 3-4 positions were reduced as a result of restructuring. The reorganisation of the Ministry of Foreign Affairs has brought better harmonization between the IPA management processes and the integration process as a whole, better linkage between IPA management, the process of integration and the external representation of the process (in the foreign policy dimension). Another factor lies in a better identification of the priorities related to the EU integration and funding through the IPAs, harmonization and a better coordination of the internal processes and external representation. Besides that, the new structure has induced another problem of the IPA Units not being fully dedicated on issues related to IPA Funds, because they are also engaged in other tasks. Also, the Secretary General of the Ministry is usually appointed as the Senior Programming Officer, whom, due to the nature of the work, cannot fulfill all the duties derived from the SPO position.

Key challenges and recommendations:

- The restructure of the Albanian Ministry of Foreign Affairs, introducing a broad portfolio of competences, has caused difficulties in fulfilling all the management competences by a single Ministry.
- Because of the rearrangement of Albania's institutions, IPA Units are facing administrative challenges to be fully engaged in management of IPA Funds.
- The Albanian public administration is encountering problems like the lack of continuity and non-recruitment of new staff even though there are vacancies. It is important to mention that European Integration, European Commission and the development of the country, should be seen as one thing, in one development approach.
- Coordination on EU Integration and EU assistance needs to be ensured between national administrations such as the Ministry for Europe and Foreign Affairs, the Ministry of Finance and Economy, the Prime Minister's Office and line ministries⁵.
- There should be an integrated approach in various strategies, in order to fulfill the objectives. It is foreseen that in Albania there is a lack of synergies, when it comes to the crossing between strategies and the tools and ways used to implement them and work resources. Albania's objectives and European Integration should have an approach on synergies work. Ministry for Europe and Foreign Affairs and PM Office should work together in this regard. Accession process should not be seen as a different process, separated from the others, but as a process that helps the country development agenda. All this processes, that should be integrated with each other, accession process, country development agenda and absorption of IPA II funds, should be in that way in which they bring the lowest costs for Albania after accession to the EU⁶.

3. Programming

Planning and programming of assistance to candidate countries and potential candidates is organized as follows⁷:

- **Indicative Strategy Papers**

The Strategy Papers are the overarching strategic planning documents that set the priorities and objectives for the 7-year period. They replace the Multi-annual Indicative and Planning Documents (MIPDs) used

⁵ EC 2018 Report on Albania, pg. 82.

⁶ Interview with EUD staff member, May 10, 2018 (Anonymous)

⁷ https://ec.europa.eu/neighbourhood-enlargement/instruments/how-does-it-work_en.

until 2013. The indicative Country Strategy Papers provide the frame for financial assistance for each individual IPA II beneficiary. The Indicative Strategy Paper (the Strategy Paper) sets out the priorities for EU financial assistance for the period 2014-2020 to support Albania on its path to accession. It translates the political priorities set out in the enlargement policy framework into key areas where financial assistance is most useful to meet the accession criteria. The IPA II Regulation states that financial assistance shall mainly address five policy areas:

- a) reforms in preparation for Union membership and related institution- and capacity-building,
- b) socio-economic and regional development,
- c) employment, social policies, education, promotion of gender equality, and human resources development,
- d) agriculture and rural development, and
- e) regional and territorial cooperation⁸.

- **IPA II Programmes:**

The priorities outlined in the Strategy Papers are translated into detailed actions, which are included in annual or multi-annual Action Programmes. IPA II Action Programmes take the form of Financing Decisions adopted by the European Commission. The bulk of the assistance is channeled through the Country Action Programmes for IPA II Beneficiaries, which are the main vehicles for addressing country-specific needs in priority sectors as identified in the indicative Strategy Papers.

IPA II Programmes consists of:

1. **Country and Multi-Country Action Programmes**, which aim at enhancing regional cooperation (in particular in the Western Balkans) and at adding value to the Country Action Programmes through other multi-beneficiary actions. Country Action Programmes are the main vehicles for addressing specific country needs in priority Sectors, as identified in the multiannual Country Strategy Papers. The Sector Operational Programme is yet another document to be used for multi-annual programmes with split commitments (along the lines of programmes supported under IPA I Components III and IV)⁹.

2. **Cross-Border Cooperation Programmes represent the focus of assistance in the area of territorial cooperation between** IPA II beneficiaries, another important form of financial assistance. Cross-Border Cooperation is the most common form of Territorial Cooperation as defined by the European Regional Policy. Its aim is to promote good neighborly relations, foster EU integration and promote socio-economic development in border areas between countries through joint local and regional initiatives combining both external aid and economic and social cohesion objectives.¹⁰ Albania participates in 8 Territorial Cooperation Programmes (CBC and Transnational Cooperation):

- INTERREG IPA CBC Greece – Albania 2014-2020;
- IPA CBC Montenegro – Albania 2014-2020;
- IPA CBC FYRoM – Albania 2014-2020;
- IPA CBC Albania – Kosovo 2014-2020;
- INTERREG IPA CBC Italy-Albania-Montenegro 2014-2020;
- INTERREG MED Programme 2014-2020; (*implementation started during the year 2016;*
Albanian project partners: 26;

Projects implemented during 2016 and 2017: 12)

⁸ Indicative Strategy Paper for Albania (2014-2020) adopted on 18/08/2014.

⁹ IPA II (2014-2020) A Quick Guide to IPA programming, pg 14.

¹⁰ IPA II (2014-2020) A Quick Guide to IPA programming, pg. 16.

- INTERREG Balkan-Mediterranean 2014-2020;(implementation started during the year 2017;
Albanian project partners: 40;

Projects implemented during 2017: 16)

- INTERREG Adriatic-Ionian (ADRION) 2014-2020.

3. Rural Development Programmes. Rural Development Programmes represent the most formalized type of IPA support in the area of rural development. The aim of these programmes is to implement the strategic priorities for rural development set out in Country Strategy Papers, through a set of measures defined in the Framework Agreement. Under the Instrument for Pre-accession for Rural Development (IPARD), Albanian agricultural sector will receive 71 million EUR financing for the period 2014-2020. Taking into account national and private co-financing, this already significant amount will result in more than 160 million EUR of total investments. This will provide the Albanian agriculture and rural development sector with an opportunity to enhance the competitiveness of farming and food sector, to apply and comply with the national and EU standards on food safety, veterinary and phytosanitary requirements both for the benefit of local consumers and to allow accessing the EU markets for Albanian products, and to diversify the economic activities in rural areas of the country leading to better quality of rural livelihoods¹¹. It is important to highlight that this is the first time for Albania participating in this programme, which aims to improve agriculture competitiveness, by providing grant support for agriculture through EU and national schemes. Good progress has been recorded on IPARD II entrustment. The three most capital-intensive IPARD II measures (*investments in agricultural holdings, processing, and diversification of agricultural activities*) were entrusted at the beginning of 2018. There was good progress in 2017 on strengthening the capacity of the IPARD II management and operating structures and in the overall process for entrusting them with budget implementation tasks. In the forthcoming year, the Albanian authorities should in particular:

- plan and allocate resources for improving farm and animal registers and use of available agricultural statistics in policy-making;
- finalize the reform of the advisory system in agriculture in order to strengthen the growth of investment in agriculture and agro-processing;
- conclude the legal, institutional and administrative framework for organic products, Protected Designation of Origin and Protected Geographical Indication¹².

The timeline of annual programming of IPA II includes: preparation of SPD, analysis of eligibility criteria for SBS, first draft of the AD, preparation of the SRC (Indicators and baselines), discussions in the Commission HQ, finalization of the indicators and signature of the Financial Agreement. When it comes to programming, the most important documents are Sector Planning Documents and Action Documents. The Sector Planning Document aims to fulfil the purpose of good planning of financial assistance is key to efficient programming, all the more so in the context of Sector Support. The preparation of the Sector Planning Document is a key step of the planning and programming process, particularly in the context of intermediary Sector Support Actions. Albania has prepared the following Sector Planning Documents:

- Support to the fishery sector in Albania. (*IPA 2016; (2016 - 2021)*)
- Inter-Sectoral Rural Development Strategy and Agriculture and Food Sector. (*IPA 2016; (2014 - 2020)*)
- In the area of rule of law: Priority Area 1, Justice sector reform and Priority Area 2, Anticorruption cross-sectoral reform. (*IPA 2016; (2015-2020)*)
- Transport sector. (*IPA 2016; (2016-2020)*)
- Water sector. (*IPA 2016)*)

11 https://eeas.europa.eu/delegations/albania_ar/23573/2nd%20meeting%20of%20the%20IPARD%20Monitoring%20Committee.

12 EC 2018 Report on Albania, pg. 65.

- Competitiveness and innovation. (*IPA 2017*)
- Employment, skills and social policy sector (*IPA 2015; (2014-2020)*).

Action Document sets out the rationale of each individual Action, their specific objectives, planned activities and implementing arrangements (e.g. types of financing), among others. These are concise documents, which include a Logical Framework Matrix (Logframe) as the key section describing the intervention logic: particular attention must be paid to the preparation of the Logframe.

Action Documents adopted in Albania 2014-2017 under

IPA 2014	<ul style="list-style-type: none"> • Economic and Social Empowerment for Roma and Egyptians - a booster for social inclusion. • European Union Integration Facility. • Sector Reform Contract (SCR) for Public Finance Management (PFM). • Support to public administration reform through law enforcement and Innovative ICT processes. • Support to participation in Union Programmes.
IPA 2015	<ul style="list-style-type: none"> • Sector Reform Contract for Public Administration Reform. • European Union Integration Facility. • Support to participation in Union Programmes and Agencies. • Consolidation of law enforcement agencies - support to the Albanian state police and general prosecutor office. • Sector Reform Contract for Employment and Skills.
IPA 2016	<ul style="list-style-type: none"> • Support for the fishery sector. • Food safety and veterinary standards. • Support to water management. • European Union Integration Facility. • Support to participation in Union Programmes. • Consolidation of the Justice System in Albania -EURALIUS V. • Sector reform contract for the fight against corruption in Albania. • Sector reform contract to support transport with focus on roads.
IPA 2017	<ul style="list-style-type: none"> • EU support to a tourism-led model for Local Economic Development. • European Union Integration Facility.

Sector strategic planning and programming needs to be supported by effective operational mechanism, such as Integrated Policy Management (IPMG) Groups. IPMGs have been conceived by the Albanian Government as a top level decision-making structure in terms of programming national sector policies that have a horizontal approach (beyond a single sector), as well as their monitoring. IPMG is a High-level Policy Dialogue Platform and is used as a mechanism that provides an integrated approach to the coordination and management of programming, implementation and performance monitoring of sector programmes for achieving Albania's EU integration and sustainable development goals. IPMG has a strategic role in defining and consolidating sectorial priorities, especially cross sectorial ones, in order to improve strategic decision-making (SPC). Currently, in Albania, one out of 4 IPMGs is operating on good governance and public administration. The IPMG-Good Governance intends to support the implementation of Good Governance Agenda for Albania over the next years with intensive policy dialogue aiming at accompanying the reform process. Civil Society and Business Groups are one of the actors involved in IPMG on good

governance and public administration, and their functions are focused on advising on sector-specific and cross-cutting issues (civil empowerment, environment, gender equality). It is important to mention that Albania is drafting a general legal framework governing the establishment and functioning of the IPMGs and other structures, including Sectoral Monitoring Committees, as well.

Regarding planning and programming of assistance, Albania's¹³ public administration need to strengthen its capacities. The capacities of the Albanian administration have remained historically a challenge. IPA II has begun with the SBS support and in this regard EUD offered a lot of trainings and support, specifically through the Project Preparation Facility (PPF) scheme. This project, funded by EU and implemented by Austrian Development Agency, aims to improve the planning, programming and implementation of the Instrument for Pre-Accession Assistance (IPA) and to support mechanism for an integrated EU accession process in Albania. The purpose of PPF is to enable the Albanian authorities to submit good quality project proposals and action fiche to the European Commission for the implementation of the European Partnership (EP) and the Stabilisation Association Agreement (SAA) and to support effective implementation of these projects and actions in Albania. Even though both parties (EUD and Albanian institutions) are heavily involved from the beginning in the drafting process, still the Albanian administration is at modest level. Very often the Albanian administration just gives an opinion on approving project fiches or not, so is not so heavily involved in drafting process. This is a result of different reasons, such as the quality of the people involved in the process, not enough people working in and staff turnover.¹⁴

In Albania¹⁵, CSOs and other stakeholders are not as much involved in the programming processes which is necessary to ensure the effectiveness, efficiency, coherence and coordination of IPA. EUD and Albanian institutions involved in programming processes, have engaged specific persons dealing with SCOs and organizing meetings and receiving comments from them, but this depends on topics. Both parties are very much engaged in respecting CSOs rights and involving them in every process when their presence is required, but there are also some problems identified in this regard. In the programming processes and also in any other process related to the management of IPA II funds, it is crucial to have very well organized CSOs and those who are offering expertise in different fields. In Albania most of the CSOs are focused in issues like Roma community, justice, human rights etc., but when it comes to fields like transport, water and energy, which are very technical, CSOs in Albania do not seem to have that level of expertise.

Despite of this fact, the situation is getting better, EUD is taking dynamic actions to increase the involvement of CSOs in projects and also to increase their participation and activity and improve their function. EUD is regularly publishing call for proposals, mainly in the field of rights, transparency, equality and minorities, in which CSOs in Albania are mostly active and in fact this is the main focus of their function, in proportion with the composition of CSOs in Albania. CSOs are very important in the programming process, because they reflect some of the real needs of the society and because they show what comes from the bottom. Regarding the participation of CSO in programming process, the EUD involves them before and after this process.

Also, Albania's development and EU integration efforts are supported by over 40 bilateral and multilateral donors. This overall donor coordination was under the responsibility of the Deputy Prime Minister with support from the Department of Development Programming, Financing and Foreign Aid (DDPFFA) of the Prime Minister's office and now is under the responsibility of the Ministry of Finance and Economics¹⁶. In the future Donor Coordination has to function in a planned way and for this it is necessary to change the culture of monitoring and evaluation in Albanian public administration. And to make this happen, it is necessary to have a clear vision shared at senior level, which will help in achieving great things¹⁷.

13 Interview with EUD staff member, May 10, 2018
(Anonymous)

14 <http://ppf.integrimi.gov.al/>.

15 Ibidem, pg 10

16 Indicative Strategy Paper for Albania (2014-2020) adopted on 18/08/2014, pg. 9.

17 Interview with EUD staff member, May 10, 2018
(Anonymous)

Key challenges and recommendations:

- Albanian has to set goals and objectives, to identify the level of the reforms it needs to implement and then has to articulate European Integration with other things, articulate programming with EU accession, which in fact is a real challenge. Programming is not just a process, but it reflects the reforms that need to be supported and furthermore it identifies which of the reforms comes first, in which year should it be implemented, the connection with other reforms etc. One of the problems that Albania has faced during programming is the approach of implementing all the reforms at the same time, meanwhile it is not efficient, because one reform comes after another and something has to come first. So focus in programming and in reforms is much needed. The accession process is not something formal, because the problems are not always related to technicalities, but to processes.¹⁸
- IPA Units should be involved from the beginning, in the programming processes of IPA Funds.
- Strengthening of the public administration capacities and the inter-institutional coordination as well, remains a challenge, especially after the restructuring of Albania's institutions. In this regard, Albanian School of Public Administration in preparing dedicated training programmes for civil servants on programming and monitoring of IPA Funds.
- Experts ¹⁹working in Albanian administration need to be proactive. They should take initiatives and need to be more responsible. It is foreseen that mostly they are not oriented and proactive and this is as a result of the fact that, first they are not well informed on the way how IPA II functions and second they are afraid of taking responsibilities.
- The integrated policy management group on competitiveness still has to be made operational.
- Albania should increase the involvement of CSOs in the programming and monitoring processes of the IPA Funds.

Regarding the issue of transparency, SPDs, ADs, CBC OPs and IPARD Programme (*signed Financial Agreements and Sector Agreement*) should be available on NIPAC office website. Most of the relevant documents related to IPA, were available in the website of the former Ministry of European Integration. Currently Ministry for Europe and Foreign Affairs is working in this regard, update-in the web page, in order to publish all the necessary information (Framework agreements, financial agreements, action documents etc.) in the web page, fulfilling the EU's obligations. A communication strategy related to the EU integration process is being drafted, not specifically for IPA but for the whole process. Also, other documents such as strategies should be published by each Ministry and other relevant documents by the CFCU.

4. Monitoring and evaluation

Implementation²⁰ of IPA II includes a comprehensive monitoring mechanism. It contains a review of overall performance of the progress in achieving results at the strategic, sector and action levels (i.e. results-based performance), in addition to monitoring of financial execution. Performance measurement is based on indicators set out in the indicative Strategy Papers and the Programmes. Joint monitoring committees (Commission and beneficiaries) are the competent bodies to monitor the implementation of financial assistance programmes, as was the case for the previous period of IPA. The Commission publishes an annual report on pre-accession assistance. In Albania, monitoring and evaluation process is carried out by a certain institutions involved in this process, such as Leading institution in the Sector which coordinates the process, EUD, NIPAC SO, MFE and INSTAT. All the beneficiary institutions have to inform Leading

18 Ibid

19 Ibid.

20 https://ec.europa.eu/neighbourhood-enlargement/instruments/how-does-it-work_en.

institution on the process of implementation of the activities per each indicator, meanwhile Leading institution prepares the monitoring report on the % of realization for each indicator of the SRC. MFE is responsible for supporting Leading institution in preparing the report. The draft report is consulted and approved in the IPMG meeting, prepared and chaired by the leading institution and then the report is approved by the EC and the disbursement to the National Fund is made within approximately 3 months.

The joint monitoring committees are set up by the participating countries, for each cross-border programme within three months from the date of the notification to the participating countries of the decision approving the cross-border programme. The joint monitoring committees meet at least twice a year, at the initiative of the participating countries or of the Commission. The joint monitoring committee has several competences as follows: (a) consider and approve the criteria for selecting the operations financed by the cross-border programme and approve any revision of those criteria in accordance with programming needs; (b) periodically review progress made towards achieving the specific targets of the cross-border programme on the basis of documents submitted by the managing authority (c) examine the results of implementation, (d) consider and approve the annual and final reports on implementation (e) shall be informed of the annual control report, (f) shall be responsible for selecting operations but may delegate this function to a steering committee reporting to it; (g) propose any revision or examination of the cross-border programme; (h) consider and approve any proposal to amend the content of the cross-border programme²¹. In Albania, each cross-border programme **has set up a Joint Monitoring Committee**. Beside the representatives of the central and local government institutions, CSOs are involved in the Joint Monitoring Committee (*INTERREG IPA CBC Programmne "Greece-Albania 2014-2020"*), as observers.

The IPA Monitoring Committee reviews the overall effectiveness, efficiency, quality, coherence, coordination and compliance of the implementation of all actions towards meeting the objectives set out in the Financing Agreements and the country strategy papers. Where relevant, The IPA monitoring committee bases itself on the information provided by the sectoral monitoring committees and may make proposals to the Commission, the NIPAC and the NAO, for ensuring better coherence and coordination of IPA II assistance as provided for in the country strategy papers and, if relevant, the multi-country strategy papers or in the IPA II Regulation, and to enhance the overall efficiency, effectiveness, impact and sustainability of such assistance. It may also make recommendations for corrective actions to the relevant sectoral monitoring committee(s) in order to ensure the achievement of IPA II objectives and enhance the efficiency and effectiveness of the IPA II assistance²². Under²³ indirect management by the IPA II beneficiary, sectoral monitoring committees are structures established by the IPA II beneficiary by policy area or by programme, including at sector level where appropriate, no later than six months after the entry into force of the first Financing Agreement related to the respective policy area or programme following the consultation with the Commission. It measures progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. In Albania the Sectoral Monitoring Committees are not established yet, because the purpose of creation, tasks and functions will be identified in the legal framework, which is being drafted for IPMGs.

It is ²⁴crucial to set up the Sectoral Monitoring Committees and to understand the real use of them. In order to have a successful programming and monitoring, it is necessary to connect IPA with government strategies and objectives.

The IPA Monitoring Committee meets once a year and is responsible for ensuring coherence and coordination in the implementation of all IPA components, examines all the progress, developments, and problems of IPA management occurring during the previous year. The last IPA Monitoring Committee, was held on March 13, 2018, in Tirana, under the co-chairmanship of the Minister of Europe and Foreign Affairs and the European Commission, where were discussed developments on programming, implementation,

21 Article 110 of Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA).

22 Framework agreement, pg.41.

23 Framework agreement, pg. 42.

24 From the interview with the EUD staff member.

monitoring of IPA funds during 2017 and challenges for the 2018. The discussions focused both on the programming of future funding and on the overall effectiveness, quality, and coordination of the implementation of ongoing programmes. The EU underlined the need to ensure monitoring and coordination of reforms, consistency between strategies and budget allocations as well as to have close coordination with the entire donors' community in the country.

In order to ensure inclusiveness and transparency, civil society organizations, part of the National Council of Civil Society, participate in the meetings. Inclusion of civil society organizations is also sanctioned in the rules of procedure of the IPA Monitoring Committee. CSOs participate as observers in the IPA Monitoring Committee (sanctioned in the rules of procedure of this committee). In Albania CSOs are periodically invited to attend IPA Monitoring Committee. For instance, in the last IPA Monitoring Committee civil society and members of the National Council for Civil Society attended as observers. It is important to mention that the involvement of the CSOs is not institutionalized. There should be a deeper level of *commitment*, since it is a matter of fact that they usually do not actively contribute in the meetings of IPA Monitoring Committee, by giving comments, suggestions or recommendations. Despite this, notes from the IPA monitoring committee meeting are not available on NIPAC office website. Also the evaluation reports are not available on NIPAC office website.

Key challenges and recommendations:

- Regarding the discussions in the last IPA Committee, the coordination between NIPAC and line ministries should be improved, because it is required a strong coordination between them in order to achieve the results. If the properly coordination is ensured, this will accelerate the monitoring process. But beside this, it is important to have a strong internal ministry coordination and between IPA Units themselves²⁵.
- Institutional capacity and willingness to achieve countries development goals, are both needed for an efficient and effective absorption and delivery of IPA II funds.
- Slow progress on setting up the Sector Monitoring Committee (for IPA II). The committee ensures the proper monitoring of EU pre-accession assistance and the process for establishing it has to be finalised soon. The committee needs to meet regularly²⁶.
- Albanian ²⁷administration still has not well perceived and understood the value of the Sector Monitoring Committee. Also the problem is related to the sector strategies over years, the different strategies in different fields has to work together, not one by one.
- The first important thing is to monitor and to identify where the country is, what is been done with the sustainable development, are the funds delivered in an effective way, are the strategies relevant to sector development.
- There should be an integration of IPA II in the countries reform, so the reforms and processes related to the absorption of IPA II funds can go in the same direction. This should be understood in that way that reforms and financial resources should work together in order to achieve the countries goals.

In Albania there is no a shared understanding from top to bottom, which is crucial for an efficient monitoring process, which is working, but is not understandable for all the parties included in this process.

25 From the interview with the EUD staff member.

26 EC 2018 Report on Albania, pg. 3.

27 From the interview with the EUD staff member.

5. Financial management and control

IPA II²⁸ funded activities are implemented and managed in various ways, in accordance with the financial regulation under direct management. The Commission delegates the management of certain actions to external entities, while still retaining overall final responsibility for the general budget execution, or shared management. In the context of direct management, Sector Budget Support is yet another tool for delivering pre-accession assistance and achieving sustainable results under IPA II. It consists of financial transfers to the national treasury account of an IPA II beneficiary and requires performance assessment and capacity development, based on partnership and mutual accountability. It is delivered through Sector Reform Contracts.

Financing Agreements are documents signed between the European Commission and the beneficiary countries for each programme and they complete the technical, legal and administrative framework and include detailed and specific provisions for the management, monitoring, evaluation and control of each Operational Programme. All the individual contracts and agreements which implement different financing agreement shall be concluded no later than three years from the date of conclusion of the agreement, with the exception of the cases listed under Article 189(2) (b) and (c) of the Financial Regulation (N+3), meanwhile all the contracts shall be executed within a maximum of 6 years from the conclusion of the financing agreement (N+6). Disbursement of funds shall be made no later than one year after the final date for operational implementation. The deadline for disbursement of funds may be extended with the agreement of the Commission before its end date in duly justified cases.

Actually the financial progress in IPA National Level in Albania is as follows:

National Programme	Planned Budget (in Euro)	Amount contracted (in Euro)	Amount paid by CFCU (in Euro)	cut off date:
				30-04-2018
				% Disbursed
IPA 2012	24,700,000.00	15,209,307.60	11,646,106.00	76.57%
*IPA 2013	15,250,000.00	12,868,179.37	6,344,911.43	49.31%
IPA 2014	16,300,000.00	4,537,193.00	1,871,642.23	41.25%
*IPA 2015 ²⁹	17,200,000.00	56,280.00	22,056.00	39.19%

Progress on IPA II Activities– Flowof Funds:

Actions	Received from EC (Euro)	Contracted	Disbursement to CFCU (Euro)
IPA Programme 2014			
EU integration facility	5,493,521.5	3,439,443.00	1,414,374.20
Support to public administration reform		1,097,750.00	150,000.00
Support to participation in Union Programmes and Agencies (IM)	960,000.00	1,582,550.83	960,000.00 (line Ministries)
IPA Programme 2015			

28 https://ec.europa.eu/neighbourhood-enlargement/instruments/how-does-it-work_en.

29 Ibid.

EU integration facility	6,469,007.40	56,280.00	22,056.00
Support to participation in Union Programmes and Agencies	970,247.40	970,247.40	970,247.40 (line Ministries)

The level and utilization of leftovers per national programme and the level of irregularities and frauds are reported as “0”. It is important to mention that NAO has established an electronic line for reporting irregularities for IPA and IPARD: (IPARD.irregularities@financa.gov.al; IPA.irregularities@financa.gov.al).

In Albania, Audit Agency for EU Accredited Assistance Programmes established pursuant to the Framework agreements, as an autonomous and independent agency and is composed from the Supervisory Council and the General Director. Audit Agency for EU Accredited Assistance Programmes mission is to audit the management and control systems related to actions, transactions and annual accounts of the EU financial aid granted as pre-accession and post-accessing financing. Through the audits, the AA shall make sure that the management, internal control, internal audit, oversight and accounting systems are in line with international auditing standards, the Framework Agreement, the EU applicable regulations and the Agency’s Audit Strategy. Its auditing mission covers areas of legality, regularity, financial management of EU funds. During the period January – December 2017, audit missions were carried out in National Fund, CFCU, NAO Support Office, IPA Units, NIPAC office and CBC bodies. Despite this, audit reports are not available on Audit Authority website. Regarding financial management, control and audit, procurement procedures under IPA II indirect management were suspended. This is causing delays in handling tendering procedures for the 2014 and 2015 programmes³⁰.

Beside the Instrument for Pre-Accession (IPA II), the programmes are supported by the shared financing scheme, the Co-financing Policy, which is vital to cope with the lack of fiscal space in the budgets of the IPA II beneficiaries and to favour economic development as a response to the continuous stagnation of the economies. The main principle Co-financing of investments is to support implementation of mature projects. In Albania some projects are co-financed via The Western Balkans Investment Framework, which offers a new approach of addressing the region’s extensive and diverse investment needs. It consists of two key components: • Joint Grant Facility (JGF), which pools grants from the European Commission’s budget, CEB, EBRD, EIB and bilateral donors; • Joint Lending Facility (JLF), based on loans provided by CEB, EBRD and EIB and increased cooperation with other multilateral development and bilateral financial institutions.

The updated National Strategic Projects Pipeline 2016-2017 was approved by NIC in May 2017, meanwhile the NSPP will be reviewed during 2018. NSPP 2016-2017 has 143 projects categorized as below:

1. Regional Relevance (32 projects)

- Regional Balkan Projects (17 projects);
- Cross-board projects (5 projects);
- Regional Projects (10 projects);

2. National Relevance (111 projects)

- National-Regional Projects (83 projects);
- National-Local Projects (28 projects).

³⁰ Albania 2018 Report, pg. 83.

The multiannual financial framework (MFF) sets the limits for the annual general budgets of the European Union. It determines how much in total and how much for different areas of activity the EU could use each year when it enters into legally binding obligations over a period of not less than 5 years. The recent MFFs usually covered 7 years. On 2nd of May 2018 the European Commission adopted EU budget for the Future-Multiannual Financial Framework (2021-2027). In the new Multiannual Financial Framework, two new instruments are proposed: -A **New Reform Support Programme** which – with an overall budget of **25€ billion** – will offer financial and technical support to all Member States for the pursuit of priority reforms, especially in the context of the European Semester. - A **European Investment Stabilisation Function** which will help to maintain investment levels in the event of large asymmetric shocks. It will start in the form of back-to-back loans under the EU budget of **up to 30€ billion**, coupled with financial assistance to Member States to cover the costs of the interest.

7. Sector budget support

Budget support³¹ is a means of delivering effective aid and durable results in support of EU partners' reform efforts and the Sustainable Development Goals (SDGs). It involves (i) dialogue with a partner country to agree on the reforms or development results which budget support can contribute to; (ii) an assessment of progress achieved; (iii) financial transfers to the treasury account of the partner country once those results have been achieved; and (iv) capacity development support. It is a contract based on a partnership with mutual accountability. As stated in the Financial Regulations (General Budget and European Development Fund) and the related Implementation and Application Rules, the use of budget support is subject to conditions. Budget support involves the transfer of financial resources to the National Treasury of a partner country, following the fulfilment by the latter of the agreed conditions for payment set out in the contract. Transfers are made in euros to a Government account held at the Central Bank and then converted into local currency to the National Treasury Account. Budget support funds must be included in the State budget and fiscal accounts as grants.

The joint performance assessment framework³² (PAF) is agreed in countries with a number of budget support donors. A PAF refers to a summary table drawn from the country's strategy. It brings together the policy objectives, activities, expected results and indicators that form the basis for budget support partners to monitor progress over time. Using a PAF can help structure the areas for dialogues and creates transparency on mutual expectations and commitments. Capacity Development³³ is the process by which individuals, groups and organizations, institutions and countries develop, enhance and organize their systems, resources and knowledge; all reflected in their abilities, individually and collectively, to perform functions, solve problems and achieve objectives.

Mutual accountability³⁴ refers to the relationship between donors and partner countries. From the donor's perspective, mutual accountability is important so that donor governments can demonstrate to their stakeholders that public funds for development are used effectively and efficiently. For partner countries, it is important to receive credible donor commitments and timely, predictable, transparent and comprehensive information on aid flows aligned with the budget cycle, to prepare and implement budgets that deliver agreed policy objectives and outcomes.

Sector budget support aims to promote sustainable development, inclusive growth and job creation, poverty eradication, inequality reduction, and build and consolidate democracies and peaceful societies. This approach must be based on mutual accountability and shared commitment to fundamental values of human rights, democracy and the rule of law. It should enable greater differentiation of budget support

31 Budget Support Guidelines, September 2017, pg. 5.

32 Budget Support Guidelines, September 2017, pg. 24.

33 Budget Support Guidelines, September 2017, pg. 69.

34 Budget Support Guidelines, September 2017, pg. 46-47.

contracts, allowing the EU to better respond to the political, economic and social context of the partner country. In the enlargement context more specifically, these objectives support the progressive alignment of candidate countries and potential candidates with the European Union's rules, standards, policies and practices in the perspective of EU accession.

Sector Budget Support in Albania is a novelty of IPA II Programme. It is a tool to deliver better pre-accession assistance and to achieve sustainable results. Sector Budget Support means transfer of funds directly to the national treasury in support of a sector programme policy and strategy. In order to have Sector Budget Support, Albania has to fulfill the four eligibility criteria, related to stable macro-economic framework, sound Public Financial management; transparency of the budget; and national/sector policies and reforms, as well as two conditions related to the existence of a sector reform plan linked to the enlargement agenda (+ indicators) and also the sector should be identified in the Country Strategy Paper as a priority.

Albania has already programmed 5 SBS for the sectors of:

1. PFM – IPA 2014 programme
2. PAR – IPA 2015
3. Employment and Skills – IPA 2015
4. Transport – IPA 2016
5. Anti corruption – IPA 2016, meanwhile is under preparation the SBS for the Justice sector (IPA 2018)

Key challenges and recommendations:

- Without having realistic and measurable indicators it will be difficult to monitor the SRC and benefit the maximum of funds from SBS;
- SBS roles and responsibilities in the monitoring process have to be better identified. NIPAC SO has required this clarification to the EUD and EC;
- Passport of indicators is the must for starting the programming of SRC (Justice case).
- Sector Reform Contract, Financing Agreement and reports on fulfilment of indicators should be available on NIPAC websites, in order to ensure transparency.

8. Bibliography

- Framework Agreement between the Republic of Albania represented by the Government of the Republic of Albania and the European Commission on “*The arrangements for implementation of Union Financial Assistance to the Republic of Albania under the Instrument for Pre-Accession Assistance (IPA II)*”;
- Indicative Strategy Paper for Albania (2014-2020) adopted on 18/08/2014;
- European Commission (2018) Report on Albania;
- IPA II (2014-2020) *A Quick Guide to IPA Programming*;
- Budget Support Guidelines (September 2017);

- EU Policy Hub (15 December 2016) *The indirect management of EU Funds Albania*;
- Decision of the Council of Ministers no 1020, dated 2015 “*Designation of functions, responsibilities and relationships among the Authorities and Structures for the indirect management of the EU Instrument for Pre-Accession Assistance IPA II (2014-2020)*”;
- Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA);
- Overview - Instrument for Pre-accession Assistance, available at https://ec.europa.eu/neighbourhood-enlargement/instruments/overview_en; https://ec.europa.eu/neighbourhood-enlargement/instruments/how-does-it-work_en;
- Delegation of the European Union to Albania, 2nd meeting of the IPARD Monitoring Committee, available at https://eeas.europa.eu/delegations/albania_ar/23573/2nd%20meeting%20of%20the%20IPARD%20Monitoring%20Committee;
- The Project Preparation Facility (PPF) in Albania, available at Website <http://ppf.integrimi.gov.al/>;

ASSESSMENT OF IPA II ABSORPTION CAPACITIES IN BOSNIA AND HERZEGOVINA

Authors: Elvira Mujkić and Srdjan Blagovčanin

1. Introduction

Bosnia and Herzegovina (BiH) applied for EU membership in February 2016, and in September 2016 the European Council invited the European Commission to submit its Opinion on the merits of Bosnia and Herzegovina's application. In December 2016, the Commissioner for European Neighbourhood Policy and Enlargement Negotiations handed over a comprehensive Questionnaire covering all EU accession criteria. The country's consolidated answers were finalised in February 2018 and the answers handed over to the President of the European Commission.

The Commission has started the work on its Opinion, which will be prepared on the basis of the country's answers to the Questionnaire and follow up inquiries, dedicated peer reviews as well as Commission's consultations with international organisations and civil society.¹ As for the IPA funding, BiH has not positioned itself in such a way as to make the best use of the IPA funding. In BiH, *the issue of ownership* proved to be one of the most controversial issues in the context of IPA funding, in addition to the *general inability of the institutions* at any level to adopt or incorporate any changes that are either planned or that result from the activities carried² out by IPA projects into the existing administrative structures and legal frameworks.

IPA funding has been highly politicised, resulting in failure to adopt and implement harmonised sector strategies that are of utmost importance for a countrywide implementation of the EU acquis. The inability to set up structures for efficient and effective coordination mechanism for indirect management of EU funds and to maintain updated databases of all IPA funds beneficiaries and allocation of the funds prevents the country to make the most of the IPA funding. The jurisdiction disputes between the state and entities keep hindering the efficiency of EU funding in BiH, halts the country to speak in one voice, hence risking losing IPA funding. In addition, institutional weaknesses that have remained unaddressed all these years constitute the key obstacle to resolving the issues related to formulating sector strategies and developing coordination mechanisms.

At the macro-level, the weaknesses entail an array of institutional issues – starting from the public finance management system, public administration reform ensuring that there are capacities and structures in place which are capable of managing reforms and changes as well as providing public services in effective and efficient manner, through to creation of horizontal and vertical partnerships between public institutions, civil society organisations and citizens. At the micro level weaknesses pertain to system management, planning, communicating and decision making within the institutions.

In its report, the European Commission concluded that “a number of assistance projects in BiH did not achieve the expected results because of an insufficient sense of ownership on the part of the beneficiaries”, which is why the EU now insists on the projects being integral to the country's own reform strategies.³ In the absence of countrywide strategies in many sectors, the IPA II Country Strategy Paper is restricted to the period 2014-17, as compared to the full period for IPA II 2014-2020 and the following sectors: democracy and governance; rule of law and fundamental rights; competitiveness and innovation, local development strategies; education, employment and social policies. May floods in 2014 prompted the European Commission to reallocate EUR 42 million (EUR 46.2 million) from a previous IPA arrangement to assist recovery in affected areas. Those funds could not be used earlier because BiH authorities did not fulfil both international and domestic commitments. The establishment of countrywide sector strategies remains a key requirement for BiH to benefit fully from IPA funding.⁴

1 BiH 2018 Report, Commission Staff Working Document, SWD (2018)155 final Accompanying the document Communication from the Commission to the European Parliament and Social Committee and the Committee of the Regions, 2018 Communication on EU Enlargement Policy, (COM 2018) 450 final, Brussels, 17.4.2018. <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-bosnia-and-herzegovina-report.pdf>, accessed on 5 May 2018

2 2012 Annual Report on Financial Assistance for Enlargement, available at https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2013/2012_ipa_annual_report_with_annex_new_en.pdf, accessed on 12 November 2017

3 Ibid.

4 BiH 2018 Report, Commission Staff Working Document, SWD (2018)155 final Accompanying the document Communi-

2. Legal and institutional framework

2.1. General Overview of the National Regulatory Framework Applicable to IPA

BiH as potential country candidate for EU membership, used funds under the first two IPA components, i.e. component I (Support to transition and institution building) and component II (Cross-border Co-operation), while other three components of the IPA instrument (Regional Development, Human Resources Development and Agricultural and Rural Development) were available exclusively to candidate countries and were developed by the European Commission through an accredited decentralized management system (DIS) until this amendment.

The applicable regulatory framework to IPA II instrument is:

- (i) Regulation (EU) no. 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-Accession Assistance (IPA II), Official Journal of the European Union no. L 77/11 of 15 March 2014;
- (ii) Commission implementing regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II);
- (iii) Stabilisation and Association Agreement (SAA) between BiH and the European Communities and their Member States of 16 June 2008;
- (iv) Interim Agreement on Trade and Trade-Related Matters between EU and BiH of 30 June 2008;
- (v) Framework Agreement between BiH and European Commission on the arrangements for implementation of Union financial assistance to BiH under the instrument for pre-accession assistance (IPA II) dated 24 August 2015;
- (vi) Indicative Strategy Paper for BiH (2014-2017) adopted on 15 December 2014, revised on 16 November 2017;
- (vii) Council regulation (EC) no. 2008/211/EC of 18 February 2008 on the establishment of European partnerships in the framework of the stabilisation and association process;
- (viii) Decision on the Harmonisation Procedure of BiH Legislation with EU *acquis* of 28 July 2016;
- (ix) Sector strategies, see item 1.1.3

2.2. Framework Agreement between BiH and European Commission

The IPA II Framework Agreement (FA) was ratified with delay (BiH being the last of the Western Balkan country to do so). The IPA 2014 Financing Agreements (with a specific focus on flood recovery efforts) were finally signed in November 2015. The delay in approval of these important documents has delayed the start of the preparations of the projects foreseen in this Financing Agreements (FA).⁵ However, in the absence of countrywide strategies in many sectors, the IPA II Country Strategy Paper is restricted to the period 2014-17, as compared to the full period for IPA II 2014-20 and to the following sectors: democracy and governance; rule of law and fundamental rights; competitiveness and innovation, local de-

cation from the Commission to the European Parliament and Social Committee and the Committee of the Regions, 2018 Communication on EU Enlargement Policy, (COM 2018) 450 final, Brussels, 17.4.2018. <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-bosnia-and-herzegovina-report.pdf>, accessed on 5 May 2018

5 Ibid. p. 37(pdf)

velopment strategies; education, employment and social policies,⁶ following the application of the strict conditionality at programme level, Justice in BiH in 2013.

Namely, the EU integration process in BiH came to a halt. The country's political representatives appeared unable or unwilling to reach the consensus necessary to move forward on the pre-accession path. This was exemplified by the country's inability or lack of political will to enforce a European Court of Human Rights judgment. This led the Commission to apply conditionality by reducing the 2013 IPA I allocation by 45 million EUR and imposing further reductions of allocations under IPA II. When BiH failed to adopt a new overall justice sector reform strategy endorsed by all four constitutional entities, including the Republika Srpska, the Commission suspended ongoing budget support in the field of justice.⁷

As for the legal transposition, in general, BiH committed to harmonising its legislation system with the EU *Acquis Communautaire*⁸ by signing SAA in 2008 in order to ensure the proper, timely and expert transposition of EU *Acquis* to BiH system. However, when it comes to the IPA Framework Agreement, in accordance with the Law on the Procedure for Concluding and Conducting International Agreements ("Official Gazette of BiH", no 29/00), the Framework Agreement for IPA II has passed all necessary procedures and entered into force on 24 August 2015. Unlike the other EU legislation, no transposition of the Agreement was made because it is not intended for that purpose.

2.2.1. Implementation and Management Methods

IPA funds in BiH are managed **mainly through direct management**. The EU Delegation to BiH (EUD) is responsible for implementing financial assistance as well as ensuring coordination of assistance with the Member States, whereas national authorities follow the IPA implementation in parallel. BiH has not made the necessary preparations for indirect management of EU assistance.⁹ BiH enquired about the possibility to introduce indirect management for the Cross Border Cooperation programme BiH - Montenegro. Also considering the limited progress made by BiH towards decentralised implementation under IPA I the Commission expressed some reluctance to advance further in this direction, but readiness to discuss this with the relevant colleagues.¹⁰

BiH has not made the necessary preparations for indirect management of EU assistance. In the absence of a comprehensive EU coordination mechanism, assistance for BiH shall concentrate on sectors, where agreed strategies and sufficient sector coordination exist and will take into account the capacities of BiH to meet these needs. Assistance shall be planned in a coherent and comprehensive way with a view to best meet the needs of citizens, in particular minorities and vulnerable people, the civil society, and the private sector. However, EU assistance is only one of the means to achieve the necessary progress.

More so, because the politicisation of IPA has continued, with Republika Srpska formally not engaging in IPA-programming before a functional Coordination Mechanism is established and the delays in the approval of Sector Planning Documents due to the (alleged) non-consultation of Cantonal governments in the process. This has resulted in limited progress to develop country-wide strategies and thus allow for extending IPA support to important sectors such as transport, energy, agriculture and environment. As for the role of sectoral working groups (SWG), based the information provided by Directorate for European Integration, SWGs have been set up for each IPA II sector for which BiH has been receiving assistance through IPA II instrument so far.

6 Ibid. 68 (pdf)

7 Ibid. p. 136 (pdf)

8 Article 1 (d) SAA

9 Annex 1, Instrument for pre-accession assistance (IPA II), Indicative strategy paper for BiH (2014-2017), revised on 16 November 2017, p. 8, accessed on 5 May 2018, p. 8.

10 Draft conclusions of the IPA Monitoring Committee (16/03/2016), assumed from External Evaluation of the Instrument for Pre-Accession Assistance (IPA II) (2014 – mid 2017), Final Report Volume 2: Annexes, June 2017, prepared by the Thematic expertise, Monitoring and Evaluation Unit of the DG NEAR (European Commission), FWC COM 2015 EuropeAid/137211/DH/SER/Multi Specific Contract o°2016/374701, p. 150 (pdf), available at https://ec.europa.eu/europeaid/sites/devco/files/ipa-ii-eval-vol-ii-annexes_en.pdf

Civil society has the opportunity to make its contributions / suggestions / comments on the text of IPA II documents through the web application “e Consultation in the Programming and Implementation Process IPA II”. Until now, the response of civil society was very low even though DEI, with the help of bilateral donors, actively promoted the application through holding presentations across BiH and the online channel. It should be noted that the application is completely open to the participation of the entire public concerned, including (non) registered civil society organizations, the academic community and social partners.

2.2.2. Institutional Structures and Authorities

In accordance with FA, the following structures and authorities are established in BiH for the implementation of IPA II:

- (i) EUD BiH is responsible for implementation of the financial assistance as well as coordination of assistance;
- (ii) National IPA Coordinator (NIPAC) - Directorate for European Integration;
- (iii) National Authorisation Officer (NAO)-civil servant appointed before the Ministry of Finances and Treasury BiH (MFT) by the Council of Ministers BiH (Council);
- (iv) Operating structures;
- (v) National Fund within MFT;
- (vi) Project managers in ministries and other administrative bodies of BiH providing the institutional support;
- (vii) Officer for Sectoral Operational Programme (SOP);
- (viii) Transition Assistance and Institution Building Committee (TAIB Committee);
- (ix) Sectoral Subcommittee on Monitoring (SPOP);
- (x) Supervisory Board on the Implementation of the DIS Strategy;
- (xi) Stabilisation and Association Parliamentary Committee – a forum of the members of the Parliamentary Assembly of BiH and European Parliament;
- (xii) Stabilisation and Association Council – comprising members of the Council of the EU and members of the European Commission as well as representatives of the Council of Ministers of BiH, responsible for supervision of the implementation of the SAA;
- (xiii) Stabilisation and Association Committee – a technical level body assisting S&A Council in performance of its duties and it may establish sub-committees to ensure adequate implementation of obligations.

The role of NIPAC performs the Directorate for European Integration (DEI),¹¹ a permanent, independent and expert body of the Council of Ministers of BiH. The Directorate is responsible for coordination of activities of the BiH authorities and supervision of the implementation of decisions passed by the relevant institutions in BiH concerning the requirements for the European integration. The Directorate has the role of chief coordinator of the European integration process at the state level (horizontal coordination) and between the state institutions and entities (vertical coordination). Among other things, DEI coordinates financial assistance of the European Union and DEI Director is also the National Coordinator for IPA (the Instrument for Pre-Accession Assistance). The Directorate produces a variety of information, analyses, reports and strategic documents necessary for the integration process. DEI has a significant role in promoting and informing the public as to what the integration process signifies and entails.

11 Decision on Directorate for European Integration of 3 December 2003, available at <http://www.dei.gov.ba/dei/direkcija/default.aspx?id=9950&langTag=en-US>

National FUND (BiH Central Unit for Financing and Contracting of European Union Programs and Projects) is a unit for performing the tasks of implementing EU pre-accession funds in relation to financing, contracting, procurement, payment, supervision and control of the implementation of all European Union programs and projects in BiH. The unit cooperates with the DEI, other ministries and administrative organizations in the phase of funding the programs / projects approved by the European Commission, prepares multi-annual project financing programs; carries out the financial and administrative coordination of projects funded by the EU; Organize local and international tenders for public procurement of works, services and goods according to the principles and rules established by EU documents; provides consulting services and administrative assistance to BiH institutions when evaluating the results of the aforementioned tenders, drawing up and concluding contracts, drafting contractual obligations between the Unit and the receiver / contractor, including the imposition of sanctions in case of non-compliance; submits approval agreements and approves payments by the competent authorities; checks which payment applications can be approved according to the plan and the criteria for approval (all stages of the procurement cycle are subject to ex-ante approval by the EC Delegation).¹²

Officer for Sectoral Operational Programme (SOP) is a civil servant who manages the Agency for Implementation / Central Finance and Contracting Unit. SOP is responsible for the operation of AP / CJFU and proper project management to be implemented. In BiH, SOP is Assistant Minister in the Sector for Financing EU Programs and Assistance Projects at the Ministry of Finance and Treasury of BiH.¹³

The Transition Assistance and Institution Building Committee (TAIB Committee) monitors all programs under IPA Component I - Transition Assistance and Capacity Development - TAIB. The Committee meets at least twice a year and is chaired by DIPAK. The members of the board are the SO and the SOP, the representatives of the European Commission and, where appropriate, the representatives of international financial institutions and civil society, determined by the beneficiary country in agreement with the European Commission.¹⁴

The Sectoral Subcommittee on Monitoring (SPOP) is a sub-committee for monitoring sectoral projects established by the beneficiary country with a view to monitoring programs and activities under IPA Component I. The Subcommittee submits the report to the TAIB Committee and drafts and adopts its internal work affairs, in accordance with the mandate established by the European Commission.¹⁵

Operating structure (OS) is responsible for management and implementation of the program in accordance with the principles of sound financial management. To this end, the OS for IPA Component "Transition Assistance and Institution Building within IPA" is the most commonly comprised of (i) NIPAC, (ii) Implementing Agency - Central Unit for Financing and Contracting - led by the Program Approving Officer (SOP), (iii) project managers in line ministries / agencies and other administrative bodies in BiH, (iv) internal control units within the ministries and other administrative bodies in BiH. Tasks of the Structure include: organization and execution of procurement procedures, creation of procedures archiving all documents, cost verification incurred during the project realization and acquisition of necessary information on verified costs for National Fund and NAO, ensuring the internal audit, transparency etc.¹⁶

Supervisory Board on the Implementation of the DIS¹⁷ Strategy. DEI and MFT as the key institutions ensuring timely and quality implementation of the DIS Strategy, established a special body for this purpose, i.e. the Supervisory Board for the implementation of the DIS Strategy. The members of the

12 Available at http://www.mft.gov.ba/bos/index.php?option=com_content&view=article&id=215&Itemid=138

13 Decision on establishment of the function of project managers in ministries and other administrative bodies of the administration of BiH, defining competencies and the necessary institutional support, Council of Ministers BiH of 3 December 2008, available at http://www.dei.gov.ba/Default.aspx?langTag=bs-BA&template_id=119&pageIndex=1

14 Decision on establishment of the function of project managers in ministries and other administrative bodies of the administration of BiH, defining competencies and the necessary institutional support, Council of Ministers BiH of 3 December 2008, available at http://www.dei.gov.ba/Default.aspx?langTag=bs-BA&template_id=119&pageIndex=1

15 Ibid.

16 Ibid.

17 Note: Decentralized management system

Board are NIPAC and NAO, Assistant Director for EU Aid Coordination Sector, Head of Division for Coordination of Component I IPA, and person from DEI in charge of Coordination of Component II of IPA as well as Head of Component Operational Structure II. The task of this body is to ensure the timely and correct implementation of the activities outlined in the DIS Strategy and Action Plan and to make appropriate decisions in case of any difficulties in this process and to propose corrective measures and recommendations to remedy these difficulties.

2.2.3. Sector Strategies

The strategies exist for most of the sectors mainly at the level of the Entities and Cantons, to a lesser extent at the State level. However, most strategies are not harmonised and do not provide for a countrywide implementation of the EU acquis. The few exceptions are the Judicial Reform Sector Strategy (JSRS) adopted in September 2009, new anti-corruption strategy and action plan covering the years the 2015-2019, the migration and asylum strategy and action plan for 2012-2015 is being implemented.¹⁸ Sector strategy for environment and for rural development were adopted in May 2017 and February 2018, respectively, thus enabling IPA support in those sectors, whereas the draft strategy for the energy sector has not been adopted.¹⁹

Also the following strategies have been adopted: Public Administration Reform (PAR) Strategy, the National War Crime Strategy (NWCS), the Strategy for the Implementation of the annex VII of the Dayton Peace Agreement (Refugees and Internally Displaced Persons, including the Sarajevo Process), the Roma Strategy, Framework Transport Strategy 2016-2030 and the Strategy for Development of Statistics of BiH 2020.²⁰

The latest happening is adoption of Proposal Strategic Plan for Rural Development of BiH (2018-2021) by the CoM, creating the conditions for the domestic agricultural producers to receive millions of funds from European Union funds through projects. The Strategic Plan will provide a broad framework that will lead to the gradual alignment of agriculture and rural development in BiH with the best practices of the European Union.²¹

The plan was passed to Parliament BiH for urgent decision-making. In it important to note that some of the strategies expired or will expire before IPA II started and need to be updated. Common to the most strategies is that they are not based on a country development strategy or European integration strategy, they are not budgeted, no medium term expenditure and performance management frameworks exist, and only limited sector and donor coordination is available. As it can be noted, some progress in sectors noted, but overall a decline has been the trend.²² As for the regional level, BiH signed up to the South-east Europe Transport Observatory (SEETO), which was identified as the indicative extension of the Trans-European Transport Network (TEN-T) into the Western Balkan region, and to the targets of the South East Europe 2020 (SEE 2020) strategy and it is part of two EU macro-regional strategies, namely the EU Strategy for the Danube Region (EUSDR) and the EU Strategy for the Adriatic and Ionian Region (EUSAIR). These strategies seek to bring together both EU Member States and non-EU countries

18 External Evaluation of the Instrument for Pre-Accession Assistance (IPA II) (2014 – mid 2017), Final Report Volume 2: Annexes, June 2017, prepared by the Thematic expertise, Monitoring and Evaluation Unit of the DG NEAR (European Commission), FWC COM 2015 EuropeAid/137211/DH/SER/Multi Specific Contract o°2016/374701, p. 51. (pdf), available at https://ec.europa.eu/europeaid/sites/devco/files/ipa-ii-eval-vol-ii-annexes_en.pdf

19 BiH 2018 Report, Commission Staff Working Document, SWD (2018)155 final Accompanying the document Communication from the Commission to the European Parliament and Social Committee and the Committee of the Regions, 2018 Communication on EU Enlargement Policy, (COM 2018) 450 final, Brussels, 17.4.2018. <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-bosnia-and-herzegovina-report.pdf>

20 Annex 1, Instrument for pre-accession assistance (IPA II), Indicative strategy paper for BiH (2014-2017), revised on 16 November 2017, p, 8, accessed on 5 May 2018, available at https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/news/indicative_strategy_paper_for_bosnia_and_herzegovina_2014_2017_revised_16_11_2017.pdf,

21 Ibid.

22 Ibid.p.8

to address common challenges and potentials in the concerned macro-regions. They are focusing on improved connectivity of transport and energy networks, better environmental protection, sustainable tourism actions, and socio-economic development measures in the geographically specific context, and they aim to improve the cooperation with EU Member States and to facilitate the preparation of candidate and potential candidate countries for EU integration.²³ The Indicative Strategy Paper (ISP) for BiH 2014-2017 was revised in 2017 to include the transport sector.

3. Programming

In general, IPA II assistance is provided based on strategy papers, established by the Commission in partnership with BIH and annual or multi-annual and based on country or multi-country programmes action documents prepared at national level by the relevant bodies in accordance with Article 16 of FA. Based on the provided information by DEI the indicative programming calendar is defined for each programming process separately.

3.1. Indicative Country Strategy Paper

This Indicative Strategy Paper (ISP) sets out the priorities for EU financial assistance for the period 2014 - 2017 to support BiH on its path to EU accession. The ISP was adopted on 15 December 2014 and revised on 16 November 2017. The ISP was prepared in partnership with the State level and Entity Prime Ministers, NIPAC, line Ministers at State and Entity level and representatives of the civil society. Specific consultations on the strategic orientation of the strategy paper were organised with the joint EU-BiH working group, a number of civil society organisations, EU Member States, other donors and international organisations operating in the country.

The EUD is also supporting the establishment of a web-based platform for the systematic consultation of civil society that will be available for public administration services at all levels. A specific module is planned to be developed for the consultations to be carried out by the DEI about EU financial assistance.²⁴ The Instrument for Pre-accession Assistance (IPA) II Indicative Strategy Paper (ISP) for BiH (2014-2017) addresses those sectors where agreed strategies and sufficient sector coordination exist. These are: Democracy and Governance; Rule of Law and Fundamental Rights; Competitiveness and Innovation; Local Development Strategies; Education, Employment and Social Policies.²⁵ The ISP analyses the effects of the political stalemate regarding the implementation of the Sejdić-Finci ruling of the European Court of Human Rights and the still outstanding agreement on a comprehensive EU coordination mechanism on the planning and implementation of Instrument for Pre-accession assistance (IPA II) assistance.

It takes account of the difficult socio-economic environment in BiH, which leads to increasing dissatisfaction amongst the citizens, culminating in the social unrests of February 2014.²⁶ With a view to delivering on the priorities set for EU financial assistance for BiH for the coming four years, this Strategy Paper sets meaningful and realistic objectives, identifies the key actions and actors, describes the expected

23 Annex 1, Instrument for pre-accession assistance (IPA II), Indicative strategy paper for BiH (2014-2017), revised on 16 November 2017, p. 8.

24 External Evaluation of the Instrument for Pre-Accession Assistance (IPA II) (2014 – mid 2017), Final Report Volume 2: Annexes, June 2017, prepared by the Thematic expertise, Monitoring and Evaluation Unit of the DG NEAR (European Commission), FWC COM 2015 EuropeAid/137211/DH/SER/Multi Specific Contract o°2016/374701, p. 104. (pdf), available at https://ec.europa.eu/europeaid/sites/devco/files/ipa-ii-eval-vol-ii-annexes_en.pdf

25 Financing Agreement for the Country Action Programme for BiH for the year 2016, p. 6.

26 Annex 1, Instrument for pre-accession assistance (IPA II), Indicative strategy paper for BiH (2014-2017), revised on 16 November 2017, p. 8, accessed on 5 May 2018, p. 3

results, indicates how progress will be measured and monitored, and sets out indicative financial allocations. The priorities defined for financial assistance will serve as a basis for the (multi-) annual programming of IPA II funds in 2014 to 2017.

3.2. Sector Planning Documents

In general, the Sectoral Plans (SPDs) are multiannual working documents for the needs of IPA II programming are a prerequisite and basis for the preparation of the annual national IPA II programs. The SPD are conceived coherently and consistently with the Indicative Strategy Paper; hence the expected results are largely reflected in the planning of IPA assistance, as it is described in the following sub-sections. BiH is required to prepare sectoral planning documents for the period 2018-2020 for all IPA II sectors included in the Indicative Strategic Document for IPA II for BiH (2014-2020). The sectors included in ISD are Democracy and Governance, Rule of Law and Fundamental Rights, Competition and Growth. Transport, Education, Employment and Social Policies. To this date, BiH prepared, adopted or is in the process of drafting or adopting the following SPDs: Democracy and Governance, Competitiveness, Employment, Education and Transport²⁷. Against this background, there are several strategic documents that cover the reform priorities in the sector. The most important are:

- Public Administration Reform Strategy (from 2006);
- Revised Action Plan 1 of the Public Administration Reform Strategy in BiH (2011 – 2014);²⁸
- Strategy for the Development of the Public Procurement System (2016 – 2020);²⁹
- Strategy and Action Plan for Anti-corruption (2015 – 2019);
- Statistics Development Strategy for BiH 2020;
- Strategic Framework of the SAIs development (2013 – 2020);³⁰
- IDDEEA Strategy for the period 2016 – 2020;³¹
- Gender Action Plan (2013 – 2017);
- Medium-term debt management strategy of BiH (from 2017);
- Mid-Term Work Program of the Council of Ministers of BiH 2018-2020;
- Strategy on the Switch - over from Analogue to Digital Terrestrial Broadcasting in the frequency bands of 174-230MHz and 470-862 MHz in BiH.

There are also strategies for individual levels of government:

- Strategy for the Development of Internal Financial Control System in the Institutions of BiH for the Period 2016-2018;
- Strategy of public finance management reform in the institutions of BiH 2017-2020;
- Public Finance Management Strategy of the Brčko District of BiH 2017-2020;
- Strategy of Public Finance Management Reform of the Federation of BiH 2017-2020;
- Strategy for the Development of Public Internal Financial Control (PIFC) of the Federation of BiH for the period 2015 to 2018;

27 SPDs on Democracy and Governance, available at <http://ipa-ekonsultacije.dei.gov.ba/strategic-documents/programs>, accessed on 9 May 2018

28 Decisions of Council of Minister, the RS, FBiH and BDBIH Strategies of 2006 and RAP1 have been extended until the adoption of the new Strategic Framework, which is being finalized

29 At 77 session of Council of Ministers held on 13 October 2016

30 According to which all levels and their Supreme Audit Institutions should develop their own development strategy

31 On 7th session of the CoM held on 13 October 2016

- Debt Management Strategy of Republika Srpska;
- Programme and Action plan of development and improvement of accounting and auditing profession in Republika Srpska for period 2015-2020;
- PIFC Strategy 2014-2017. For the Brčko District of BiH;
- Training Strategy for Employees in Administration Bodies in the Federation of BiH 2016-2020;
- Development strategy of the Supreme office for Republika Srpska public sector auditing (2014 – 2020);
- Framework Training Plan for Employees in Republika Srpska's Republic Administration for the Period 2015-2018;
- Strategy for the Development of Statistics of Republika Srpska 202;
- Strategy for implementation of new Reference Systems in Federation of BiH and Republika Srpska; adopted by relevant institutions;
- Strategy for Activities to Determine the Geoid Surface Area in BiH; adopted by relevant institutions;
- Mid-Term Work Plan of surveying and establishing real estate cadastre, RSGA 2016-2020;
- Strategy for establishing and maintaining the Spatial Data Infrastructure of the Federation of BiH (adopted by the FBiH Government in September 2016);
- Strategy for Land Administration sector in FBiH for 2016-2020; adopted by relevant institutions.

3.3. Action Documents

In general, proposals for financial assistance are, in the first instance, itemised in Action Documents both for Country and Multi-Country Programmes. Where appropriate, Action Documents will summarise planned interventions (either fully or in part) highlighted in the existing Sector specific documents, i.e. Country Sector Programmes owned by the Beneficiaries (in the case of fully-fledged Sector Support) or Sector Planning Documents specifically designed in the context of IPA.³² BiH has some level of preparation to implement the acquis and European

Standards in this area and actions plans will be address by revisiting the state of practice in key areas where action plans have been adopted. In the area of human rights enforcement, the country made some progress, notably with the adoption of the revised Roma action plan on employment, housing and health care, while overall observance of human rights remained in need of substantial improvements.

The provision on the death penalty in the constitution of the Republika Srpska entity still needs to be repealed.³³ A revised 2017-2020 Roma action plan on housing, employment and healthcare was adopted in late 2017, but remains in need of appropriate funds for implementation.

The action plan on education is not part of the general one and lack funds for its implementation. A Roma Committee within the BiH Council of Ministers is active but has only a consultative role.³⁴ When it comes to judiciary, BiH's justice system has some level of preparation. Some progress was made in addressing some of the 2016 report's recommendations, namely through the adoption of the action plan

32 A quick guide to IPA II programming, Ref. Ares (2014)571140 - 04/03/2014, volume 2, available at http://www.evropa.gov.rs/Documents/Home/DACU/12/78/248/ipa-quickguide_v0%202.pdf, accessed on 5 May 2018

33 BiH 2018 Report, Commission Staff Working Document, SWD (2018)155 final Accompanying the document Communication from the Commission to the European Parliament and Social Committee and the Committee of the Regions, 2018 Communication on EU Enlargement Policy, (COM 2018) 450 final, Brussels, 17.4.2018. <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-bosnia-and-herzegovina-report.pdf>, p.9

34 Ibid. p.22

on the implementation of the 2014-2018 justice sector reform strategy and the establishment of the monitoring and reporting structures.

The High Judicial and Prosecutorial Council (HJPC) adopted a detailed action plan to implement the European Commission's recommendations on issues within the HJPC remit, including the reinforcement of disciplinary procedures. However, most measures are to be addressed by the legislator. Reduction of the utility-cases backlog in the courts and reforming enforcement procedures are still a challenge. Politically motivated threats on the judiciary continued.³⁵ The action plan of the 2014-2018 countrywide justice sector reform strategy, with new adjusted timelines for implementation, was adopted by the Council of Ministers in March 2017.

The ministerial conference (justice ministers at all levels and presidents of the Brčko District Judicial Commission and the HJPC) is responsible for supervising the implementation of the strategy. It adopted its rules of procedure in June 2017 and established the technical structures to monitor the implementation of the strategy. These structures are now fully operational and produced a first activities' implementation report adopted at the session of the ministerial conference held in March 2018.³⁶

The Anti-Corruption Strategy and action plan at state level adopted in May 2015 continue to be implemented. An Anti-Corruption Strategy is missing in the Brčko District. All cantons have their strategies for prevention of corruption except Sarajevo Canton and Bosnia-Podrinje Canton while Sarajevo Canton has opted to have just an action plan. Action plans have not been adopted in the Bosnia-Podrinje and the West Herzegovina Canton.³⁷ On the rights of the child, lack of resources and of coordination among authorities hampered the implementation of the 2015-2018 action plan for children. Concerns.³⁸

When it comes to the fight against organised crime, BiH has some level of preparation on. Some progress was made, notably by adopting a new strategy on fighting organised crime and implementing the action plan on anti-money laundering and financing of terrorism in order to comply with the FATF recommendations. However, financial investigations remained underused.³⁹ In October 2017, the BiH Council of Ministers adopted the 2017-2020 Strategy for Combating Organised Crime. Relevant institutions are expected to draw their action plans for the implementation of the Strategy.

The findings of the serious and organised crime threat assessment have not yet been translated into a coherent national security policy based on clear priorities.⁴⁰ BiH remains a country of origin, transit and destination for trafficking in human beings for labour exploitation, sexual exploitation, begging and forced marriages. Implementation of the 2016-2019 action plan on fighting trafficking in human beings is ongoing. However, a comprehensive, multidisciplinary and victim-oriented approach to trafficking in human beings still needs to be developed and identification and protection of victims needs to be improved.⁴¹ The framework action plan accompanying the 2015-2020 strategy on the prevention and fight against terrorism is in place.⁴² The strategy and its action plan on migration and asylum for the 2016-2020 period are in place and implemented.⁴³ The Strategy and action plan on Migrations and Asylum 2016-2020, adopted in March 2017, aims at strengthening reception capacities in the country and increasing regional and international cooperation.⁴⁴ The integrated border management (IBM) strategy, which is largely in line with the 2006 EU IBM concept, and the 2015-2018 framework action plan entered into

35 Ibid. p.9

36 Ibid. p.10

37 Ibid.p.16

38 Ibid.p.20

39 Ibid. p.22

40 Ibid. p.23

41 Ibid. p.25

42 Ibid. p.25

43 Ibid. p.26

44 BiH 2018 Report, Commission Staff Working Document, SWD (2018)155 final Accompanying the document Communication from the Commission to the European Parliament and Social Committee and the Committee of the Regions, 2018 Communication on EU Enlargement Policy, (COM 2018) 450 final, Brussels, 17.4.2018. <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-bosnia-and-herzegovina-report.pdf>, p.28

force in January 2016. The IBM strategy should be further brought in line with the EU policy on IBM.⁴⁵

3.4. Operational Programmes and Sectoral Agreements

In general, the rural development programmes under the policy area agriculture and rural development complementing FA are laid down in the Sectoral Agreements, which will, among other aspect, set out measures through which assistance will be implemented. Specifically, IPARD's (Instrument for Pre-Accession Assistance in Rural Development) main goals are: (i) improving the sustainability and competitiveness of the hosts involved in agricultural and primary food production and their progressive alignment with EU standards, (ii) preserving and improving the ecosystem that depends on agriculture and agriculture forestry, (iii) promotion of social and economic inclusion, reduction of poverty and poverty balanced territorial development in rural areas, (iv) increased application of knowledge and innovation in agriculture, forestry and agriculture rural areas, strengthening the capacity of the administration in implementation rural development program.

The financing is based on the system of return of invested funds. The public cost, in principle, must not exceed the upper limit of 50% of the total eligible investment costs, with the exceptions. According to the latest recent developments, Council of Ministers adopted the Proposal Strategic Plan for Rural Development of BiH (2018-2021) in January 2018, creating the conditions for the domestic agricultural producers to receive millions of funds from European Union funds through projects. The Strategic Plan will provide a broad framework that will lead to the gradual alignment of agriculture and rural development in BiH with the best practices of the European Union.

This happened after a multi-year political boycott and persuasions of EU representatives that they will not be able to attract hundreds of millions of euros from their pre-accession funds without it. Luckily, the "voice of reason" has won and the authorities in BiH will finally adopt a joint strategic rural development plan, media reports.⁴⁶ The adoption of this plan would mean availability of 200 million EUR to the farmers. The proposal was passed for adoption to Parliament of BiH. However, the faith of this plan is uncertain. The RS Government threatens revoking its consent, thereby depriving these much needed funds to the farmers because agriculture is on entity level and not state level and process is dependent on the entities' consent, i.e. RS Government.⁴⁷

In conclusion, in terms of ISD, some progress has been observed, although this is a result of sustained pressure by all international parties, not directly IPA or IPA II e.g. the creation of an 'implementation mechanism on EU matters'. The potential success of IPA II in leveraging political change via introduction of legal measures is unclear, and in the hands of the BiH institutions which remain largely fractured and lacking consensus. Evidence of this fragility is the rejection of conditions for IPARD II i.e. the failure of the BiH authorities to agree on the establishment of single IPARD paying agency to manage rural development funds for the whole country rather than one agency for each entity. Due to the lack of country-wide sectoral strategies in most areas addressing political reforms, the increased deployment of IPA II programmes, including BS remains still a challenge.⁴⁸

As for the national strategies, they are in line with the IPA II strategy and with programming documents. Policies and measures are in line with the national strategies, particularly their more recent updates. Where disparities in BiH have been identified these are addressed either by revising/ developing the respective strategies or by freezing IPA assistance in the related area until satisfactory compatibility has been reached. SPDs are not official documents. By definition, SPDs are living documents until a fully fledged sector approach is in place.

45 Ibid. p.28

46 Available at http://www.mvteo.gov.ba/org_struktura/sektor_poljoprivreda/projekti_programi/ipa_projekti/kandidovani_projekti/default.aspx?id=1812&langTag=bs-BA

47 Ibid.

48 Ibid. p. 44

Their individual quality is variable.⁴⁹ In terms of sectoral approach, some progress, but overall a decline has been the trend. In order to benefit from support through a sector approach, existing strategies should be based on a budget, a medium term expenditure and performance management framework, should address sector and donor coordination and, in the particular case of BiH, should facilitate a countrywide harmonised implementation of the EU acquis.

None of the sectors envisaged for support by the new instrument appears at present suitable for support through a sector approach. However, the EU will continue to support the preparation and gradual implementation of suitable strategies. In particular, EU assistance aims to create the capacities for strategic planning and the preparation for sector support. Until sectors are mature for support through a sector approach, the assistance will be provided through standalone actions, prepared in line with valid strategies.

4. Monitoring and evaluation

4.1. IPA Monitoring Committee

The IPA Monitoring Committee (taking stock of the whole IPA-portfolio) is in place and functioning, bearing in mind that under the direct management mode, the monitoring and reporting is implemented by the EUD, while the competent national authorities operate a parallel own system for following up the implementation of the IPA actions. Since the management mode used is only the direct one, the existing coordination difficulties can be mitigated by the management activity of the EUD. Having in mind that BiH is still under the Centralized implementation (management) regime, the CFCU and NF are not performing any of the activities foreseen by the IPA implementation Regulation. The EUD does all.⁵⁰

This IPA Monitoring Committee (Committee) is co-chaired by the NIPAC and the representative of the European Commission, and its permanent members are the State Authorisation Officer (SO) and the Program Approving Officer (SOP). The purpose of this Committee, that holds meetings annually, is to evaluate the efficiency, quality, coherence and sustainability of the IPA implementation of all IPA funds, i.e. all IPA projects within all five IPA components. The Committee is also expected to provide recommendations on how to ensure the coherence and complementarity of the overall program, how to overcome systematic implementation difficulties, how to ensure the planned pace of IPA withdrawal, etc.

The SOP (Program Approving Officer) and the CJFU (Centre for Financing and Contracting) are responsible to continuously gather information through the project manager network on the financial and technical aspects of individual project contracts as well as the information about the contract process and the process of conducting tender procedures for individual contracts by individual IPA projects. They are obliged to submit collected information to SO and NIPAC and this information is used as input for preparing material for discussion at committee monitoring meetings.

Sectoral Monitoring Committees (SMCs) are to be formally set up only in the case of former indirect management systems. Since BiH still does not have accreditation for decentralized management system (DMS) and accordingly, it is in a centralized regime for the implementation of IPA projects, the European Union Delegation is responsible for implementing, monitoring and supervision of the processes of using EU funds. On the other hand, for the purpose of conducting preparatory activities that would facilitate the process of awarding accreditation to DIS, the European Commission has decided to include in the

49 External Evaluation of the Instrument for Pre-Accession Assistance (IPA II) (2014 – mid 2017), Final Report Volume 2: Annexes, June 2017, prepared by the Thematic expertise, Monitoring and Evaluation Unit of the DG NEAR (European Commission), FWC COM 2015 EuropeAid/137211/DH/SER/Multi Specific Contract o°2016/374701, p. 32. (pdf), available at https://ec.europa.eu/europeaid/sites/devco/files/ipa-ii-eval-vol-ii-annexes_en.pdf

50 Ibid. 79

monitoring process national institutions, primarily the Department for European Integration Monitoring and Evaluation, together with the network so far still informal appointed project leaders.

On this note, Sectoral Monitoring Committees have the same core membership as the same job descriptions and tasks as the Joint Monitoring Committee but are limited to one sector or a number of sectors that can be taken together such as (i) the Sector Committee for the Environment, (ii) sectoral Transport Committee, (iii) sectoral energy committee or a sectoral committee on social protection, education and employment.

The aforementioned practice, initiated on the initiative of the European Commission is carried out under the supervision and with the management role of DEI, it enables the meetings of the IPA Monitoring Committee to be held twice a year. These meetings are scheduled at the European Commission's request until all preparatory and organizational activities are carried out by DEI. The Monitoring and Evaluation Unit also participates in the meetings of the Committee. The first meeting of the IPA Monitoring Committee (IPA Monitoring Committee) was held in July 2010.

The status of individual projects, the state of implementation, possible difficulties in the implementation process are discussed at the meetings of the IPA Monitoring Committee, which include representatives of the institutions, representatives of the EC and DEU, and the representatives of the Directorate, and the recommendations for their elimination are discussed in a mutual discussion. Consistent recommendations The European Commission, in the form of conclusions are submitted to NIPAC. The Department also monitors the Committee's conclusions and submits reports to the Council of Ministers in which the CoM is fully informed about the whole discussion as well as about the conclusions that need to be taken to ensure a smooth implementation process.

The Monitoring and Evaluation Section also participates in the interim meeting sub-committees' meetings to monitor the implementation of the Interim Agreement / Stabilization and Association Agreement. This approach aims to ensure that the subcommittee meetings discuss issues related to legislative and institutional obligations as defined in the Interim Agreement / Stabilization and Association Agreement, which are closely related to the achievement of results and the process of ensuring the efficiency and viability of IPA projects -e, whose purpose is to contribute to the realization of these obligations. In addition to holding the IPA Monitoring Committee meetings, the current monitoring system in BiH includes the external monitoring of the European Commission.

Contractor to whom the European Commission has awarded a tender for the implementation of external monitoring - Results Oriented Monitoring conducts a monitoring process for individual IPA projects in the implementation process. Using PCM methodology, external monitors prepare reports, then submit them to the Monitoring and Evaluation Department, which analyses the reports and submits them to the project managers at comments. DEI developed with CARDS Technical Assistance Project (TA), the EC Delegation and the External Monitoring Unit in Sarajevo new external monitoring procedures that have been applied since July 2005.⁵¹ The guide set out in detail the monitoring structure and timeline, which information are relevant for monitoring and evaluation, monitoring criteria, project quality, efficiency, potential sustainability.

In regard to **evaluation** in the context of the use of IPA funds, the evaluation represents an independent evaluation / analysis of the cost-effectiveness, efficiency, impact, sustainability and relevance of the program / project in relation to the objectives set, and to make certain conclusions that can be used as a basis for future decisions. According to this, it can be said that the evaluation primarily focuses on the observation of certain system characteristics, the assessment of certain systemic deficiencies, and hence constitutes the basis for making long-term and strategic decisions. The evaluation differs from monitoring in the time period in which it is carried out, as well as the focus that is not solely based on individual projects, but is mostly focused on the program and system dimensions of the overall process of implementing the program and project cycle. Scope-wise, it can be looked at the level of programme

51 Available at http://www.dei.gov.ba/dei/direkcija/sektor_koordinacija/IPA_programi/monitoring/dokumenti/Archive.aspx?langTag=bs-BA&template_id=120&pageIndex=1, accessed on 9 May 2018

evaluation, sector, strategy, individual projects, as well as other specific evaluations. Since EU financial assistance is implemented in a centralized system, the European Commission is responsible for all types of evaluation. In this regard, the European Commission conducts evaluation activities (IPAs) for interim evaluations.

To conclude, there is a mixed picture on the cooperation on preparation, implementation and monitoring of IPA II both internally and with the EUDs. BiH remains well behind other countries in the region due to its fragmented institutional setup and lack of political consensus, although there are currently signs of slight improvement (such as the establishment of an EU coordination mechanism).⁵²

The progress in all respects of cooperation remains problematic, both between the various institutions within BiH and with the EU. One positive is that the EU Coordination Mechanism is in place although it remains to be seen how it will work in practice. SPD development is difficult due to lack of sector vision or institutions but in particular due to internal political difficulties which also result in disagreement on the development of country-wide sector strategies.⁵³

The politicisation of IPA has continued, with Republika Srpska formally not engaging in IPA programming before a functional Coordination Mechanism is established and the delays in the approval of Sector Planning Documents due to the (alleged) non-consultation of Cantonal governments in the process. This had resulted in limited progress to develop country-wide strategies and has hampered the extending of IPA support to important sectors such as transport, energy, agriculture and environment.

5. Financial management and control

5.1. Financial Agreements

In general, the European Commission and each Beneficiary shall conclude Financing Agreements. Based on the analysis of Financial Agreements for year 2015 and 2016, the duration of execution period is fixed at 12 years and duration of operational implementation is fixed at 6 years.⁵⁴ The procurement and grant contracts shall be concluded at the latest within three years of the entry into force of the Financing Agreement, except (a) amendments to contracts already concluded; (b) individual procurement contracts to be concluded after early termination of an existing procurement contract; (c) contracts relating to audit and evaluation, which can be signed after operational implementation; (d) change of the entity charged with entrusted tasks.

A procurement or grant contract which has not given rise to any payment within two years of its signature shall be automatically terminated and its funding shall be de-committed.⁵⁵ After the entry into force of Financing Agreements, the National Fund and the operating structure of the IPA II beneficiary that is the Contracting Authority for the Programme shall open at least one bank account denominated in euro. The total bank balance for the Programme shall be the sum of the balances on all the Programme bank accounts held by the National Fund and all participating operating structures in the IPA II beneficiary.

The IPA II beneficiary shall prepare and submit to the Commission disbursement forecast plans for the duration of the implementation period of the Programme. These forecasts shall be updated for the annual financial report referred to in Article 14(2) and for each request for funds. The forecasts shall be

52 Ibid. p.66

53 External Evaluation of the Instrument for Pre-Accession Assistance (IPA II) (2014 – mid 2017), Final Report Volume 2: Annexes, June 2017, prepared by the Thematic expertise, Monitoring and Evaluation Unit of the DG NEAR (European Commission), FWC COM 2015 EuropeAid/137211/DH/SER/Multi Specific Contract o°2016/374701, p. 69. (pdf), available at https://ec.europa.eu/europeaid/sites/devco/files/ipa-ii-eval-vol-ii-annexes_en.pdf

54 Based on the information provided by DEL, the Financial Agreements are not publicly available but on the individual request.

55 Financing Agreement for the Country Action Programme for BiH for the year 2016, p. 32 (pdf)

based on a documented detailed analysis (including the planned contracting and payment schedule per contract for the following fourteen months) which shall be available to the Commission on request.

The initial disbursement forecast plan shall contain summary annual disbursement forecasts for the whole implementation period and monthly disbursement forecasts for the first fourteen months of the Programme. Subsequent plans shall contain summary annual disbursement forecasts for the balance of the implementation period of the Programme and monthly disbursement forecasts for the following fourteen months.⁵⁶ When it comes to payments made by Commission to IPA II beneficiary, the IPA II beneficiary shall submit its initial disbursement forecast for the Programme, prepared pursuant to Article 4(2), with the first pre-financing payment request.

The first pre-financing payment shall be for 100 % of the forecast disbursements for the first year of the disbursement forecast plan. The IPA II beneficiary shall submit subsequent pre-financing payment requests when the total bank balance for the Programme falls below the disbursements forecast for the following five months of the Programme. The Commission reserves the right to reduce each subsequent pre-financing payment if the total bank balances held by the IPA II beneficiary under this Programme and on all other IPA I or IPA II programmes managed by the IPA II beneficiary exceeds the disbursement forecast for the next fourteen months. Where the payment is reduced, the IPA II beneficiary must fund the Programme from its own resources up to the amount of the reduction.

The IPA II beneficiary may then request the reimbursement of that funding as part of the next request for funds. The Commission shall have the right to recover excessive bank balances which have remained unused for more than twelve months. Before exercising this right, the Commission shall invite the IPA II beneficiary to give reasons for the delay in disbursing the funds and demonstrate a continuing need for them within the next following two months. In regard to the co-financing, whatever the type of Action Programme, this initiation phase involves extensive consultation between the European Commission, EU Delegations, the Beneficiaries and the wider donor community (including Member States), as well as civil society and other non-state stakeholders.

Early co-ordination with other donors is important to ensure consistency and co-financing, and to exclude possible double financing.⁵⁷ The responsibility for donor coordination in BiH is split between the DEI for EU donors, and MFT for other donors. Consultations with donors take place also at lower levels of government. The MFT regularly organises Donor Coordination Forum meetings and publishes annually donor-mapping reports showing the donors active in BiH and setting out their contribution by sector. Moreover, the EU Delegation holds regular coordination meetings with EU Member States (MS) to exchange policy views and to streamline the EU and MS assistances for BiH to be coherent and complementary. The EUD cooperates with other donors through its regular participation in the Donor Coordination Forum meetings, which are organised two to three times a year by MFT. In addition, in the sectors justice and anti-corruption, where the EU is a lead donor, it organises more frequently donor sector coordination meetings, and it closely cooperates with the United Nations (UN) family organisations on joint projects in BiH⁵⁸.

In terms of de-commitment of unused funds in case of multi-annual programmes with split commitments, the commission shall automatically de-commit any portion of a budgetary commitment for a programme that, by 31 December of the fifth year following that of the budgetary commitment has not been used for the purpose of pre-financing or making interim payments or for which NAO has not presented any certified statement of expenditure or any payment application. On that note, the Commission may suspend payments to the IPA II beneficiary, in particular when system errors are detected which call into question reliability of the internal control systems of the entity concerned or the legality and regu-

56 Financing Agreement for the Country Action Programme for BiH for the year 2016, p. 29 (pdf)

57 A quick guide to IPA II programming, Ref. Ares (2014)571140 - 04/03/2014, volume 2, available at http://www.evropa.gov.rs/Documents/Home/DACU/12/78/248/ipa-quickguide_v0%202.pdf, accessed on 5 May 2018

58 External Evaluation of the Instrument for Pre-Accession Assistance (IPA II) (2014 – mid 2017), Final Report Volume 2: Annexes, June 2017, prepared by the Thematic expertise, Monitoring and Evaluation Unit of the DG NEAR (European Commission), FWC COM 2015 EuropeAid/137211/DH/SER/Multi Specific Contract o°2016/374701, p. 101. (pdf), available at https://ec.europa.eu/europeaid/sites/devco/files/ipa-ii-eval-vol-ii-annexes_en.pdf

larity of the underlying transactions. The Commission shall end the suspension when IPA II beneficiary has taken the necessary measures to remedy the systematic errors. In terms of supervision and control, all financing agreements shall be subject to supervision, control and audit by the Commission, including the European Anti-Fraud Office (OLAF) and audits by the European Court of Auditors and in the case of BiH, right of EUD BiH to undertake the following measures (i) ex-ante verification of tendering and contracting carried out by the related operating structure; (ii) ex-post controls of tendering, contracting, contract executions, including financial management thereof and programme activities carried out by the related operating structures; (iii) Supervision concerning the functioning of the underlying management and control systems.

The IPA II beneficiary shall designate a service (an Anti-Fraud coordination service) to facilitate effective cooperation and exchange of information, including information of an operational nature with OLAF. MFT is designated to be in contact with OLAF. The beneficiary shall supply all requested information and documents including any computerised data and take all suitable measures to facilitate the work of the persons instructed to carry out audits or inspections. More details to be updated, once provided with financial agreements from DEI

6. Administrative capacities

At BiH level in the Sector for Coordination of Assistance of EU of DEI, acting in the capacity of NIPAC, 23 persons is employed as opposed to 31 prescribed in the internal rulebook. This personnel represents the core associate network of NIPAC office and the civil servants from other levels of government are included in the programming and IPA implementation as human resources for IPA II programming have been proven insufficient.

The number of personnel included in the line institutions is as following: DEI 23, Ministry of Finances and Treasury 14, Ministry of Foreign Trade and Economic Relations of BiH 14, Ministry of Civil Affairs of BiH 39, Ministry of Justice of 3, Ministry of Security of BiH 3, Ministry of Communications and Transport of BiH 10, Ministry of Human Rights and Refugees of BiH 1, Public Administration Reform Coordinator's Office 3, in total 110. The turnover rate is unknown, bearing in mind that some of the institutions indicated that turnover rate is insignificant. Also there are no turnover mitigation measures in place.⁵⁹ A for the FBIH level, IPA Department in the EU integration department is envisaged to represent an internal unit for coordination of all IPA related activities.

The numbers are the following: FBIH Government Office for European Integration 3, Environment protection fund 22, Federal Ministry of Traffic and Communication – Department for planning, project management and coordination of development funds 8, Federal Ministry of Health – Department for Project Implementation n/a, Operator-Terminali Federacije 2, Water Supply Agency 6, Federal Office of Statistics 2, Federal Ministry of Interior 5, Federal Ministry of Justice n/a, Federal Ministry of Finances 3, Federal Ministry of Refugees n/a, in total 51.

The turnover rate and mitigation measures are unknown. As for RS, the numbers are the following: Ministry of Health and Social Welfare 13, Ministry of Internal Affairs 5, Ministry of Education and Culture 3, Ministry of Finances 7, Ministry of Justice 5, Ministry of Administration and Local government 1, Ministry of Industry, Energy and Mining 11, Ministry of Agriculture, Forestry and Water Supply 3, Ministry of Traffic and Communication 2, Ministry of Trade and Tourism 1, Ministry of Labour 3, Ministry of Economic Relations and Regional Cooperation 5, in total 55.

The turnover rate is minimal and it is resolved by new employments and transfer of knowledge by train-

⁵⁹ Questionnaire, Chapter 22, Q.22, p. 59, available at http://www.dei.gov.ba/dei/direkcija/sektor_strategija/Upitnik/odgovoriupitnik/Archive.aspx?langTag=bs-BA&template_id=120&pageIndex=3

ing organized by Ministry of Economic Relations and Regional Cooperation.⁶⁰ Also there is a number of personnel employed at the cantonal level, namely Una-Sana Canton 11 with no turnover rate recorded, Canton 10 5, Posavina Canton 4, Tuzla Canton 5 with no data on turnover rate and mitigating measures in the former cantons. As for Zenica-Doboj Canton, the number of relevant personnel is 7 and there are no information regarding the turnover rate. In general, it can be concluded it is not high and personnel employed works for longer periods of time. Central Bosnia Canton 3, Hercegovina-Neretva Canton 2, West Hercegovina Canton 7 with no information regarding the turnover rate. As for the Brčko District BiH there are 2 civil servants working on the coordination and programming process.

As for the workload analysis, they have not been performed so far. However, based on the provided information by DEI, some partial analysis have been conducted within individual projects of technical assistance with the focus on NIPAC and it can be concluded that the NIPAC office is quite understaffed considering the scope and amount of daily work.

7. Cross-Sectoral Approach

The European Partnership

European Partnership with BiH is the main instrument for assisting the authorities of BiH in realising their country's European perspective, confirmed at the Zagreb summit in 2000 and reinforced at the Thessaloniki summit in 2003. The European Partnership with BiH is an instrument of the Stabilisation and Association Process, which was introduced for the countries of the western Balkans concerned under the Thessaloniki agenda (2003). The European Partnerships are modelled on the accession partnerships with the candidate countries.

The partnerships for the Western Balkan countries have Regulation (EC) No 533/2004 as their legal basis. The European Partnership establishes priorities which are both realistic and attainable goals. In this regard, a distinction is made between short-term and medium-term priorities, which are expected to be achieved within one to two years and within three to four years respectively.

The main priorities identified for BiH relate primarily to its capacity to meet (i) the Copenhagen criteria defined in 1993;(ii) the conditions set for the Stabilisation and Association Process (Council conclusions of 29 April 1997 and of 21 and 22 June 1999); (iii) the 2000 Zagreb declaration; and (iv) the Thessaloniki Agenda of 2003.

The short- and medium-term priorities are classified as follows: the key priorities are short-term priorities. They entail the reform of the police forces; full cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY); reform of public broadcasting; implementation of the public-administration reform strategy adopted in 2006; reinforcement of administrative capacities in order to implement the Stabilisation and Association Agreement (SAA); settlement of bilateral issues; creation of an internal single economic space; correction of structural rigidities impeding the functioning of the labour market; and improvement of the functioning and viability of institutional structures; and respect of human rights and fundamental freedoms, including, if necessary, by reforming the constitutional framework; (ii) the political criteria, which include democracy and the rule of law (constitution; governance, electoral legislation, public administration and service, the judicial system and anti-corruption policy), human rights and the protection of minorities (repeal of the death penalty in the constitution of the Republika Srpska; compliance with international standards and conventions, including those of the Council of Europe; access to justice; reform of the prison system; social inclusion; and the rights and protection of minorities, including the Roma), regional issues and international obligations; (iii) the economic criteria, which include macroeconomic and financial stability, the acceleration and completion

60 Ibid p 61

of privatisations, budgetary supervision mechanisms, the quality of public finances, the reconciliation of domestic claims, greater legal certainty for economic operators, better corporate governance and a better (legal, regulatory, tax, judicial, etc) environment for companies and business, and preparations for membership of the World Trade Organisation (WTO).

European standards relating to the Community acquis as regards the internal market, EU sectoral policies and the area of justice, freedom and security. BiH must endeavour to bring its legislation into line with the Community acquis in these areas and ensure its implementation. The Commission's assessments of developments in BiH are based in particular on the priorities identified by the Partnership.

When it comes to **CSOs involvement**, CSOs have been fully involved in the process of preparation of the first three Sector Planning Documents 2015-2017 under IPA II and subsequent programming exercise for 2015. Their participation in the relevant sub-WG and their feedback has helped the preparation of the sector Planning Documents.

In that regard, relevant CSOs beneficiaries of IPA funds, based on the available public data, are predominantly active in the area of capacity building of government's institution to engage in a policy dialogue with civil society, improvement of the quality of adult education in the context of lifelong learning, implementation of CITES Convention in BiH, tourism, combating unemployment, education to employment, building accountability and system in the elections, integrity building and strengthening anti-corruption practices in the security sector, independent civil society monitoring and assessment of judicial response to corruption, empowerment of civil society.

According to the latest information provided by DEI, allocated funds for CSOs involvement from the state IPA II packages 2014, 2015, 2016 and 2017 are as following: (i) Civil society support is provided through allocations covering a two-year period, by allocating Assistance to Support Civil Society 2014-2015 in the amount of EUR 4.6 million, focusing on social dialogue, combating corruption, overseeing the election and networking of non-governmental organizations in the field of journalism, freedom of expression, education, entrepreneurship and environmental protection. In total, for these activities, there are two service contracts and 10 grants; (ii) EUR 4.5 million was allocated from the Civil Society Allocation 2016-2017. The funds will be allocated through the call for proposals for project delivery by the end of the year as well as the twinning contract; (iii) the focus of 2016-2017 activities will be the support of CSOs and networking of non-governmental organizations in various areas (social inclusion, education, social entrepreneurship, environment and climate change, youth and anti-corruption), media freedom support, strengthening co-operation with governments and strengthening transparency in the financing of civil society organizations at the local level; (iv) additional support was given to CSOs through the call for proposals at the regional level, providing the grants amounting to EUR 16 million and will be financed through activities such as terrorism, media freedom, anti-corruption, migration management, refugee assistance, youth employment and entrepreneurship and the financing of the sustainability of non-governmental organizations. As regard to the second component, CBC, the plans are to ensure the CBC with Croatia, Serbia, and Montenegro and to participate in the transnational programmes of European Territorial Cooperation "South-East Europe Area" and "Mediterranean"

Sector Budget Support

In general, Budget Support is one among other types of financing available under IPA II. However, while under IPA I budget support was limited to "exceptional cases", the rules for

IPA II allow for broader use of Budget Support, provided the eligibility criteria are fulfilled. Budget Support should be seen in the context of moving to a "Sector Approach" under IPA II, i.e. focusing on support for sector reform strategies rather than on financing individual projects. Budget Support would thus be provided as "sector budget support" to co-finance national sector reform agendas.⁶¹ On that note, in

61 A quick guide to IPA II programming, Ref. Ares (2014)571140 - 04/03/2014, volume 2, available at http://www.evropa.gov.rs/Documents/Home/DACU/12/78/248/ipa-quickguide_v0%202.pdf, accessed on 5 May 2018

BiH, the sub-sector budgets are not easily traceable in the state and entities budgets and there is not a developed programme based budgeting to clearly indicate the scope of the sub-sector financial allocations. The Global Framework of Fiscal Balance and Politics in BiH for 2018-2020 has not yet been adopted by the Fiscal Council.

As a result, the Medium Term Expenditure Frameworks for the period 2018-2020 (MTEFs-institutions of BiH, F BiH and DB) is still not in place, although preparatory works leading to the setting up of the MTEF are carried out. Framework Budget Document of the Republic of Srpska for period 2018-2020 was adopted.⁶² Also, there is the recurrent risks remain that there is no sufficient political will to agree on developing country-wide strategies on key sectors such agriculture, transport and energy. Unless such agreement is quickly reached it is premature to start planning for sector budget support and as such to be in a position to provide financial assistance in support of the implementation of the reform agenda and possibly mitigate the consequences of the implementation of the SAA adaption.”⁶³

When it comes to the transparency, the IPA II beneficiary agrees to the publication by the Commission, of this Financing Agreement and any amendment thereof, including by electronic means, and of such basic information on the budget support which the Commission deems appropriate. The content of such publication shall be in accordance with the EU laws applicable to the protection of personal data. In short, BiH failed to fulfil conditions for using the instrument of sector budget support and therefore the sector reform agreement has not been signed.

8. Conclusions and recommendations

The general conclusion on quality of use of IPA/EU funds that comes across the national and international reports, newspaper articles and evaluations that IPA/EU funds have not been efficiently used with a sound financial management and that country is losing money as a result of that. According to the EU Commission Annual Report, the Commission came to the conclusion that the country is at a standstill in the European integration process, namely because it had not delivered on two key commitments: the implementation of the European Court of Human Rights judgement on the “Sejdić-Finci case” and the establishment of an efficient and effective coordination mechanism in order to enable the country to speak with one voice and to interact properly with the EU. In its 2013 Progress Report, the Commission stated that it is becoming increasingly difficult to justify the provision of pre-accession funds to a country whose political representatives are not willing to reach the consensus necessary to move forward on the pre-accession path.

The Commission saw the strong risk that in such a situation pre-accession assistance will not produce the expected results. Further, in the 2012 Annual Report Commission concluded that „a number of assistance projects in BiH did not achieve the expected results because of an insufficient sense of ownership on the part of the beneficiaries“, which is why the EU now insists on the projects being integral to the country’s own reform strategies. In the External Evaluation of European Commission as a starting point for the poor use of IPA funds remains the fact that most strategies are not harmonised and do not provide for a countrywide implementation of the EU acquis.

There is no political agreement to adopt and implement them. None of the sectors envisaged for support by the new instrument appears at present suitable for support through a sector approach. Furthermore, the politicisation of IPA has continued, with Republika Srpska formally not engaging in IPA program-

62 SPDs on Democracy and Governance, available at <http://ipa-ekonsultacije.dei.gov.ba/strategic-documents/programs>, accessed on 9 May 2018

63 External Evaluation of the Instrument for Pre-Accession Assistance (IPA II) (2014 – mid 2017), Final Report Volume 2: Annexes, June 2017, prepared by the Thematic expertise, Monitoring and Evaluation Unit of the DG NEAR (European Commission), FWC COM 2015 EuropeAid/137211/DH/SER/Multi Specific Contract o°2016/374701, p. 159. (pdf), available at https://ec.europa.eu/europeaid/sites/devco/files/ipa-ii-eval-vol-ii-annexes_en.pdf

ming before a functional Coordination Mechanism is established and the delays in the approval of Sector Planning Documents due to the (alleged) non-consultation of Cantonal governments in the process.

This had resulted in limited progress to develop country-wide strategies and has hampered the extending of IPA support to important sectors such as transport, energy, agriculture and environment. Moreover, the country's authorities have yet to establish the structure necessary for indirect management of EU funds which remain with the sector strategies, key requirements for BiH to benefit fully from IPA funding. In terms of Actions plans and reform strategies, it has been noted that there is some progress in sectors, but overall a decline has been a trend, stating that trends point toward a slow but steady erosion of democratic norms. Long-standing questions about the viability of state structures and crippling corruption in BiH have gained prominence. Blocking of political decisions, urgently needed to tackle outstanding reforms, prevails in many sectors. In terms of level of preparation in the fight against corruption, defence and security, justice sector, overall commitment is judged as been very mixed.

The entities have differing priorities and the lack of overall coordination has till recently undermined any real progress. The newly introduced EU coordination mechanism may address this, but there is no hard evidence as yet. Further on, the jurisdiction disputes between the state and entities keep hinder the efficiency of EU funding in BiH. The EU Commission cancelled two projects in 2013 in the amount of EUR 5 mil because of BiH government's failure to agree on the structures for directing the EU funds to agriculture and rural development.

In overall, the lack of mechanisms to speak in one voice risk losing IPA funding, considering that a number of assistance projects in BiH did not achieve the expected results because of an insufficient sense of ownership on the part of the beneficiaries. In the Audit report conducted by the Office for Audit of BiH Institutions regarding the Report on Budget Execution by BiH Institutions prepared by Ministry of Finances and Treasury of BiH, found that one of the key problems with IPA funds are that funds have not been not used in the full capacity, there is a lack of decentralised management system of IPA funds and failure to adopt country's development strategy.

Also, it has been stated in the report that there is a need to step up when it comes to reporting regarding the planned dynamics and realisation of IPA funds, make it more transparent, in order to ensure higher percentage of realisation of planned funds in set deadline and results of the projects. Also, institutional weaknesses that have remained unaddressed all these years constitute the key obstacle to resolving the issues related to formulating sector strategies and developing coordination mechanisms.

The institutional weaknesses pertain to lack of capacity in the institutions across all levels of government to design, implement and finance major socio-economic reforms, i.e. the reforms that would have short-term, medium-term and long-term impact on the existing socio-economic situation in the country. And this rests at the very core of the new IPA II programming approach.

At the macro-level, the weaknesses entail an array of institutional issues – starting from the public finance management system, public administration reform ensuring that there are capacities and structures in place which are capable of managing reforms and changes as well as providing public services in effective and efficient manner, through to creation of horizontal and vertical partnerships between public institutions, civil society organisations and citizens.

The weaknesses which exist at the micro-level pertain to system of management, planning, communicating and decision making within the institutions. In the report on progress from 2013 it is concluded that there is an evident stagnation and delay in BiH's way towards the EU, that European intercession has always been present and has never been questioned.

The rapporteur for BiH, Doris Pak, determines that „it is impossible to help those who do not want to be helped, the main problem is the lack of will and cooperation between political leaders in BiH “, and furthermore adds: „I cannot predict any changes in the future, I have recommended to European institutions and the Commission to make the leaders realize this and do what they must do. They come to Brussels, sign an agreement, and go home and nothing happens. “She also states that there has been a strong

impression that the politicians in BiH do not want to work towards the EU and they seem like they „do not care for their people as much as they do for their pockets.” Therefore, the general conclusion when it comes to the participation in EU programmes was that the scope of funds withdrawal was positive for BiH and IPA funds were allocated properly even though it was not in the maximal scope and the results were quite modest.

9. Bibliography

1. BiH 2018 Report, Commission Staff Working Document, SWD (2018)155 final Accompanying the document Communication from the Commission to the European Parliament and Social Committee and the Committee of the Regions, 2018 Communication on EU Enlargement Policy, (COM 2018) 450 final, Brussels, 17.4.2018. <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-bosnia-and-herzegovina-report.pdf>;
2. Annex 1, Instrument for pre-accession assistance (IPA II), Indicative strategy paper for BiH (2014-2017), revised on 16 November 2017, available at https://europa.ba/wp-content/uploads/2016/01/annexe_acte_autonome_nlw_part1v1.pdf;
3. Draft conclusions of the IPA Monitoring Committee (16/03/2016), assumed from External Evaluation of the Instrument for Pre-Accession Assistance (IPA II) (2014 – mid 2017), Final Report Volume 2: Annexes, June 2017, prepared by the Thematic expertise, Monitoring and Evaluation Unit of the DG NEAR (European Commission), FWC COM 2015 EuropeAid/137211/DH/SER/Multi Specific Contract o°2016/374701, p. 150 (pdf), available at https://ec.europa.eu/europeaid/sites/devco/files/ipa-ii-eval-vol-ii-annexes_en.pdf;
4. Decision on Directorate for European Integration of 3 December 2003, available at <http://www.dei.gov.ba/dei/direkcija/default.aspx?id=9950&langTag=en-US>;
5. Decision on establishment of the function of project managers in ministries and other administrative bodies of the administration of BiH, defining competencies and the necessary institutional support, Council of Ministers BiH of 3 December 2008, available at http://www.dei.gov.ba/Default.aspx?langTag=bs-BA&template_id=119&pageIndex=1;
6. External Evaluation of the Instrument for Pre-Accession Assistance (IPA II) (2014 – mid 2017), Final Report Volume 2: Annexes, June 2017, prepared by the Thematic expertise, Monitoring and Evaluation Unit of the DG NEAR (European Commission), FWC COM 2015 EuropeAid/137211/DH/SER/Multi Specific Contract o°2016/374701, p. 51. (pdf), available at https://ec.europa.eu/europeaid/sites/devco/files/ipa-ii-eval-vol-ii-annexes_en.pdf;
7. PA Funds Analysis in BiH: (Un)used Opportunities and Possibilities, Centre of Civil Initiatives, June 2016, prepared by Lejla Deronja Suljić and Asmi Čilimković, Banja Luka
8. What does IPA II Mean to Us?, Foreign Policy Initiative BiH and Open Society Fund BiH, June 2014
9. Report on Audit of the Report on Budget Execution of Institution of BiH for 2013, no:01/02/03-07-16-1-722/14, Sarajevo, September 2014;
10. External Evaluation of the Instrument for Pre-Accession Assistance (IPA II) (2014-mid 2017) Final Report, Volume 1: Annexes, June 2017;
11. Financing Agreement for the Country Action Programme for BiH for the year 2016;
12. SPDs on Democracy and Governance, available at <http://ipa-ekonsultacije.dei.gov.ba/strategic-documents/programs>;
13. Decisions of Council of Minister, the RS, FBiH and BDBIH Strategies of 2006 and RAP1 have been

extended until the adoption of the new Strategic Framework, which is being finalized;

14. A quick guide to IPA II programming, Ref. Ares (2014)571140 - 04/03/2014, volume 2, available at http://www.evropa.gov.rs/Documents/Home/DACU/12/78/248/ipa-quickguide_v0%202.pdf;
15. Questionnaire, Chapter 22, Q.22, p. 59, available at http://www.dei.gov.ba/dei/direkcija/sektor_strategija/Upitnik/odgovoriupitnik/Archive.aspx?langTag=bs-BA&template_id=120&pageIndex=3;
16. BiH Report 2016, Commission Staff Working Document, SWD (2016) 365 final, available at
17. 2012 Annual Report on Financial Assistance for Enlargement,
18. Report of Directorate for European Integration for 2015;
19. Bosnia and Herzegovina 2016 Report, Commission Staff Working Document, SWD (2016)365 final Accompanying the document Communication from the Commission to the European Parliament and Social Committee and the Committee of the Regions, 2016 Communication on EU Enlargement Policy,(COM 2016) 715 final, Brussels, 9.11.2016.
20. Bosnia and Herzegovina Management Competences for Accepting EU Funds: Can EU Funds Help in Developing BiH Economy and How to Make them Available to Business Entities?, Frano Ljubić, Dara Ljubić, Tea Miloslavić;
21. EU Programmes in Bosnia and Herzegovina – Equal Partner to EU or Insufficiently Used Potential? Sarajevo, June 2016, Denis Piplaš, Denisa Sarajlić,
22. D. Kozina, Koristi od EU programa: Povukli više nego što smo uplatili u EU proračun, Akta.ba, 23.02.2016,<http://www.akta.ba/bs/Vijest/vijesti/koristi-od-eu-programa-povukli-vise-nego-sto-smouplatili-u-eu-proracun/62831>
23. List of projects 2007,2008,2014,2015;
24. DEI list of CSOs and IPA;
25. http://www.dei.gov.ba/direkcija/unutrasnja_struktura/koordinacija/default.aspx?id=27&langTag=hr-HR
26. http://www.dei.gov.ba/dei/direkcija/sektor_koordinacija/default.aspx?id=10250&langTag=hr-HR
27. https://ec.europa.eu/neighbourhood-enlargement/instruments/funding-by-country/bosnia-herzegovina_en
28. <http://www.dei.gov.ba/dokumenti/default.aspx?id=4566&langTag=hr-HR>
29. <http://projects.europa.ba/?lang=en>
30. <http://www.balkananalysis.com/bosnia/2011/06/21/bosnia%E2%80%99s-vast-foreign-financial-assistance-re-examined-statistics-and-results/>
31. http://europa.ba/?page_id=676
32. <https://www.slobodnaevropa.org/a/nve-zara-halilovic-izostanak-strategije-lisio-big-sredstava-iz-ipa/27031704.html>
33. <http://vijesti.ba/clanak/322346/usvojen-izvjestaj-o-napretku-u-provođenju-akcionog-plana-reformske-agende>
34. <http://euinfo.ba/ipa-2017-programming-for-bih-in-progress/>
35. <http://depo.ba/clanak/70833/znate-li-sta-su-ipa-fondovi-i-zasto-su-jedini-spas-za-bosnu-i-hercegovinu>
36. <http://www.6yka.com/novost/43771/ipa-fondovi-i-suspenzije-bh.-vlast-ravnodusna-na-novac-eu->



ASSESSMENT OF IPA II ABSORPTION CAPACITIES IN KOSOVO

Author: Artan Murati

List of abbreviations

CBC – Cross Border Cooperation
CIR - Common Implementing Regulation
CSO – Civil Society Organization
EUD – European Union Delegation
EUOK – European Union Office in Kosovo
IPA – Instruments of Pre-Accession Assistance
KCSF – Kosovo Civil Society Foundation
KIPA - Kosovar Institute for Public Administration
MEI – Ministry of European Integration
MS – Member States
NAO – National Authorizing Officer
NIPAC – National IPA Coordinator
PAO – Program Authorizing Officer
SAA - Stabilization and Association Agreement
SAPD - Stabilisation and Association Process Dialogue
SPO - Senior Programme Officers
SWG – Sectoral Working Groups
YCS – Young Cells Scheme

1. Introduction

The Instrument for Pre-Accession Assistance (IPA) is the financial instrument for the European Union pre-accession process for the period 2007-2013 for IPA I, and 2014-2020 for IPA II. Assistance is provided on the basis of the European Partnerships of the potential candidates and the Accession Partnerships of the candidate countries, which means the Western Balkan countries, Turkey and Iceland (IPA I). The IPA is intended as a flexible instrument and therefore provides assistance which depends on the progress made by the beneficiary countries and their needs as shown in the Commission's evaluations and strategy papers. The beneficiary countries are Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Iceland, Kosovo, Montenegro, Serbia, and Turkey. The way how these funds are allocated in different countries is regulated by the IPA Multiannual Indicative Financial Framework.¹

The legal basis of the IPA program 2007-2013 was Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA).² From 1st of January 2014, IPA is replaced with so-called IPA II, which is functioning in the period 2014-2020. Now, the legal basis for the IPA II is "IPA II Regulation"³.

IPA beneficiary countries have very different funding needs. IPA is designed to meet these different needs flexibly, and provide a tailor-made funding solution through the following five components of IPA:

- a. *Transition Assistance and Institution Building*
- b. *Cross-Border Cooperation (CBC)*
- c. *Regional Development*
- d. *Human Resources Development*
- e. *Rural Development*

The main aim of the pre-assistance funds is to invest in the most important and crucial fields in candidate and potential candidate countries in order to help the integration process. These investments are mostly made in public administration reform, rule of law, sustainable economy, people and agriculture and rural development.

In contrast to IPA I, IPA II is less focused on the narrowly defined EU accession objectives and more focused on general socio-economic and good governance objectives. Specifically, the IPA II has at least the following features that distinguish it from the IPA I: (i) non-differentiated status of all the candidate countries, (ii) stronger focus on broader development-driven management structures, (iii) introduction of the so-called sector approach, (iv) introduction of the sector budget support instrument, and (v) introduction of a stronger performance reward. Prepared in partnership with the beneficiaries, IPA II sets a new framework for providing pre-accession assistance for the period 2014-2020.

The most important novelty of IPA II is its strategic focus. Country Strategy Papers are the specific strategic planning documents made for each beneficiary for the 7-year period. These will provide for a stronger ownership by the beneficiaries through integrating their own reform and development agendas. A Multi-Country Strategy Paper will address priorities for regional cooperation or territorial cooperation. IPA II targets reforms within the framework of pre-defined sectors. These sectors cover areas closely linked to the enlargement strategy, such as democracy and governance, rule of law or growth and competitiveness. This sector approach promotes structural reform that will help transform a given sector and bring it up to EU standards. It allows a move towards a more targeted assistance, ensuring efficiency, sustainability and focus on results.

1 Multiannual Indicative Financial Framework: http://ec.europa.eu/enlargement/pdf/key_documents/2012/package/miff_adopted10-10-12_en.pdf (Accessed on 04.05.2018)

2 IPA establishing Regulation: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32006R1085:EN:NOT> (Accessed on 08.05.2018)

3 IPA II Regulation: http://ec.europa.eu/enlargement/pdf/highlight/20111207_ipa_final_en.pdf (Accessed on 04.05.2018)

IPA funds were used to assist Kosovo with the SAA process, many years before Kosovo concluded the SAA. To name one project, in 2011, IPA financed a project of 2.8 million Euro in technical assistance to the Ministry of Trade and Industry, which consisted of drafting the Impact Assessment of the SAA and building capacities within the Ministry to negotiate the deal.⁴

With IPA II, there are no specific projects designed to assist with SAA implementation directly, however, there are actions planned which address different SAA requirements. In 2014, 4 million Euro were planned for Food Safety, Sanitary and Phytosanitary Controls. The project plans to “address implementation of the EU compliant food safety and health control system at all stages, including import, export, production of food, transport, processing, and retail.”⁵

The new IPA II features generally fit well to candidate countries in early stages of the EU accession process. Moreover, sector approach fits well with Kosovo’s specific features and its stage in the EU accession process, since it is aimed at achieving stronger alignment of national and EU objectives, strengthening the ownership of the candidate countries over the IPA-funded projects, increasing impact and achieving higher policy relevance, and better use and improved coordination of foreign assistance provided to candidate countries.⁶

2. Legal and institutional framework

2.1. Legal framework

The IPA II regulation constitutes the legal basis for the provision of financial assistance to the beneficiaries from this program, mainly countries from Western Balkans, in order to support them in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required by those beneficiaries in order to comply with the Union’s values and to progressively align to the Union’s rules, standards, policies and practices, with a view to Union membership. The IPA II regulation⁷ came into force on 16 March 2014 and is applicable retroactively from 1st January 2014. The IPA II regulation is complemented by the Common Implementing Regulation (CIR)⁸, which is a set of simplified and harmonised implementing rules and procedures for all external action instruments, as well as the IPA II Implementing Regulation⁹ adopted by the Commission on 2 May 2014.

Republic of Kosovo, as a potential member of EU, has continuously been involved on the EU integration process since declaration of independence in 2008. Various documents have been signed between parties, with the most important milestone in 2015, when the Stabilization and Association Agreement

4 BesaShahini: BUILDING A SCAFFOLDING - ANALYSIS OF THE EFFECTS OF THE INSTRUMENT FOR PRE-ACCESSION ASSISTANCE ON KOSOVO’S ECONOMY, p.9. Accessible at: <http://kfos.org/wp-content/uploads/2016/11/Building-a-Scaffolding-IPA-in-Kosovo-9-November.pdf> (accessed on 05.05.2018)

5 Action: Food Safety, Sanitary and Phytosanitary Control 2014, http://ec.europa.eu/enlargement/pdf/kosovo/ipa/2015/18.ipa-2014_food-safety-and-healthcontrol_20141027.pdf (accessed on 05.05.2018)

6 Ibid (4)

7 REGULATION (EU) No 231/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II): https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/financial_assistance/ipa/2014/231-2014_ipa-2-reg.pdf (accessed on 24.05.2018)

8 REGULATION (EU) No 236/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014 laying down common rules and procedures for the implementation of the Union’s instruments for financing external action: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/financial_assistance/ipa/2014/236-2014_cir.pdf (accessed on 23.05.2018)

9 COMMISSION IMPLEMENTING REGULATION (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II): https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/financial_assistance/ipa/2014/20140502-commission-implementing-reg-on-ipa2_en.pdf (accessed on 23.05.2018)

(SAA) between Kosovo and EU was signed, and later ratified in 2016. Signature and ratification of SAA was the first contractual agreement between the two parties.

In terms of IPA funds, the main legal document is the Framework Agreement between the EU and Kosovo, a document which sets the arrangements for implementation of the Union financial assistance for Kosovo through IPA II¹⁰. This document, which contains 90 articles and 10 annexes, has been signed on 30th of January 2015 and ratified two months later. The Agreement has been published at the Official Gazette on 3rd of April 2015. This document serves as the basis for the implementation of IPA II. However, Republic of Kosovo did not adopt further specific acts concerning transposition of Framework Agreement on national legislation.

2.2. Institutional framework

The management of IPA II funds is done centrally by the EU Office in Kosovo (EUOK). This means the EU Office does all project contracting, management and evaluations. The Kosovo Government is working to strengthen its structures to be able to start managing IPA, similar to countries in the region that already do so. However, this seems to be still at an early stage.¹¹ As for Republic of Kosovo, it is the Ministry of European Integration who is in charge for coordination of the whole process. Therefore, the Ministry of European Integration serves as National IPA Coordinator (NIPAC), specifically the Secretary General of the Ministry. Since 2012, the MEI's thinking shifted towards separating the functions; thus, the Department of Development Assistance was established. The Department employs 10 staff members, covering thematic areas of EU policy and horizontal issues.

In the past, most of the programming was undertaken by the Commission services, the situation has somewhat shifted recently, with the MEI and line ministries playing a much more active role. At the level of line institutions, most line ministries have designated Senior Programme Officers (SPOs), who are responsible for coordinating the IPA programming at the ministry level.

In order to ensure the effectiveness, efficiency, coherence and coordination of IPA, Kosovo's Government has established Sectorial Working Groups (SWGs). The decision for establishing of SWGs has been taken on 16th of November 2016, and the decision for establishment of SWGs is available at the webpage of Office of Prime Minister.¹²

In other countries in the region, there are other national stakeholders on implementation of IPA II funds, such as National Authorizing Officer (NAO) and Program Authorizing Officer (PAO). However, since Kosovo does not have direct managerial system, none of the above mentioned stakeholders exist in Kosovo.

3. Programming

While in the past, the government was for the most part following the Commission in programming the IPA for identifying the projects as well as drafting the ensuing fiches, it is now much more active and involved in this regard. Over the last couple of programming cycles, the Kosovo administration, led by the MEI, has played a much more proactive role in project selection and drafting, especially through

10 Framework Agreement between Republic of Kosovo and European Union on IPA II: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=10774> (accessed on 24.05.2018)

11 KCSF: Challenges for absorption of EU pre-accession funds in Kosovo under the Multiannual Financial Framework 2014 – 2020, p.19. Accessible at: http://www.kcsfoundation.org/repository/docs/29_06_2016_8623468_160404_Clean_Version_Challenges_for_absorption_of_EU_pre_accession_funds_.pdf (accessed on 05.11.2017)

12 Kosovo's Government Decision on establishment of Sectorial Working Groups: http://www.kryeministri-ks.net/repository/docs/Vendimet_e_Mbledhjes_se_116-te_te_Qeverise.pdf, page 4. (Accessed on 23.05.2018)

closely cooperating with line institutions in project identification and in drafting the project fiches.¹³ In recent months, there are positive developments on cooperation and coordination between the MEI and line ministries in project identification and drafting for the majority of the areas, which has led to greater ownership on the part of the government. This has led to better efforts, both at central and line ministry level, to ensure better involvement at the political level. This is confirmed by both civil society organizations¹⁴ as well as MEI officials.¹⁵

Each year, MEI adopts an indicative calendar of programming, and so did it in 2018. Some of the key activities foreseen by the indicative calendar of 2018 consist on submission of revised SPDs and Sector Approach Roadmaps, consultation meetings with donor community and civil society on the draft programme, Quality Review of Programming documents, submission of the final programming documents by NIPAC to EUO based on Quality Review 2, meeting of IPA II committee etc. The complete indicative calendar of IPA II for 2018 is attached as Annex I of this paper.

Another important document which contains guiding principles on IPA II implementation is the Indicative Strategy Paper. Country Strategy Papers are the specific strategic planning documents made for each beneficiary for the 7-year period. These papers will provide for a stronger ownership by the beneficiaries through integrating their own reform and development agendas. There's also a Multi-Country Strategy Paper adopted, which addresses priorities for regional cooperation or territorial cooperation. Kosovo's Strategy Paper sets out the priorities for EU financial assistance for the period 2014-2020 to support Kosovo in fulfilling its European perspective. It translates the political priorities set out in the enlargement policy framework into key areas where financial assistance is most needed to meet the relevant criteria.¹⁶ Several meetings between EU, Ministry of European Integration (MEI), other Ministries from Kosovo Government and civil society organizations have been organized in order to include inputs from as many stakeholders as possible while conceptualizing the Strategy Paper for Kosovo. These consultations have been developing during 2013 – 2014 period, and were finally concluded when consultations with EU Member States and other bilateral and multilateral donors took place in the context of the bi-monthly donor coordination meetings ("MS+ meeting") hosted by the EU Office in Kosovo.

A concerning issue on programming of IPA II in Kosovo remains low participation of Civil Society Organizations (CSOs). According to MEI, NIPAC has provided with opportunities for CSOs to be part of programming through consultative meetings, but the participation of CSOs in these meetings has been very low.¹⁷ The low participation from CSOs in the programming of IPA funds in Kosovo is widely believed to occur because of the management system of IPA funds in Kosovo. EU Office in Kosovo is the key player in this regard, and programming usually is carried out between EUOK and Kosovo Government.

Nevertheless, CSOs in Kosovo have been involved at some point while the Strategy Paper for IPA II for Kosovo was being discussed between EU and Kosovo Government. The first consultation meeting with civil society was organised in June 2013, jointly by the EU Office in Kosovo and the MEI. At the Stabilisation and Association Process Dialogue (SAPD) Plenary with CSOs held in June 2013, CSOs had another opportunity to comment on the initial draft. CSOs also provided written input and were again consulted at local level.¹⁸

With regard to public information, there is lack of accessible data on the programming of IPA II funds. None of SPDs, ADs, CBC OPs and IPARD Programme are available on NIPAC's webpage. Some information regarding CBC of Kosovo with Montenegro and Macedonia can be found on other web pages than NIPAC's.¹⁹

13 Ibid (11)

14 Ibid (11), page 20

15 Interview with Mr. Florim Canolli, Director of Department of Development Assistance / NIPAC Office.

16 European Commission: Indicative Strategy Paper for Kosovo 2014 - 2020. Available at: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2014/20140919-csp-kosovo.pdf (accessed on 24.05.2018)

17 Ibid (15)

18 Ibid (16), page 4

19 For example, see IPA CBC program between Kosovo and Montenegro, adopted in 2014: <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/kosovo/ipa/2015/2014 - 2020 ipa cbc montenegro-kosovo.pdf> (accessed on 24.05.2018)

According to the KCSF report²⁰, there are few challenges detected on programming, such as insufficient involvement at the political level with regard to considering and deciding on the eventual IPA interventions. The political level intervenes late in the process, when the program design is usually in a quite advanced stage. Another burden for Kosovo on programming is insufficient legal and procedural mechanisms in place, regulating the decision-making related to intervention selection.

4. Monitoring and evaluation

Monitoring and evaluation as a process has a great importance on the proper functioning of IPA II program. Through monitoring and evaluation, relevant stakeholders as well as wider public receive information on the use of IPA funds, ensuring transparency, accountability and increased cooperation and coordination among stakeholders.

With regard to monitoring of IPA II, the key player in Kosovo is the EU Office, while NIPAC and other ministries are only partially involved in such efforts. MEI and other line ministries are part of most project-steering structures and make efforts to ensure the proper implementation of the projects. Kosovo has continuously developed national planning instruments, and there have been efforts made in order to ensure integrated approach on IPA planning. This will most likely lead to a greater role of state institutions on monitoring process. Nevertheless, this approach is yet to be completed and deliver results. Moreover, state institutions dealing with IPA have insufficient staff to conduct proper monitoring and evaluation process.

NIPAC has established a yearly IPA monitoring committee, which regularly submits monitoring reports to the Commission. There is no existing Sectoral Monitoring Committee at present time. There are no CSOs included on the Yearly Committee. Moreover, neither monitoring nor evaluation reports are available on NIPAC’s official webpage or any other state institution’s webpage.²¹

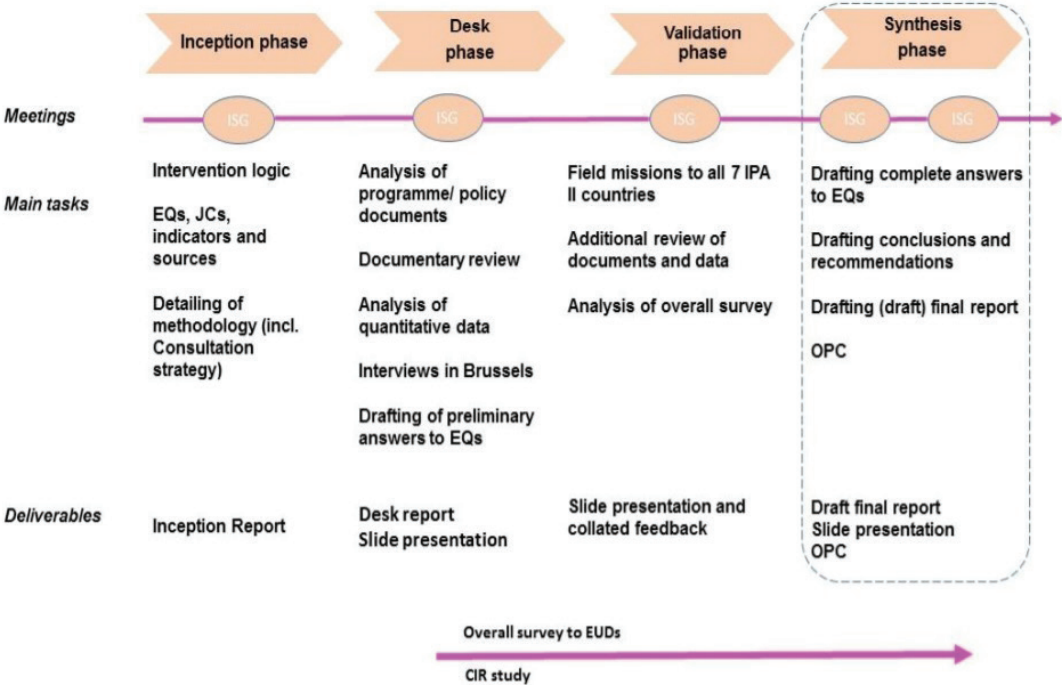


Figure 1: IPA II Evaluation process

20 Ibid (11), page 21

21 Ibid (15)

5. Financial management and control

The IPA in Kosovo is directly managed by the European Union Office in Kosovo (EUOK). Kosovo does not have a decentralized management system (DIS), despite the fact that there have been some attempts to do so by the Ministry of Finances, but this initiative was not fully supported by the Government of Kosovo. Up to date, Kosovo is the only country in the region which has made no attempts for setting-up a decentralised implementation system for the IPA.

In a study conducted in 2008 by KCSF²², it is pointed out that Kosovo started serious efforts at DIS no later than 2009 and established most of the structures by 2010. Nevertheless, except for establishing NIPAC in the MEI and SPOs in line ministries, no other structures needed under a DIS have been established. This slow process on development of DIS is related mostly to the perception of the government that Kosovo is still at an early stage of European integration. Moreover, there has not been clear guidance from the Commission in actually starting with such preparations.

Financial agreements are one of the crucial activities regarding financial management of IPA II. In Kosovo, this process is directly conducted by the EU Office. Since financial management and financial agreements are usually labelled as sensitive information, there are few or no public data on this regard neither on EUOK's nor NIPAC's webpage. Therefore, for the purpose of this research, the author has requested data from EU Office regarding contracting rate per year, contracting rate per national programme, contracting rate per CBC programme, disbursement rate per year, disbursement rate per national programme, disbursement rate per CBC programme, level and utilization of leftovers per national programme and level of irregularities and frauds on this process. However, despite several attempts to obtain this information²³, no data was delivered by the EU Office in Kosovo. There are also no audit reports available at the National Auditor's webpage.

The only information available on contracts rates per year can be found at 2018's EU Commission's country report for Kosovo. According to this report²⁴, in 2016, the EU Office signed 95 contracts for a total of EUR 54 million, while in 2017, the EU Office signed 120 contracts for a total of EUR 82 million.

6. Administrative capacities and Sectoral Approach

6.1. Administrative capacities

In Kosovo, Ministry of European Integration is in charge for coordination of the whole process of IPA. Therefore, the Ministry of European Integration serves as National IPA Coordinator (NIPAC), specifically the Secretary General of the Ministry. At the level of line institutions, most line ministries have designated Senior Programme Officers (SPOs), who are responsible for coordinating the IPA programming at the ministry level.

In terms of capacity development, the government has also focused on enhancing the human resources skills in the programming of IPA funds. Such efforts have focused on ensuring skills at using programming tools, concentrating mainly on the logical framework approach. Moreover, capacity development

22 KCSF: Absorption for EU pre-accession funds: Concept and implication for Kosovo, page 56. Available at: http://www.kcsfoundation.org/repository/docs/KCSF_2008_ABSORPTION_OF_EU_PRE-ACCESSION_FUNDS.pdf (accessed on 26.05.2018)

23 The author of this research has sent request for obtaining data from EUOK six times: 7th of May, 11th of May, 14th of May, 29th of May, 7th of June and 11th of June. No data was provided by EUOK.

24 European Commission's country report for Kosovo, published in April 2018, page 78. Available at: <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-kosovo-report.pdf> (accessed on 14.06.2018)

with regard to European integration, including for the purposes of IPA programming, has been tackled through the National Civil Service Training Strategy.²⁵

In other countries in the region, there are other national stakeholders on implementation of IPA II funds, such as National Authorizing Officer (NAO) and Program Authorizing Officer (PAO). However, since Kosovo does not have direct managerial system, none of the above mentioned stakeholders exist in Kosovo. As for the turnover rate, since establishment of NIPAC in 2012, only one employee has left the job from the institution. The remaining staff continues to work at the institution.

MEI is constantly planning on more comprehensive capacity building program, targeting not only the European affairs officers but also those dealing with sectors. One opportunity for MEI would be a better use of the Young Cell Scheme²⁶, in terms of placing such officials within line institutions with the aim of supporting IPA programming and monitoring.

A continuous opportunity for all civil servants to obtain training on specific fields is usage of Kosovar Institute for Public Administration (KIPA). KIPA is a governmental institution established for the training of civil servants and increased civil service sustainability in Kosovo in order to develop and enhance the quality of civil services provided by public administration in the country. However, KIPA's trainings are not very tailor-made for IPA implementation, therefore the practicability of lessons learned by KIPA on IPA implementation are limited.

6.2. Sectoral Approach and Sectoral Budget Support

Two of the main changes brought to IPA II from IPA I are introduction of the cross-sectoral approach and sector budget support. These changes have been brought in order to improve the implementation of IPA II and enhance development of specific sectors in beneficiary states. Sector approach fits well with Kosovo's specific features and its stage in the EU accession process, since it is aimed at achieving stronger alignment of national and EU objectives, strengthening the ownership of the candidate countries over the IPA-funded projects, increasing impact and achieving higher policy relevance, and better use and improved coordination of foreign assistance provided to candidate countries.²⁷ Kosovo has developed few strategic documents covering most relevant policy areas, nevertheless the country is still in an early stage regarding proper implementation of the sector approach. More comprehensive regulations on donor coordination are needed, as well as better coordination between national and sectorial institutions. Although there are some positive steps undertaken on enhancing sector approach, the desired results are yet to be achieved, since there is no significant influence in the policy-making processes in the country as well as in streamlining the donor contributions.

In order to ensure the effectiveness, efficiency, coherence and coordination of IPA, in 2016 Kosovo's Government has established Sectorial Working Groups (SWGs). However, no non-state actors (such as CSOs or interest groups) are part of these SWGs.

According to NIPAC, complementarity with other donors is achieved mostly by combining funds from development banks with IPA funds, or by making arrangements for delegating IPA funds with EU Member States, which assume the responsibility for implementation, and by adding some amounts of funding by them (the MS).²⁸

Sectoral budget support is another new feature introduced by IPA II. Overall, it has been already point-

25 Ibid (11)

26 The EU has been providing since 2004 funding and technical assistance through the 'Young Cell Scheme' scholarship programme (YCS) for Master Studies in EU universities, to assist Kosovo authorities in their efforts to build a professional, accountable and apolitical civil service at all levels of public administration. Upon the finalization of Master studies, YCS grantees are contractually obliged to return to Kosovo and work in Kosovo's public administration for the minimum period of three consecutive years. 10 rounds of the programme have been so far organized between 2004 and 2017.

27 Ibid (11), page 22

28 Ibid (15)

ed out that sectoral budget support is an appropriate instrument for efficient and effective delivery of sectoral policy introduced with IPA II. The proportion of the total IPA II funds that should be channelled via the sector budget support instrument into an individual candidate country should, among others, depend on its status in the EU accession process. For Kosovo as a country that is still in a rather early stage of its EU accession process, more room seems to be appropriate for the sector budget support instrument.²⁹

The sectoral reform contract is part of the financial agreement between Kosovo and the EU. The financial agreement has already been published at the Official Gazette and is available for public³⁰. However, there are no accessible reports on fulfilment of indicators by Kosovo's side.

7. Conclusions and recommendations

The main conclusions are as follows:

- Because of the direct management mode, the NIPAC office in Kosovo plays a smaller role on programming, implementation, monitoring and reporting. The administrative capacity of the NIPAC Office should be improved in order to become more proactive and effective. Specific training modules should be addressed to specific officials and necessary systems/tools should be developed and used.
- Kosovo remains one of the very few countries (alongside Bosnia and Herzegovina) that do not have an indirect management system. Because of this, the EU Office in Kosovo plays the biggest role on all phases of IPA II implementation. On programming, there is insufficient involvement at the political level with regard to considering and deciding on the eventual IPA interventions, as well as insufficient legal and procedural mechanisms in place. Participation of CSOs in this process is low on non-existent at all. With regard to public information, there is lack of accessible data on the programming of IPA II funds. None of SPDs, ADs, CBC OPs and IPARD Programme are available on NIPAC's webpage.
- EUOK is directly in charge for financial management and control. Even though there are not many information provided regarding contracting rate and process overall, in 2016, the EU Office signed 95 contracts for a total of EUR 54 million, while in 2017, the EU Office signed 120 contracts for a total of EUR 82 million.
- Finally, sectoral budget support is an appropriate instrument for efficient and effective delivery of sectoral policy introduced with IPA II. Sector budget support will allow Kosovo to have more leadership on projects to both carry out its political agenda and continue with the EU integration process.
- However, Kosovo is still facing many challenges on absorption of IPA funds, due to high requirements set for potential applicants to apply for IPA funds. Most of the criteria for application are very difficult to be met for interested state or non-state actors to apply for those funds.

29 Ibid (11), page 26

30 FINANCIAL AGREEMENT FOR IPA II, BETWEEN THE REPUBLIC OF KOSOVO AND THE EUROPEAN UNION: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=15707> (Accessed on 11.06.2018)

8. Bibliography

REGULATION (EU) No 236/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/financial_assistance/ipa/2014/236-2014_cir.pdf

Besa Shahini: Building A Scaffolding - Analysis Of The Effects Of The Instrument For Pre-Accession Assistance On Kosovo's Economy: <http://kfos.org/wp-content/uploads/2016/11/Building-a-Scaffolding-IPA-in-Kosovo-9-November.pdf>

European Commission: Indicative Strategy Paper for Kosovo 2014 – 2020: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2014/20140919-csp-kosovo.pdf

European Commission's country report for Kosovo: <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-kosovo-report.pdf>

FINANCIAL AGREEMENT FOR IPA II, BETWEEN THE REPUBLIC OF KOSOVO AND THE EUROPEAN UNION: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=15707>

Framework Agreement between Republic of Kosovo and European Union on IPA II: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=10774>

IPA CBC program between Kosovo and Montenegro: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/kosovo/ipa/2015/2014_-_2020_ipa_cbc_montenegro-kosovo.pdf

IPA establishing Regulation: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX-:32006R1085:EN:NOT>

Kosovar Civil Society Foundation: Absorption for EU pre-accession funds: Concept and implication for Kosovo: http://www.kcsfoundation.org/repository/docs/KCSF_2008_ABSORPTION_OF_EU_PRE-ACCESSION_FUNDS.pdf

Kosovar Civil Society Foundation: Challenges for absorption of EU pre-accession funds in Kosovo under the Multiannual Financial Framework 2014 – 2020: http://www.kcsfoundation.org/repository/docs/29_06_2016_8623468_160404_Clean_Version_Challenges_for_absorption_of_EU_pre_accession_funds_.pdf

Kosovo's Government Decision on establishment of Sectorial Working Groups: http://www.kryeministri-ks.net/repository/docs/Vendimet_e_Mbledhjes_se_116-te_te_Qeverise.pdf

Multiannual Indicative Financial Framework: http://ec.europa.eu/enlargement/pdf/key_documents/2012/package/miff_adopted10-10-12_en.pdf

COMMISSION IMPLEMENTING REGULATION (EU) No 447/2014 of 2 May 2014

on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II): https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/financial_assistance/ipa/2014/20140502-commission-implementing-reg-on-ipa2_en.pdf

REGULATION (EU) No 231/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II): https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/financial_assistance/ipa/2014/231-2014_ipa-2-reg.pdf

1.1.1 ANNEX I – Annual Program IPA 2018

Annual Programme IPA 2018

Who	ACTIVITY	When / Timeline
NIPAC / MEI	Finalised SPDs submitted to EUO	20 October 2017
NIPAC / MEI	First drafts of light actions (the action identification templates attached filled in)	by first week of October 2017
EUO + NIPAC	Comments on the proposed actions and provides initial ideas of the way forward	by first week of December 2017
EUO, NIPAC/MEI and DG NEAR - D3	Subsequent rounds of programming discussion which will lead to: 1. the revision of the relevant SPDs and Sector Approach Roadmaps; 2. The development of ADs for the IPA 2018 programme	Mid December 2017
NIPAC / MEI	Submission of revised SPDs and Sector Approach Roadmaps + first drafts of ADs	end of January 2018
DG NEAR - D3 and EUO	Review of the SPDs and Sector Approach Roadmaps and ADs (VTCs can be organised together with the NIPAC as well for the discussions)	during January and February
DG NEAR - D3, EUO and NIPAC/MEI	Agreement of the finalised SPD and Sector Approach Roadmaps reached	end of February
DG NEAR - D3, EUO	Input on the draft action documents submitted to NIPAC/MEI	#####
NIPAC / MEI and EUO	Consultation meetings with donor community and civil society on the draft programme to be organised and recorded (minutes)	early - mid March
DG NEAR - D3	A programming Mission / Monitoring Committee form DG NEAR - D3 to be organised	February - March - TBD
NIPAC / MEI	Submission of Second draft ADs to EUO	13 March 2018
DG NEAR - D3, EUO and NIPAC/MEI	Discussion and revision on the ADs as per the comments and checklists	end of March - First week of April
EUO and DG NEAR D3	Submission of Subsequent Action Documents from EUO to D3	03 April 2018
DG NEAR - D3 and EUO	Check the second draft of the ADs, EUO develops the annex on implementation and budget, quality and consistency checks by D3 and launches the Quality Review	mid April 2018
DG NEAR - D3	Quality Review of Programming documents - meeting to be held	17 April 2018
DG NEAR - D3, EUO and NIPAC/MEI	Follow up on Quality Review of programming documents, conclusions to be submitted to NIPAC/MEI, documents to be updated based on the comments,	During the second half of April
NIPAC/MEI and EUO	Submit the final programming documents by NIPAC to EUO based on Quality Review 2	01 May 2018
DG NEAR - D3 and EUO	Finalisation of the ADs	01-15 May 2018
DG NEAR - D3 and EUO	Preparation of the commitment file (use of correct templates and checklists prepared)	early May
EUO and DG NEAR D3	Any prior approvals to be obtained before the launch of the ISC if needed	early May

EUO and DG NEAR D3	Commitment file encoded in CRIS and visa given by the Operational Initiating Agent	15 May 2018
EUO and DG NEAR D3	Internal EU procedure for the encoding and visas in CRIS	15 May - 05 June 2018
EUO and DG NEAR D3	Inter-Service Consultation, and all the other procedures at HQ level	26 June 2018
DG NEAR - D3	IPA Committee	#####

* **BOLD** dates cannot be changed - they are fixed!



ASSESSMENT OF IPA II ABSORPTION CAPACITIES IN THE REPUBLIC OF MACEDONIA

Author: Aleksandar Kolekeski

1. Introduction

Republic of Macedonia was the first Western Balkans country to sign a Stabilisation and Association Agreement (SAA) and obtained candidate status in late 2005. Since 2009, the Commission recommended that the country was ready to begin the EU accession negotiations. Pending a decision by the Council, accession negotiations have not yet begun. To open, and progress in the accession negotiations, the country must meet all conditions deriving from the Copenhagen Criteria and the Stabilisation and Association process, and achieve stability of democratic institutions. The EU assists the national administration and the other key actors in the country (public institutions, local administration, non-state actors, etc.) to strategically and effectively manage the EU integration process, mitigate risks of jeopardizing the EU future of the country and ensure proper utilization of the available pre-accession assistance.

Macedonia has previously signed an agreement for understanding and mutual cooperation with the European Commission since 1996 for using PHARE funds. According to the conclusions and recommendations of the Summit in Zagreb held in November 2000, from April 2001, Macedonia became the first country in the region with signed Agreement of stabilization and association that entered in force in April, 2004. During the period between 1996-2001, the Republic of Macedonia has received enormous financial assistance from the European Union by many programs, such as PHARE, the Program for supporting the balance of payments etc. Also, during the period between 2001-2006, Macedonia has received a financial support from European Union in the frame of the CARDS program.

The Instrument for Pre-Accession Assistance (IPA) 2007-2013 supported Republic of Macedonia as candidate country for EU membership. The support was provided towards measures aiming at adopting and implementing the political, institutional, legal, administrative, social and economic reforms required to comply with the Union's values and to align progressively with the Union's rules, standards, policies and practices, with a view to Union membership.

The Instrument for Pre-Accession Assistance (IPA II)¹ is the main financial instrument to provide EU support to the beneficiaries in implementing reforms with a view to EU membership. Financial assistance under IPA II pursues the following four specific objectives: (a) support for political reforms, (b) support for economic, social and territorial development, (c) strengthening the ability of the beneficiaries listed in Annex I to fulfil the obligations stemming from Union membership by supporting progressive alignment with, implementation and adoption of, the Union acquis, (d) strengthening regional integration and territorial cooperation. Furthermore, the IPA II Regulation states that financial assistance shall mainly address five policy areas: a) reforms in preparation for EU membership and related institution- and capacity-building, b) socio-economic and regional development, c) employment, social policies, education, promotion of gender equality, and human resources development, d) agriculture and rural development, and e) regional and territorial cooperation.

In the framework of IPA II during the period 2014-2020 around 664.2 million EUR have been allocated for Macedonia. In the year 2015, the previously received accreditation was reconfirmed through entrustment procedure for IPA II 2014-2020. Progress has been made in programming, with introduction of a sectoral approach by improving sector coordination through the sectoral working groups and the improvement of sectoral strategic frameworks. In order to improve the selection and preparation of infrastructure investment, in 2015 the Macedonian authorities adopted a methodology for developing a Single Project Pipeline which was updated enabling selection of strategically important and mature infrastructure projects. IPA II introduced important novelty in the pre accession assistance management in WB countries and in Macedonia.

2. Legal and institutional framework

Framework Agreement, provides the base for the Government of Macedonia, that has additionally adopted several by laws that describe the system for indirect management of IPA, as well as the mutual relations between the bodies and the structures. Relevant legal framework for management of IPA II is:

- On the basis of the signed Framework Agreement, the Government of the Republic of Macedonia has adopted a **Decree on Determining Mutual Relations between the Bodies and the Structures of Decentralised Management of the First Four Components under the EU Instrument for Pre-Accession Assistance (IPA)** and it was published in the “Official Gazette of the Republic of Macedonia” No 132/2008.
- This Decree describes the system for decentralised management of the IPA funds, as well as the mutual relations between the bodies and the structures for decentralised management of the first four IPA components.
- **Decree on DIS**
- In addition to this, according to the legal requirements, working arrangements have been signed between the bodies and structures under DIS, as the following one: **Implementing Agreement signed between National Authorising Officer NAO and Programme Authorising Officer (PAO) /Head of Operating Structure (HOS)** for the Implementation of IPA Projects under DIS, that regulates the relations and responsibilities between the NAO and PAO/HOS.
- **Operational Agreements** signed between the Programme Authorising Officer (PAO) and the Senior Programme Officers (SPO) in the Line Ministries and Beneficiary Institutions implementing projects under IPA Component I -TAIB, in which the functions and tasks of both PAO and SPO are determined.
- Head of Operating Structure (HOS) for IPA Component III and IPA Component IV signs **Operational Agreements** with IPA Coordinators in the Line Ministries implementing projects under IPA Component III and IV, in which the functions and tasks of both HOS and IPA Coordinators are determined.

The Government of Macedonia has started with creation of appropriate institutional framework for IPA management in 2005 in accordance with the Framework Agreement(s)

Macedonia is currently implementing IPA I and IPA II Framework Agreements for both financial perspectives are relevant for implementation of IPA funded projects.

The process for setting up the structure and principles of IPA II was started in December 2010. On the basis of the consultations, the lessons learned and the experience gained through the current IPA. Basic documents were prepared and the general principles for the further use of IPA II were determined.

Components that were applicable for IPA I, in IPA II are replaced with “areas of action” and a sectoral approach for managing aid. The new instrument IPA II is results-oriented. A feature of the new instrument for pre-accession assistance is the long-term impact of assistance, improving the situation in beneficiary countries and assisting in the accession process.

In order to manage the IPA II Community assistance during the pre-accession phase, the Republic of Macedonia has established the necessary structures and designated the key authorities to start with the implementation under the System for indirect management (SIM).

In accordance with the Clause 4 of Annex A of the Framework Agreement, the Operating Structure(s) is established within the administration of IPA II beneficiary.

The Operating Structure is a body or a collection of bodies within the administration of the Republic of Macedonia. The Operating Structure is responsible for managing, preparation and implementing the IPA II assistance in accordance with the principle of sound financial management.

The operating structures are composed of an institution or group of institutions that carry out the functions and assume the responsibilities set out in the Framework Agreement and the Sectoral Agreement. The Operating structure of IPA II is composed of:

- Central Financing and Contracting Department within the Ministry of Finance as a Contracting Authority, and
- IPA structure within the IPA II beneficiary institutions for which is decided to be part of the operating structure for the IPA II.

The segregation of roles and duties between the structures that comprises the operating structure for IPA II and their mutual relations are determined by the Operating Agreements.

The Operating Structure shall ensure sound financial management and implementation of EU funded projects under SIM, respecting the principles of assistance as per Clause 4 of Annex A of the FwA and Article 10 of IPA II IR.

The Operating Structure shall be established as collection of bodies comprised of CFCD and the institutions beneficiaries of assistance under IPA II programme.

OS shall be responsible for preparation, implementation, information and visibility referred to in Articles 23 and 24 of the FWA, monitoring and reporting of programmes, and evaluation thereof whenever relevant, in accordance with the principle of sound financial management. It shall be responsible for ensuring the legality and regularity of the expenditure incurred in the implementation of the programmes under its responsibility.

According to the EC 2018 Country Report “The country is moderately prepared regarding regional policy and coordination of structural instruments. Some progress was made on establishing an institutional framework for managing EU pre-accession assistance (IPA) and on the further implementing sector-based programming. In the coming year, the country should in particular: further strengthen the administrative and financial capacity needed for procuring and implementing EU funds properly and in a timely fashion; enforce financial management, control and audit and develop an integrated monitoring and performance assessment framework; improve the transparency and visibility of EU funds”

As regards the **legal framework**, a new budget law and new budget classification is under preparation. Development of a Medium Term Expenditure Framework to support sector budgeting has begun. The budget law in force allows certain budget flexibility but multiannual budgeting is still not operational. The institutional framework for management of the EU pre-accession assistance (IPA) has been established, audited, accredited since 2009 and has been progressively increasing its effectiveness. However, stronger political commitment is needed to ensure swift implementation of EU-funded programmes by further enhancing the capacity of management structures to procure and implement programmes. Regarding **administrative capacity**, a staff recruitment retention policy and plan still needs to be developed and implemented. Some progress has been made in programming with the progressive introduction of the sector approach under IPA. As regards infrastructure, the country established a National Investment Committee, and a single project pipeline is being updated.

In order to improve coordination of above mentioned institutional framework, the Government of Macedonia has established:

- Sector Working Groups (SWGs) mirroring programming sectors;
- National Investment Committee (NIC);
- IPA Monitoring Committees (IMCs);

The IPA II regulation (No 231/2014) and the IPA II Framework Agreement between the EU and Macedonia (Official Journal of the Republic of Macedonia No. 99 from 16.06.2015) place high importance on the co-ordination of policies, strategies and funding within the sectors identified with the indicative Country

Strategy paper. IPA II clearly focuses on “programme-based approach” and “sector wide approach”, the objective of which is to provide a multi-annual, strategic framework for the programming of the EU assistance in line with the country priorities. This is a marked change from the predominantly project-based programming of earlier years. Where the transition is successful, more flexible implementation formats – such as multi-annual operational programmes and sector budget support, can be employed.

The sector policy co-ordination framework needs to be discussed from different, yet strongly interlinked perspectives:

- The co-ordination of the programming and implementation under IPA;
- The EU integration process and the negotiation structure and organisation;
- The overall co-ordination of donor assistance;
- Formulation and implementation of the national policy in a wider context, including the link of the national policy to the sector budgets and national funds.

The integrated approach to these perspectives as well as the need to optimise the use of resources and streamline the decision-making process passes through the establishment of one sector working group (SWG) per sector. Thus 7 SWG are established which operate under a common coordination framework. Each sector working group at the same time functions as:

- Forum for sector policy dialogue, including a focal point of the discussion on sector readiness, assessment of the sector policy advancement and of the institutional capacity.
- Forum to discuss IPA programming and as regards the infrastructure projects - a forum for work on the single project pipelines.
- Forum for overall donor coordination.
- Preparatory forum for the sector monitoring committees, which also focuses the discussion of the IPA projects implementation.
- Support structure to the SAA and in future – the negotiation process.

IPA II, by turning the sector approach into a precondition for allocation of funds, is the biggest driver of change, the most immediate, although not necessarily the most important reason to propose a new framework. The sector approach is expected to contribute to a more targeted, more effective and efficient use of funds, as well as considerably boost the absorption capacity.

One of the five key criteria for assessing country’s readiness for receiving EU funds is the sector and donor co-ordination. Questions testing this criterion include:

- Do appropriate coordination mechanisms exist within the responsible government institutions?
- Are there coordination mechanisms between the government and non-state actors?
- Are there functional donor coordination arrangements in place?
- Is there an up to date database of donor assistance?
- Is the coordination effective and inclusive?
- Is there sector leadership and willingness of government to take the lead in donor coordination or does the government show potential to develop leadership role effectively in the short term?

Beyond these guiding questions, the IPA II regulation does not define concrete criteria as regards the method of sector co-ordination. It is in every IPA beneficiary country's own discretion, how the objective is to be attained.

National Investment Committee (NIC) framework has three levels and they will serve as a basis for programming of all available financing sources (incl. national IPA and other donors).

- SWGs adopted on 68 Government session 31.03.2015
- The Government on its 78th session held on 08.06.2015 adopted the proposal for establishment of National Investment Committee (NIC) and Single Project Pipeline (SPP) for investment projects based on the Programme of the Government 2014-2018, IPA 1 and IPA 2 Operational Programmes.
- On the 87th Gov. session The Decision for establishment has been adopted

The main elements of the NIC framework are: (a) ownership, (b) transparency, (c) prioritisation and (d) structured EC/FIs participation. If Macedonia becomes a EU Member State it is clear that, under current rules of EU Cohesion Policy, substantially more funds will be at disposal from the EU budget than from IPA. Therefore, building institutional and strategic frameworks as well as human resources capacities in the pre-accession period is of utmost importance for candidate countries to efficiently manage pre-accession funds and to prepare for management of ESI funds.

Sector Policy Co-ordination Framework (SPCF) ¹ in Macedonia in line with the requirements of the Sector approach as defined by European Commission The present SPCF outlines the national concept on organisation of resources in order to promote the sector approach and insure compliance with the requirements. Simultaneously, there is intention of this IPA-focused process also to be synchronised with the Western Balkans Investment Framework, that introduces specific arrangements for the identification, prioritisation, preparation and implementation of infrastructure projects in each country. Macedonia already established National Investment Committee (NIC), supported by Sector Working Groups (SWG). The objective of the NIC and its subordinated SWG is ensuring that donor funds are used in line with relevant cross-sectoral and sector strategies. View the similarity in the objectives, the present SPCF concept merges the SWG under WBIF and the SWG under the national IPA thus ensuring not only an optimum use of resources but most of all integrated approach towards the sectors of energy, transport, environment and social inclusion.

EU integration aspect and policy dialogue

IPA has been established to support primarily the EU accession process, which is also legally founded in the Stabilisation and Association Agreement. There are at least two strands to consider:

- The National Programme for Adoption of the Acquis (NPAA) (led by the Working Committee on EU Integration)
- The structured dialogue with the EU based into the SAA committees and in future – into the accession/negotiation teams.

Macedonia has the most elaborate NPAA in the region, and a well-established structure of working groups for each of the 35 Chapters of the *acquis communautaire* supplemented by the dialogue on the political and economic criteria and Public Administration reform. This structure is relevant for the SAA and will also be relevant during the negotiation process.

In order to ensure a coherent approach to sector policy co-ordination, the WCEI, and its Sub-Committee, regularly discuss proposals and reports by the ministries related to the progress of reforms in the context of EU accession in general, and the NPAA as well as IPA and donor funds in particular. WCEI also

¹ SPCF is to replace the earlier "Programme Based Approach" (PBA) co-ordination framework, developed with the UNDP in 2012 with the main focus on sector donor co-ordination.

serves as the forum to co-ordinate, under the responsibility of the DPM, the implementation of relevant decisions of the GRM.

At the same time, IPA has a different logic, with 7+1 (regional and territorial cooperation) sectors. If IPA is to provide an efficient support to the integration process, there must be a clear link between the IPA sectors and the NPAA chapters/SAA/negotiations structure. The present SCPF indeed streamlines the two processes (IPA-focused sector approach and the political dialogue) by turning the SWG into a support system for the political dialogue at SAA and accession (future) level based on tight interrelations, as presented in the tables below:

Table 1. IPA Sectors and NPAA Chapters

IPA sectors	NPAA chapters
Democracy and Governance	Chapters: 5, 16, 17, 18, 29, 32, 33, political criteria
Rule of law and fundamental rights	Chapters: 23, 24, 10
Environment	Chapters: 15, 27, 28, 15 ²
Transport	Chapters: 14, 21
Competitiveness and innovation	Chapters: 1, 3, 4, 6, 7, 8, 9, 20, 25, 30, economic criteria
Education, employment, social policies	Chapters: 2, 19, 26
Agriculture and rural development	Chapters: 11, 12, 13
Regional and territorial co-operation	Chapter 22
Not covered by IPA	Chapters: 31, 34, 35

The role of SWG is very significant, due to the fact that they provide platform for programming of European assistance in line with the policy dialogue among state and non-state actors, and also donor coordination.

Regarding the involvement of CSOs in the work of SWGs, significant increase is notable during 2018. Since the start of the year CSOs are continuously being invited to participate in each of them. The only exception represents the SWG Competitiveness and Innovation. The explanation offered for excluding the CSOs is that Economic chambers are representing the Non-State Actors in this sector.

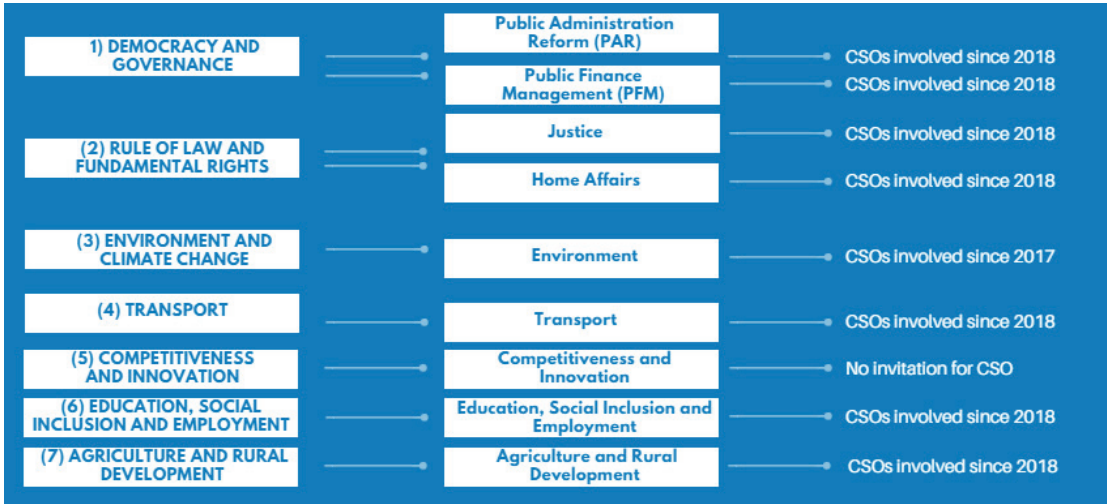


Figure: Structure of IPA2 Sectoral Working Groups and CSO involvement

2 The energy sector is supported by a multi-country programme under IPA

3. Programming, planning and absorption

The programming framework for IPA II comprises national sector, multisector strategies and EC programming documents. There is a myriad of national strategies (such as the Public Administration reform strategy of the Public Finance Management Strategy) and other documents for the different IPA sectors, but no overarching national strategic development plan of some sort. Therefore, there is lack of coherence between diverse document on country's development priorities. The Indicative country strategy paper 2014-2020 states the following:

“The country currently lacks a national development plan which could provide overall strategic guidance on how it plans to meet its strategic development objectives. The Government is therefore considering developing a national development plan as a way of formulating a comprehensive development agenda that could overarch the country's sector strategies and guide its European integration process. “

However, up to date no activities have been reported on preparing this important document.

The new Government in power since mid-2017 has passed its own Work Programme for the period 2017-2020. The Programme sets out the following 7 strategic priorities:

Development of the economy, increase of productive employment and raising the living standard of the citizens;

- Republic of Macedonia - a member of NATO and the European Union;
- A resolute and indiscriminate fight against organized crime and corruption;
- Rule of law and the construction of independent institutions;
- Reforms in education and investment in innovation and information technology;
- Reforms in the judiciary;
- Fully implementation of the principles of the Ohrid Framework Agreement, building a civil state and ethnic cohesion on the principles of mutual tolerance and respect.

These largely coincide with the main objectives for IPA II assistance, namely improving socio-economic development, rule of law and good governance, and are reflected in the National Programme for the Adoption of the Acquis (NPAA) and the Pre-Accession Economic Programme (PEP). In addition, IPA II supports environment protection and climate action.

The Indicative Strategy Paper-ISP for Macedonia that is the overarching document to guide IPA II 2014-2020 programming process prepared by DG ELARG in direct consultations with the beneficiary country. DG NEAR has revised the ISP in 2016.

Table 2. Overview Financial assistance available under IPA II according to the ISP 2014-2020

Republic of Macedonia	2014	2015	2016	2017	2018-2020	Total 2014-2020
<i>a. Reforms in preparation for Union membership</i>	39.7	17.9	35.6	26.9	85.8	205.9
<i>Democracy and governance</i>	66.1				56.8	122.9
<i>Rule of law and fundamental rights</i>	54.0				29.0	83.0
<i>b. Socio-economic and Regional development</i>	41.0	38.7	38.0	46.0	135.1	298.8

<i>Environment and climate action</i>	61.3				51.6	112.9
<i>Transport</i>	56.4				56.5	112.9
<i>Competitiveness and innovation</i>	46.0				27.0	73.0
<i>c. Employment, social policies, education, promotion of gender equality, and human resources development</i>	0.0	14.0	13.0	0.0	26.2	53.2
<i>Education, employment and social policies</i>	27.0				26.2	53.2
<i>d. Agriculture and rural development</i>	5.0	18.3	5.0	22.0	56.0	106.3
<i>Agriculture and rural development</i>	50.3				56.0	106.3
TOTAL	85.7	88.9	91.6	94.9	303.1	664.2

In addition, an indicative Multi-Country Strategy Paper 2014-2020 highlights priorities and conditions for horizontal support to sector policies and reforms, including assistance to civil society, regional structures and networks, regional investment support, as well as territorial cooperation including cross-border cooperation programmes. The ISP is the basis on which the Government of Macedonia and the EC are preparing the following documents:

- Multi-annual Sector Planning Documents (SPDs) for each ISP sector and annual Action Documents (ADs);
- Multi-annual Operational Programmes for each CBC and Transnational Programme covering period 2014-2020;
- Multi-annual IPARD Programme covering period 2014-2020.

Programming of IPA 2018 and IPA 2019 is ongoing process. During the preparation of all programming documents consultations have been organized with the interested stakeholders. Concerning the programming for 2018 IPA II, there are 97,60 million EUR available, out of which 75,08 million EUR have already been programmed within the Multiannual Programmes for the following sectors

- Environment 20,13 mil. EUR
- Transport 25,93 mil. EUR
- IPARD 10 mil. EUR

Additionally, the following activities have also been programmed/foreseen for 2018

- Union Programmes 7,54 mil. EUR.
- Civil Society Support mechanism 3 mil. EUR
- Rapid Support measure (migration) 8,46 mil. EUR

Therefore, out of the entire financial envelope 22,52 mil. EUR are available for 2018 programming. Priority has been given to the subsector of Public finance management in support of the ongoing reform. PFM Programme has already been adopted and Action document as well as Sector planning document have been prepared. However, these programming documents are not made publicly available yet.

The financial envelope for 2019 amounts to 100,87 Million EUR, of which 68,43 mil. EUR have already been programmed within the Multiannual Programmes for the following sectors:

- Environment 8,99 mil. EUR
- Transport 34,04 mil. EUR
- IPARD 14 mil. EUR

Additionally, the following activities have also been programmed/foreseen for 2018:

- Civil Society Support mechanism 3 mil. EUR
- Rapid Support measure (migration) 8,39 mil. EUR

The Government suggested the following sectors as priorities for the programming of the remaining 32,44 mil. EUR for 2019

- Education, social and employment policies
- Agriculture and rural development
- Competitiveness and innovation

Overall, according to the latest SEA data available (August, 217) for the period 2014-2017 445,5 million EUR or almost 64% have been programmed; 395 mil. or 59% have been approved by the EC. Additional 46,1 mil. That have been programmed were not yet approved. Although these numbers speak of high level of programmed funds, the Governments own evaluations indicate several problems with the overall quality and dynamics of the programming process. These include among others delays with the preparation and adoption of sector strategic documents. In order to overcome these shortcomings so called IPA Master Plan and a long-term plan for planning of better use of IPA Funds have been envisaged as corrective measures,

Regarding the transparency and availability of programming documents it is evident that:

- None of the CBC Operational Programmes is available on the website of the responsible Ministry of local self Government or SEA. CBC OPs are available only on DG ENER portal and on the official websites of the relevant Cross border programmes.
- SPDs are not available on any national website.
- IPARD Programme is not available on SEA website, but it is available both on the website of the IPARD payment agency³ and the responsible Ministry.
- Sector Agreement in case of IPARD is available on website of the IPARD Agency⁴

4. Monitoring and evaluation

Republic of Macedonia has developed a system, structures and relevant bodies for the implementation of IPA pre-accession assistance in indirect management system. The system of monitoring and evaluation of implementation of international development assistance has also been established in Macedonia. The Document⁵ Programme Based Approach for Foreign Aid Coordination and Delivery (PBA) for the period 2014-2017 with projections until 2020 served as opportunity for establishing integrated system of monitoring and reporting. In line with the IPA Framework Agreement monitoring functions under

3 http://www.ipardpa.gov.mk/Root/mak/_docs/Zakonodavstvo/ipard%20ii%20programme_eng.pdf

4 <http://ipard.gov.mk/wp-content/uploads/2015/05/SECTORAL-AGREEMENT.pdf>

5 <http://www.sep.gov.mk/en/content/?id=261#.WyzF66cza70>

decentralized implementation system (DIS) are carried out by the IPA Monitoring Committee and where applicable, sector monitoring committees. Currently monitoring committees at all levels are established. IPA Monitoring Committee is in charge of reviewing overall progress and achievement of objectives of all IPA financed interventions. Sector monitoring committees are formed on sector basis with aim to review technical implementation of IPA funded actions⁶. Since 2018 CSOs through participation of IPA Mechanism sector representatives are participating as observers in the MCs meetings. As for the IPA CBC programmes, the specific Joint Monitoring Committee exist for each cross-border programme. In the policy area of Agriculture and Rural Development the IPARD monitoring committee has been established in as well. In addition, SEA works closely with the European Union Delegation to Macedonia on the programs being implemented through direct management.

While sector co-ordination remains an issue of national competence, the IPA Implementing Regulation (No 447/2014) does contain detailed rules regarding monitoring. Key relevant articles include:

- Art. 18 - IPA monitoring committee
- Art. 19 - Sectoral monitoring committees
- Art. 20 - Other monitoring activities
- Art. 38 -Joint monitoring committee [Cross-border cooperation between Member States and IPA II beneficiaries]

The implementation of the monitoring functions under IPA will strongly benefit from the availability of strong sector coordination mechanisms. On one hand, being the inter-institutional coordination forum the SWG will discuss the progress of the various IPA actions, along with the progress of the specific sector policy, and in case of need, will address particular issues that cannot be addressed at pure unit/institution level. On the other hand, the SWG by processing of data on the implementation of IPA actions, and focusing also the discussions on effectiveness, efficiency and sustainability of the IPA actions in the context of the overall sector strategies, will prepare and support the work of the sector monitoring committees.

As far as evaluation capacities in Macedonian administration are concerned they have to further develop since evaluations are carried out mainly by external independent experts. Coordination and organization of evaluation as well as follow up of recommendations is performed by the NIPAC. Evaluation reports, developed through participatory process encompassing all relevant stakeholders concerned by the management and implementation of IPA programmes, are discussed by the Sectoral Monitoring Committees and the IPA MC.

Concerning transparency and availability of monitoring reports and evaluation documents, the following has been noticed:

- Notes from the JMC and SMC meetings are not available on the SEA or any other official website.

EC Country Report 2018 stated on monitoring and evaluation in Macedonia: *“the monitoring committees under indirect management have been set up and meet regularly. The evaluation plan for decentralized IPA funds has been adopted but implementation has not started yet”*⁷.

6 Sector monitoring committees have been established for the following sectors: Public Administration Reform, Public Finance Management, Justice, Home Affairs, Environment and climate change, Transport, Competitiveness and Innovation, Education, Social Policy and Employment, Agriculture and Rural Development

7 European Commission, Macedonia 2018 Report, April 2018

5. Financial management and control

EC Country Report 2018 stated on financial management, control and audit that “*the national systems were further developed to comply with the requirements for indirect management of IPA funds but further enforcement is still needed to prevent irregularities and ensure proper monitoring on the base of key operational indicators and performance milestones. Further improvements are needed in regard to human resources in internal audit units/bodies.*”⁸.

One irregularity report has been submitted under the IPARD II programme. No irregularities have been reported under the other IPA II programmes implemented under indirect management. No frauds have been identified and reported under IPA II programmes implemented under indirect management

The overview of IPA II funds implementation is provided in the tables below, for all modes of management:

Table 3, IPA II 2014 – 2020 Country Action Programmes – Direct Management

Action title	Number of Contracts signed so far	Total amount contracted so far	Contracting rates so far	Disbursement rate so far
IPA2014_037701_037706.1 - EU Integration Facility	18	5,340,286.00	67%	25%
IPA2015/037906.01/ EU Integration Facility	2	274,072.00	7%	4%
IPA 2016/039618.02/Migration and asylum, border management and fight against terrorism and organised crime	2	907,000.00	6.23%	2.6%
IPA 2017/040200.02/EU Integration Facility	Financing Agreement has not yet been signed; hence no effective implementation has started.			
IPA 2017/040200.03/EU support to Public Administration Reform & Statistics	Financing Agreement has not yet been signed; hence no effective implementation has started.			
IPA2015/037907.03/ Agriculture and Rural Development, including Food Safety, Veterinary and Phytosanitary Policy	9	6,200,982.88	47%	28.4%
IPA 2017/040202.04/EU Support for Education, Employment and Social Policy	Financing Agreement has not yet been signed and no effective implementation has been launched			
IPA2014_037701_037706.6 - Local and Regional Competitiveness	1	18,000,000	100%	46%
IPA 2016/039619.03/SME development	1	6,000,000	100%	61%

8 <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-the-former-yugoslav-republic-of-macedonia-report.pdf>

Table 4, IPA II 2014 – 2020 Country Action Programmes / Indirect Management

Action title	Number of Contracts signed so far	Total amount contracted so far	Contracting rate so far	Disbursement rate so far
IPA2014_037701_037706.3 - Support to the Justice Sector	5	546,165	4.20%	*
IPA2014_037701_037706.4 - Implementation of business continuity and disaster recovery system - phase 2	1	252,890	3.61%	*
IPA2014_037701_037706.5 - Further development of the capacities for crime scene investigation	1	1,050,000	100%	*
IPA_2014_037702_Sector Operational Programme for Environment and Climate Action 2014-2020	2	10,200,700.00	9%	*Centralized: 687,746.43€
IPA_2014_037702_Sector Operational Programme for Transport 2014- 2020	2	26,603,906.10	20%	*
IPA2014_037701_037706.2 - Support to participation in Union Programmes	<p>These Actions are supporting the country in participating in EU Programmes.</p> <p>The purpose is to co-finance the costs of the “entry-tickets” which the beneficiary has to pay for the participation in Union Programmes, and, by those means, to facilitate the progressive transfer of know-how and the strengthening of capacities of the relevant beneficiaries. There are no “contracts” in the standard sense. However, all projects with participation of stakeholders from the country, are followed by the Secretariat for European Integration, who issue an annual report on the country’s participation in the Union programmes.</p>			
IPA2015/037906.02/ Union Programmes				
IPA 2016/039618.01/Union Programmes				
IPA 2017/040200.01/Support to participation in Union Programmes				

Table 5, IPA II 2014 – 2020 Cross-Border Cooperation Programmes

Action title	Number of Contracts signed so far	Total amount contracted so far	Contracting rate so far	Disbursement rate so far
IPA 2016/039825-2017/039827/ 2016-2017 Action Programme Serbia-the former Yugoslav Republic of Macedonia	1 st Call for Proposals is not yet launched; hence no effective implementation has started.			
IPA 2014/037624/ 2014 CBC Action Programme the former Yugoslav Republic Macedonia-Albania and 2015 / 038-162 - Cross-border cooperation Programme the former Yugoslav Republic of Macedonia - Republic of Albania for the years 2015-2017, allocations for 2015 Allocations 2014 and 2015	9	2.864.582	99,1%	46,5%

IPA 2014/037619/2014 CBC Action Programme Kosovo*-the former Yugoslav Republic of Macedonia and IPA 2015/038145-2016/038146- 2017/038147/2015-2017 Action Programme Kosovo*-former Yugoslav Republic of Macedonia - Allocations 2014 and 2015	8	2.144.293,26	100%	90%
Interreg-IPA CBC Bulgaria -the former Yugoslav Republic of Macedonia Programme, CCI No. 2014TC16I5CB006	48	10 338 472	59,10 %	23,90%
INTERREG -IPA CBC Greece – The former Yugoslav Republic of Macedonia 2014 – 2020, CCI No.2014TC16I5CB009	37	36,195,031.20	**	**
TNCP Balkan –Mediterranean 2014 – 2020, CCI 2014TC16M4TN003	Implemented by the Greek Managing Authority http://www.ipa-cbc-programme.eu/home/			
	There has been one Call for Project proposals so far, issued on December 6 th , 2016.			

* These actions are under indirect management.

**Contracting authority is the Greek Managing Authority: <http://www.ipa-cbc-programme.eu/home/>

Table 6, Civil Society Facility projects in the 2014 – 2018 period (Direct Management)

Action title	Number of contracts signed so far	Total amount contracted so far	Contracting rate so far	Disbursement rate so far
IPA II 2014-031-605.04_2015-037-653.04-CSF and Media the former Yugoslav Republic of Macedonia	2014/ 19 contracts	4, 450, 661.86	89,1%	83,52%
	2015/ 19 contracts	4, 924, 777.51	98,5%	68,2%
IPA 2016/038-960.04/2017- 038-961.04CSF Civil Society Facility and Media Action for the former Yugoslav Republic of Macedonia	2016/ 8 contracts	2, 635, 017.89	99,43%	35%
	2017/ 9 contracts	2,862,908.22	78,44%	43%

6. Administrative capacities

According to the available data (January 2018) total number of employees engaged for the implementation of the IPA programmes in Macedonia, was 259 (IPARD operational structure included). As a regular procedure, the Workload Analysis (WLA) is updated each year, as a consequence of the learning curve in implementation, and in accordance with the changes of employment and needs for employment to assure the execution of regular activities according to the new plans.

The preparation of the WLA is an activity that is performed by each body within the OS, NAO and NIPAC on regular annual basis, starting from the moment of the accreditation under IPA 1 i.e. 2009/2010. The Workload analysis is prepared on the real estimation of the tasks of the entities for the forthcoming period.

Revised WLA for the year 2018 were prepared by all IPA II entities and submitted to the NAO. With the WLA the institution determines the optimal number of employees that they need for implementation of their tasks and responsibilities.

Institution	Current number of employees
NAO/MS	18
CFCD	41
NIPAC	16
Ministry of environment and physical planning	13
PIU Prilep	5
PIU for infrastructural projects	2
Ministry of transport and communication	7
Public enterprise for State Roads (PIU)	12
Ministry of Justice	5
Ministry of Interior	7
Ministry of education	5
Ministry of labour and social policy	5
IPARD Agency	106
Managing Authority	17
Total	259

The turnover rate among key appointees (NIPAC, NAO, PAO etc.)

- New NIPAC was appointed in 2017. This position is at political level.
- New Head of the Audit Authority was appointed in 2017
- New director of IPARD Agency was appointed in 2017 Please take into consideration that this position is at political level.
- There was no change of the key appointees as NAO and PAO.
- The new Head of Managing Authority for the IPARD Programme was appointed in 2018
- The new IPA coordinators in the Ministry of Labour and social policy have been appointed in 2017.
- The new IPA coordinators in the Ministry of Education and Science has been appointed in 2017
- The IPA Coordinator in the Ministry of Transport and Communication left the position in 2018.

The turnover rate of staff employed at the CFCD/NF are as follows:

- CFCD turnover rate
 - 2015 - 13%
 - 2016 - 7%
 - 2017 - 7%
- NF turnover rate
 - 2015 - 0%
 - 2016 - 11%
 - 2017 - 6%

Being aware of the importance that the staff engaged in implementation of EU funded projects must have sufficient skills and expertise, as well as of the need to minimize the staff turnover Concept paper for Retention Policy was prepared by the NIPAC and TAIEX experts. The concept paper was submitted to EC services. In 2017, NIPAC has prepared information to the Government of the Republic of Macedonia in order to present the concept and the proposed options, which information is still under internal consultation process.

The administrative capacities of the country's IPA structures have improved in recent years, but there are still shortcomings which have led to a backlog in procurement, a low rate of contracting and a risk of de-commitment of IPA funds. The Government of the Republic of Macedonia has institutionalized the capacity building function by establishing SEA Training Centre within NIPAC Secretariat in 2014, which key role is to further strengthen the public administration capacities involved in EU-related matters at different levels. SEA Training Center prepares and conducts yearly Training Needs Assessment and General Training Plan. SEA Training Center also manages group of experts-trainers from the state administration, as well as the database for training needs collected from different actors, implementing trainings related to the process of joining the EU, as well as the utilization of European funds. In the past years there were continuous trainings provided to the staff of the Operating Structure on different topics. Where needed, NAO and the Head of the Operating Structure are alerting on the need for taking appropriate mitigation measures by different institutions.

7. Conclusions and recommendations

There is a need for continuous strengthening of absorption capacity of the Republic of Macedonia, especially to implement IPA programmes under indirect management. The institutional framework for the management of IPA has been established and is operational, however capacities concerning the quality of the programming documents and tender document should be further developed. The capacities concerning the planning process at all stages of project implementation should be strengthened. There have been high turnover rates within the IPA operating Structure as a result of inadequate human resource management. The latest steps of the Government taken in this direction are encouraging.

As far as programing is concerned Macedonia has been gradually introducing the sector based approach. The required programing documents in all IPA policy sectors have been developed regularly. However, there is still problem with the coherency and quality of strategic framework. There is a need for diversification and increased participation of various groups of beneficiaries in programming, implementation and monitoring processes, which is in compliance with the principle of partnership, that ensures EU funds adequately address the actual needs of citizens. Transparency and availability of relevant programing documents should be significantly increased.

The administrative capacities of the country's IPA structures have improved to some extent in recent years, but there are still shortcomings which have led to a backlog in procurement, a low rate of contracting and a de-commitment of IPA funds. The Government of the Republic of Macedonia has institutionalized the capacity building function by establishing SEA Training Centre within NIPAC Secretariat in 2014, which key role is to further strengthen the public administration capacities involved in EU-related matters at different levels. Concept paper for Retention Policy was prepared by the NIPAC and TAIEX experts. The concept paper was submitted to EC services. The management and control system also shows systemic problems, such as understaffing, high turnover of staff, and insufficient intra and inter-institutional coordination. Efforts in this area should be therefore strengthened in order to improve management of resources.

For more successful, efficient and purposeful absorption of funds under IPA II, following recommendations are proposed:

- There is a need for diversification and increased participation of various groups of beneficiaries in programming, implementation and monitoring processes, which is in compliance with the principle of partnership, that ensures EU funds adequately address the actual needs of citizens.
- Improved planning processes, by means of timely information, coordination and facilitation of adequate involvement of all stakeholders.
- There is a need for creation of structured dialogue among CSOs and IPA structure that will strengthen the participation of civil society in public policies and decision-making, as well as in civil and political dialogue. Structural dialogue to influence the key reforms for further support of Republic of Macedonia in the EU accession processes.
- Quality of programming documents and tender documents needs to be improved, along with education on IPA procedures for potential beneficiaries.
- Greater compliance needs to be ensured with deadlines for procurements and payments, which would lead to higher predictability as basic precondition for strategic management of funds. Hence, it is necessary to build the capacity of institutions and of civil society organizations alike.
- Quality of human resources at IPA structures needs to be improved, in parallel with improved cooperation with all actors in all stages of the programme cycle. The problem related to frequent loss of institutional memory and loss of staff should be addressed systematically, by means of offering career advancement and better incentives, including financial, and giving them greater independence, by means of increased competences.
- Coordination within IPA structures needs to be improved, together with anticipation of risks and timely implementation of correction measures in order to utilize available funds, especially those intended for procurements. Timely implementation of projects for which contracts were already signed also needs to be improved.
- Monitoring and Evaluation activities of the Programmes, as well as on project level need to be strengthened both by IPA structures and the implementors. This should result better quality and timely completion of projects and payments to contractors.

8. Bibliography

1. External Evaluation of the Instrument for Pre-Accession Assistance (IPA II), Final Report Volume 1: Main report June 2017, European Commission
2. COMMISSION STAFF WORKING DOCUMENT The former Yugoslav Republic of Macedonia 2018 Report Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2018 Communication on EU Enlargement Policy
3. Indicative Strategy Paper (the Strategy Paper) for the former Yugoslav Republic of Macedonia (2014-2020)
4. The Framework Agreement between the Government of the Republic of Macedonia and the Commission of the European Communities on the Rules for Co-Operation Concerning EC -Financial Assistance to the Republic of Macedonia in the Framework of the Implementation of the Assistance under the Instrument for Pre-Accession Assistance (IPA) was signed on 30 October 2007 and ratified by the Parliament of the Republic of Macedonia and published in the "Official Gazette of the Republic of Macedonia" No 18/2008.

5. CHALLENGES in the management of the Instrument for Pre-Accession Assistance / Aleksandar Kolekeski. - Skopje: Eurothink - Center for European Strategies, 2017
6. Analytica- a Thinking Laboratory. 2009. Macedonia's Lagging Behind in Efficient Usage of EU Funds (IPA, the Framework Programmes)- Analytica's Analysis, Report No 34, Skopje: December 7, 2009. Also available online at: <http://www.analyticamk.org/files/ReportNo34.pdf>
7. Gorgievski, Mate and Stankovik, Mila. 2012. IPA Funds in the Republic of Macedonia: Potentials and Constraints for Regional Development. In The Use of EU Funds in Macedonia: Efficiency, Impact and Absorption Capacity, Collection of Studies, 28-42. An Institute of European Politics with the cooperation
8. Macedonian Centre for European Training 2012. There are Money but...The 12th Report of Following the Process of Macedonia's Accession to the EU. Foundation Open Society Macedonia, Skopje
9. Macedonia 2018 Report, European Commission, April 2018
10. NPAA-National Programme for the Adoption of the Acquis-Third Revision, February 2018
11. Pre-Accession Financing for Bulgaria and Romania: What lessons can be Learned for Future Enlargements? 2001. Directorate General for Internal Policies, Policy Department, Budgetary Affairs, Budgetary Control, European Parliament, IP/D/ALL/FWC/2009-056.
12. Stojanoska, Biljana. 2012. The Contribution of IPA Funds for Human Capital Development in the Republic of Macedonia. In The Use of EU Funds in Macedonia: Efficiency, Impact and Absorption Capacity, Collection of Studies, 44-61. An Institute of European Politics with the cooperation of Friedrich Ebert Foundation, November, 2012. Also available online at:
13. The Government of the Republic of Macedonia: The Secretariat for European Affairs: An instrument for Pre-accession Assistance – IPA (2007-2013).
14. The Government of the Republic of Macedonia, A Secretariat for European Affairs, Technical Assistance for the IPA Training and Support Facility funded by the European Union. Also available online at: <http://www.sep.gov.mk/default.aspx?contentid=169>
15. Uzunov, Vanco. 2012. The Absorb Capacity of the Republic of Macedonia for using IPA funds: A General Questions. In The Use of EU Funds in Macedonia: Efficiency, Impact and Absorption Capacity, Collection of Studies, 85-105. An Institute of European Politics with the cooperation of Friedrich Ebert Foundation, November, 2012 online at: http://www.epi.org.mk/docs/use_of_eu_funds_in_the_republic_of_macedonia.pdf



**European
Movement
Serbia**

ASSESSMENT OF IPA II ABSORPTION CAPACITIES IN SERBIA

Author: Ivan Knežević

1. Introduction

Since 2000 Republic of Serbia was using pre-accession instruments as support for implementation of necessary reforms and institutional preparations for the EU accession. During period 2000-2006 Serbia was committed a substantial support via CARDS program in the amount of 1.390,6 billion EUR where EU assistance to the whole Western Balkans was 4.2 billion EUR. The absorption rate of CARDS funds in Serbia was 85.73% while the ratio between contracted and committed financial allocation was 97.35%¹. In 2007 the EU introduced a new financial instrument for the pre-accession process IPA for the period 2007-2013 where allocation for Serbia was around 1.4 billion EUR for 2007-2013 period. The absorption rate of IPA 2007-2013 funds in Serbia is 83%.² In March 2014 Serbia received conferral of management powers i.e. accreditation of the structures and system for indirect management of IPA funds. The IPA 2013 national programme for Serbia (Component I) and IPA 2012-2013 Cross-border programmes with Bosnia and Herzegovina, and Montenegro (Component II) were programmes for which the Commission has conferred management powers to Serbia in 2014.

In the framework of IPA II during the period 2014-2020 it is allocated around 1,5 billion EUR for Serbia. In the year 2015, Serbia reconfirm previously received accreditation through entrustment procedure for IPA II 2014-2020. Progress has been made in programming, with introduction of a sectoral approach by improving sector coordination through the sectoral working groups and the improvement of sectoral strategic frameworks. In order to improve the selection and preparation of infrastructure investment, in 2013 Serbian authorities adopted a methodology for developing a Single Project Pipeline which was updated and revised in March 2016 enabling selection of strategically important and mature infrastructure projects. IPA II introduced important novelty in the pre accession assistance management in WB countries and in Serbia. The novelty is related to the introduction of Sector budget support: support for reform implementation in key sectors, through direct inflow of grants into national budget. IPA 2015 program in Serbia allocated 80 million EUR through sector budget support for Public Administration Reform and implementation of Public Finance Management Reform.

Being in the accession negotiation process Republic of Serbia started preparations for management of ESI funds which will be available once Serbia joins the EU. If Serbia becomes a EU Member State it is clear that, under current rules of EU Cohesion Policy, substantially more funds will be at disposal from EU budget than from IPA. Therefore building institutional and strategic frameworks as well as human resources capacities in the pre-accession period is of utmost importance for candidate countries to efficiently manage pre-accession funds and to prepare for management of ESI funds. This paper provides assessment of the current absorption capacities as well as achievements in the current setup of legal/institutional framework, programming, implementation, monitoring and evaluation of EU pre-accession funds in Republic of Serbia.

2. Legal and institutional framework

The basic legal document that lays down the principles for cooperation between the Republic of Serbia and the European Commission in the field of IPA management is the Framework Agreement³. Since Serbia

1 Source: European Commission, Commission Staff Working Document Annexes to 2007 Annual Report on PHARE, Turkey Pre-Accession Instrument, CARDS and Transition Facility Country Sections & Additional Information Brussels, 2008

2 Cut-off date 17.05.2018

3 Law confirming the Framework Agreement between the Government of the Republic of Serbia and the Commission of the European Communities on the rules for cooperation concerning EC-Financial Assistance to the Republic of Serbia in the Framework of the Implementation of the Assistance under the Instrument for Pre-accession Assistance (IPA) ("Official Gazette RS – International Agreements", No. 124/07) and Law confirming the Framework Agreement between the Republic of Serbia and the European Commission on the arrangements for implementation of Union financial assistance

is currently implementing IPA I and IPA II Framework Agreements for both financial perspectives are relevant for implementation of IPA funded projects.

The Framework Agreement determines the conditions for sound financial management of the EU assistance, as well as describes the respective obligations regarding the proper implementation of IPA funded projects. It also determines the common conditions for conferral of management powers for EU assistance to Serbia and it is the basis for establishing the necessary structures and authorities in Serbia for managing IPA under indirect management.

On the basis of the signed Framework Agreement, the Government of Serbia has adopted several by laws that describe the system for indirect management of IPA, as well as the mutual relations between the bodies and the structures. Relevant legal framework for management of IPA II is:

- Decree on the Management of EU Pre-Accession Assistance Programmes under the Instrument for Pre-Accession Assistance (IPA II) for the period 2014-2020;
- The Decision on the Appointment of the Persons and Bodies responsible for the Management of the EU Pre-Accession Assistance Programmes (IPA II);
- The Decision on the appointing the responsible persons and bodies for the Horizontal functions and operating structure for the management of the National action programmes.

It is important to mention that all these acts are covering National IPA, Cross Border Cooperation (CBC) Programmes and IPA rural development (IPARD). Above mentioned legislation is not available on official website of the Ministry of European Integration, but it is available on official website of the Department for Contracting and Financing of EU Funded Programmes CFCU (<http://www.cfcu.gov.rs/tekst.php?oblast=onama&id=59>). Once the programming framework is prepared and approved, the EC and the Government are signing the Financing Agreements and in case of IPARD, Sector Agreement which define the technical, legal and administrative framework and include detailed and specific provisions for the management of IPA financing. None of the Financing Agreements is publically available on the NIPAC TS website, while IPARD Sector Agreement is available on the website of the Directorate for Agrarian Payments (<http://uap.gov.rs/ipard-ii-u-srbiji/>). However, NIPAC TS website (www.mei.gov.rs) contains information related to the Annual IPA II Action Programs as well as links to the Commission Implementing Decisions for IPA II 2014, IPAAII 2015 and IPAAII 2016. Besides "IPA specific legislation" some segments of IPA management are regulated by the Budget System Law. Besides regulating planning, preparation, adoption and execution of budget of the Republic of Serbia, this law has provisions related to co-financing of the EU funded programmes.

It is important to mention that the Government of Serbia has started with creation of appropriate institutional framework for IPA management in 2008. In accordance with the Framework Agreement(s) the Government has appointed/established the following bodies/individuals:

- In 2008, the Government of Serbia has reconfirmed the Deputy Prime Minister for EU Integration to be the National IPA Coordinator (NIPAC) and appointed the National Authorizing Officer (NAO). Function of NIPAC staid the responsibility of high level official dealing with EU integration issues and currently is performed by the Minister of European Integration.
- Since 2008, the Sector for Planning, Programming, Monitoring and reporting on EU funds and Development Assistance (in 2008 as part of the Ministry of Finance and since 2010 in the Serbian EU Integration Office) has been assigned the role of NIPAC Technical Secretariat (NIPAC TS). The same Sector, currently as part of the Ministry of European Integration, is performing the role of the NIPAC TS.
- In February 2009, the Ministry of Finance has established department referred to as the National Fund for the programmes financed from EU assistance and placed under the direct authority of

to the Republic of Serbia under the Instrument for Pre-accession Assistance (IPA II) ("Official Gazette RS – International Agreements", No. 19/14)

the NAO. In addition, Department for Financing and Contracting for EU funded programmes (CFCU), as the Contracting Authority, has been established.

- In February 2009 and further to consultation between the NAO and the NIPAC, the Assistant Minister heading the CFCU was appointed the Programme Authorizing Officer (PAO).
- Since 2009 officials within the national administration, usually at the level of Assistant Ministers, have been designated as Senior Programme Officers (SPO).
- In 2010 a Head of Operating Structure for CBC programmes is assigned to the Deputy Director - EU funds coordinator in the Serbian EU Integration Office. Currently this function is performed by the Assistant Minister in the Ministry of European Integration;
- In 2010 a CBC Body function is assigned to the Department for Cross-border and Transnational Cooperation Programmes in the Serbian EU Integration Office. The same Department exists now as part of the Ministry of European Integration;
- The Government Office for Audit of EU Funds Management System has been established in 2011 as the Audit Authority for IPA programmes under decentralized/indirect management.
- With a Decision of the Government in January 2014 the Ministry of Agriculture and Environmental Protection (MAEP) has been designated as the Operating Structure for the implementation of the IPA for rural development (IPARD). Within the MAEP, the Department for Rural Development has been designated for IPARD Managing Authority, while the Directorate for Payments is designated as IPARD Agency. Currently aforementioned functions are located in the Ministry of Agriculture Forestry and Water Management since Ministry for Environmental Protection has been created in 2017.

According to the EC 2018 Progress Report “*the institutional framework for the management of EU pre-accession assistance (IPA) has been established and is operational; however, the implementation capacities need to be further tested.*” In addition, “*staff turnover remains an issue of concern and a staff retention policy still needs to be developed and implemented*”⁴. Talking about turnover rate among the key appointees it can be noticed that since appointment of relevant persons in 2008:

- NIPAC has been replaced 6 times;
- NAO has been replaced 5 times;
- PAO has been replaced 4 times;
- There is no precise information about turnover rate of SPOs, but in many institutions SPOs are usually replaced after establishment of a new Government or its reconstruction⁵.

In order to improve coordination of above mentioned institutional framework, the Government of Serbia has established:

- Sector Working Groups (SWGs) mirroring programming sectors;
- National Investment Committee (NIC);
- Joint Monitoring Committees (JMCs);
- Sector Civil Society Organisations (SECO).

Sector Working Groups for Development Assistance, were established in 2010 with the objective to ensure aid effectiveness in specific sector. The SWGs task is to ensure inter-ministerial coordination of the relevant institution(s) with regards to planning, programming, monitoring and reporting on development assistance at operational level and improve programming of IPA. The composition, functioning, management and organization of SWGs are regulated by the Rules of Procedures. MEI performs tasks

4 European Commission, Serbia 2018 Report, April 2018

5 Interview with Mr. Ognjen Miric, former Deputy Director of Serbian European Integration Office, May 2018

and duties of the SWGs Secretariat and bears the responsibility to ensure the efficient functioning and coordination of the SWGs.

National Investment Committee (NIC) was established in 2014 with the task to guide and prepare the implementation of investment projects in the fields of infrastructure, to plan investments and ensure the compliance of sources of funding. The NIC coordinates the implementation of priority infrastructure projects and present to development partners plans for implementation. NIC Members are ministers from the line ministries responsible for transport, energy, environment, business related infrastructure, and the chairmen being the Finance Minister and the NIPAC. MEI is acting as NIC technical secretariat and performs all the tasks related to functioning of the NIC.

Sector Civil Society Organisations (SECO), established in 2011, are considered as main actors of the consultation mechanism between the Government and CSO in relation to IPA programming. Their main activities are directed towards development of communication mechanism with MEI and other state institutions in the aim of CSOs' participation in the process of programming and monitoring of international assistance, including IPA. SECO stands for consortium of three to five CSOs partners where one is clearly stated as a lead partner. The lead organization has substantial experience the field for which it applies as well as experience in working with other civil society organizations. Around each consortium a network of interested CSOs is created. Sectors and thematic areas are defined in accordance with the NAD 2014-2017/20, as follows: Justice; Internal Affairs; Public administration reform; Competitiveness; Energy; Environment and climate change; Transport; Human Resources and Social Development; Agriculture and Rural Development and Thematic areas: Culture; Media and Civil society. Each SECO represents one of the sectors, while three thematic areas together make one SECO sector. In order to institutionalize the relations between MEI and SECO, Memorandum of Cooperation with lead SECO organizations was signed in November 2014. CSOs are consulted and are providing comments and suggestions during the preparation and revision of relevant planning documents (i.e. NAD, SPDs) as well as relevant programming documents (i.e. ADs)⁶. Although SECO is a functional mechanism of cooperation there are some challenges that have been defined through SECO report⁷ such as: short deadlines for commenting the large documents; insufficiently developed capacities of SECO organizations (human resources, finances); lack of feedback from NIPAC TS and the fact that institutions are still weakly recognizing SECO, poor/lack of feedback from public institutions and weak/lack of motivation among network members to send their comments etc.

Although IPA related legislation and institutional framework are in place, in the coming period it is important to continue to ensure adequate capacity to implement indirect management programme⁸. In the mid-term period special focus should be given to development of "technical capacities" relevant for contract management and implementation (i.e. tendering, contract management, monitoring, financial management etc.). Additionally more strategic character of IPA and transferring long term priorities and measures into more operational projects can be easier ensured if there is appropriate national legal framework which is ensuring coherent and coordinated policy-making system, both in terms of institutions and strategies. Finally it is necessary to ensure alignment of IPA related legislation with sector specific laws and vice versa. The transposition of key legislation under sector chapters (e.g. EU law on environmental impact assessment, anti-discrimination legislation, public procurement, state aid control, etc.) is a necessary prerequisite for effective implementation of European Structural and Investment funds⁹.

6 Government of Serbia, European Integration Office, Introducing SECO, 2014

7 SECO annual Report, 2016

8 European Commission, Serbia 2018 Report, April 2018

9 Ibid

3. Programming

Programming framework for management of the pre-accession assistance IPA II for the period 2014-2020 is based on national sector and multi-sector strategies and EC programming documents. The planning system in Serbia has been based on more than 105 sector and multi-sector strategies which creates difficulties during the IPA II programming process. Analysis of official policy documents (strategies, plans and programmes) in Serbia performed within PPF 5 project in 2015 with the aim of assessing the situation and issues caused by the failure to enact and implement policy documents, shows that only 26.4% of these documents contain some sort of financial plan or indicate funds necessary to achieve their objectives, only 58.2% of all strategies are accompanied by action plans, some 86% of all action plans adopted have valid effective periods, only 17% of policy documents adopted include both financial and action plans with valid effective periods, in contrast with the 34% that lack clearly defined guidelines in the form of financial or action plans.

In Serbia, the national strategic document which has been used in the planning process is National Priorities for International Assistance (NAD) 2014-2017, with projections until 2020. NAD represents the major programming document covering all sectors and policy areas which are assessed to be significant in preparing the country for EU accession and its socio-economic development. In June 2018 preparation of the next generation of the NAD, covering period 2019-2025, started with the technical assistance of PPF 7 project to NIPAC TS.

From other side DG ELARG formulated the Indicative Strategy Paper-ISP for Serbia that is the overarching document to guide IPAAI 2014-2020 programming process. The ISP has been based on the inputs provided during direct consultations undertaken between the EC and the beneficiary country. Similarly, an indicative Multi-Country Strategy Paper 2014-2020 highlights priorities and conditions for horizontal support to sector policies and reforms, including assistance to civil society, regional structures and networks, regional investment support, as well as territorial cooperation including cross-border cooperation programmes. Currently, DG NEAR is revising the ISP and it is expected that a new draft will be shared with Serbian authorities during 2018.

Based on the ISP the Government of Serbia and the EC are preparing:

- Multi-annual Sector Planning Documents (SPDs) for each ISP sector and annual Action Documents (ADs) and Sector Reform Contracts (SRC);
- Multi-annual Operational Programmes for each CBC and Transnational Programme covering period 2014-2020;
- Multi-annual IPARD Programme covering period 2015-2020.

From a more technical point of view, DG NEAR required IPA II planning (SPDs) and programming documents (ADs) to be increasingly based on measurable result indicators that could demonstrate the outcomes and impact of the pre-accession assistance. The Government of Serbia, under SEIO¹⁰ leadership, has successfully designed SPDs 2014-2017, finished programming of IPA 2014/15/16/17 through design of ADs and SRC Preparation of SPDs 2018-2020. Programming of IPA 2018 is ongoing process and it is expected to be finalized during 2018. During the preparation of all programming documents consultations have been organized with the interested stakeholders (Autonomous Province of Vojvodina as well as local self-government association and representatives of civil society organizations through SECO).

In the past years a significant challenge for preparation of quality programming documents was represented by the often anticipated and tight deadlines set for the submission of ADs by the EC. In the case of some sectors such decision severely contradicted the principles of intervention logic, while in other cases it resulted in the need for a more accurate planning. It is impression that the EC has tried to standardize the programming process in all Western Balkan countries instead of taking into consideration frameworks of

10 In 2017 Serbian European Integration Office (SEIO) has been integrated as part of the Ministry of European Integration

individual countries. Therefore, programming process has not been based on standardized programming timetable which will ensure predictability of activities and better coordination¹¹.

So far each year of the programming year was focused on few sectors, while at least one sector had the Sector Budget Support (SBS) as the modality of implementation. Initial exercise of programming SBS was in 2015 for the Public Administration Reform (including Public Finance Management), and then in 2016 in Education Sector and for the Integrated Border Management, which can be observed as the exception from the general rules to cover the whole sector. Although it can be concluded that some of the sectors were not in the focus of the assistance in programming years 2014-2016, majority of sectors had interventions but they were categorized differently, mostly through so called EU Integration Facility¹².

Programming of infrastructure projects is based on the Methodology for selection and prioritization of strategically relevant infrastructure projects, which was approved in November 2013 as part of the NAD 2014-2017/2020. The Methodology defines criteria for projects prioritization in the following sectors: environment (waste and water/wastewater), energy, transport and business related infrastructure sectors. The Methodology is based on three main pillars: 1) Strategic relevance assessment; 2) Institutional capacity at the central and local level and 3) Maturity of the projects for financing and such is basis for creation of the Single Project Pipeline.

Table 1. Overview of the Single Project Pipeline steps based on the Methodology for prioritization and selection

SPP full steps	Situation in Serbia	Comments
Legislative framework		
Infrastructure sectors in the Indicative Strategy Paper	√	Approved by the EC
Methodology formally approved by the Government	√	Approved through adoption of the NAD
Institutional framework		
NIC established	√	
Sector Working Groups (SWGs) established	√	
Technical Secretariat (TS) operational	√	MEI
Steps for assessing strategic relevance and maturity		
Development of long list of projects (IFIs, EUD, bilateral donors involved)	√	Constant update
Preparation of Project Identification Forms (PIFs)	√	
Strategic Relevance Assessments (SRAs) conducted (filtering step)	√	
Gap Assessment Analysis of strategically relevant projects	√	
Preparation of Project Passports	√	
Single Sector Project Pipelines (SSPPs) produced	√	Preparation of the social sector is ongoing
Single Project Pipeline (SPP) produced	√	

11 Interview with Mr. Ognjen Miric, former Deputy Director of Serbian European Integration Office, May 2018

12 EU Integration Facility was introduced in 2014 and it is envisaged as the flexible tool for programming of assistance to complement the needs which might appear in certain sectors in the regular course of country developments, even if they are not strictly interrelated with the outcome of screenings or negotiations per certain chapters, but are nevertheless, directly or indirectly also accession driven. EU integration facility is categorized within the Democracy and governance/Public Administration Reform sector.

It is important to note that in June 2017 Government of Serbia adopted a Decree on the Content, Preparation and Assessment, as well as Monitoring and Reporting on the implementation of Capital Projects which is related to the better capital investment planning of resources from the national budget. However in order to ensure efficient resource allocation Serbia should develop a single mechanism for prioritizing of all investments regardless of the source of financing (national or EU funds)¹³.

As far as IPA II policy areas related to the regional and territorial cooperation (CBC) and agriculture and rural development (IPARD) are concerned, all required documents have been prepared on time. Operational Programmes (OPs) for each CBC and Transnational programmes have been prepared for the period 2014-2020 and approved by the EC. Each OP defines geographic eligibility, and illustrates the general expected results which may be addressed by programme partners within the strategic objectives, together with outline indicators and possible risks.

The process of preparation of the National Strategy for Agriculture and Rural Development (NRDS) for the period 2014-2024 for the Republic of Serbia was carried out by the Managing Authority supported by eight thematic/sectoral Working Groups, established in 2013. Since NRDS was prepared and designed in line with IPARD requirements all comments and suggestions related to the NRDS were used for elaboration of IPARD II Programme.¹⁴ Preparation of IPARD II Programme has started in early 2014. The main focus in the programming process was related to the definition of priority sectors and adequate support measures, taking into account results of sectoral analysis and complementarity of measures of IPARD II program with the measures that will be defined in the National Rural Development Program. By the decision of the EC, IPARD Programme 2014-2020 for Republic of Serbia has been approved in 2015.

Concerning availability of programming documents it can be noted the following:

- SPDs and ADs are not available on any national website.
- Sector Reform Contracts for SBS, as well as information about indicators and their fulfillment and disbursement of SBS tranches are not available on any website.
- All CBC Operational Programmes are available on NIPAC office website (<http://www.evropa.gov.rs/CBC/PublicSite/Default.aspx>).
- IPARD Programme is not available on NIPAC office website, but it is available on the website of the Ministry of Agriculture, Forestry and Water Management (<http://www.minpolj.gov.rs/ipard-program-2014-2020/>) and Directorate for Agrarian Payments (<http://uap.gov.rs/ipard-ii-u-srbiji/>).
- Signed Financial Agreements are not available on any national website, while Sector Agreement in case of IPARD is available on website of the Directorate for Agrarian Payments (<http://uap.gov.rs/ipard-ii-u-srbiji/>).

According to the EC Progress Report “*some progress has been made in programming with the progressive introduction of the sectoral approach under the IPA*”. However there is a proliferation of strategies in some sectors, which need to be consolidated, budgeted and properly linked to budget planning¹⁵.”

Investment prioritization and capital project selection should be performed under single mechanism in order to avoid parallel structures based on the origin of funding. Since effects of SBS are yet not known the EC and NIPAC should evaluate effects of SBS and determine appropriateness of this type of assistance in the future. In addition, taking into consideration broad group of stakeholders and variety of their interests it is obvious that consultation process needs to be organised through appropriate mechanisms and with clear agenda. Therefore, SECO mechanism should be further upgraded and developed. IPA III (2021-2027) should be further built on experiences of IPA II sector approach and the European Commission is strongly encouraged to integrate principles of European Structural and Investment Funds in programming and management of IPA III.

13 European Commission, Serbia 2018 Report, April 2018

14 Government of Serbia, National Strategy for Agriculture and Rural Development (NRDS) for the period 2014-2024, 2017

15 European Commission, Serbia 2018 Report, April 2018

4. Monitoring and evaluation

As it was already shown Republic of Serbia has developed a system, structures and relevant bodies for the implementation of IPA pre-accession assistance in indirect management system. The system of monitoring and evaluation of implementation of international development assistance has been established in Serbia as well. Document National Priorities for International Assistance in the Republic of Serbia (NAD) for the period 2014-2017 with projections until 2020 served as opportunity for establishing integrated system of monitoring and reporting. In line with the IPA Framework Agreement monitoring functions under decentralized implementation system (DIS) are carried out by the IPA Monitoring Committee and where applicable, sector monitoring committees. In the first half of 2015 the monitoring committees at all levels were established. IPA Monitoring Committee is in charge of reviewing overall progress and achievement of objectives of all IPA financed interventions. Sector monitoring committees are formed on sector basis with aim to review technical implementation of IPA funded actions¹⁶. Since 2015 CSOs through participation of SECO representatives are participating as observers in the MCs meetings. As for the IPA CBC programmes, the specific Joint Monitoring Committee exist for each cross-border programme. In the policy area of Agriculture and Rural Development the IPARD monitoring committee has been established in 2015 as well. In addition, NIPAK TS works closely with the European Union Delegation to Serbia on the programs being implemented through centralized management. According to the screening report for Chapter 22 *“Serbia is progressively building up experience in monitoring and evaluation, both within Ministries and other institutions involved in IPA, although the capacity for these functions remains limited.”*¹⁷

As far as evaluation capacities in Serbian administration are concerned they have to further develop since evaluations are carried out mainly by external independent experts. Coordination and organization of evaluation as well as follow up of recommendations is performed by the NIPAC TS. Evaluation reports, developed through participatory process encompassing all relevant stakeholders concerned by the management and implementation of IPA programmes, are discussed by the Sectoral Monitoring Committees and the IPA MC.

What is important to emphasize is that IPA structures involved in the management and implementation of IPA assistance in Serbia currently use the manual system for the implementation and management of IPA. One of recommendations from the screening process for Chapter 22 is that Serbia needs to the set-up of an integrated management information system as well as to build on existing capacities and experience and prepare an overall monitoring and evaluation strategy in the framework of preparation for future ESI funds¹⁸. Concerning availability of monitoring reports and evaluation documents it can be noted the following:

- Notes from the JMC and SMC meetings are not available on the NIPAC office website.
- Evaluation reports are available on the NIPAC office website <http://www.evropa.gov.rs/Evropa/PublicSite/Documents.aspx>

EC Progress Report 2018 stated on monitoring and evaluation in Serbia *“the monitoring committees under indirect management have been set up and meet regularly. The evaluation plan for decentralized IPA funds has been adopted but implementation has not started yet”*¹⁹. Although that monitoring committees have been set up and functioning it is necessary to continue with capacity building for results oriented monitoring and evaluation. Trainings should be organized within national administration as well as for all stakeholders planned to be involved in the future implementation of IPA programmes/projects.

16 Sector monitoring committees have been established for the following sectors: Justice, Home Affairs, Public Administration Reform, Competitiveness, Energy, Environment and climate change, Transport, HR and Social Development, Agriculture and Rural Development, Civil Society, Media and Culture

17 Screening Report-Republic of Serbia Chapter 22 – Regional policy and coordination of Structural Instruments

18 Ibid

19 European Commission, Serbia 2018 Report, April 2018

5. Financial management and control

Republic of Serbia started with the preparations for the conferral of management powers with ex-ante control in 2008 when the Serbian Government adopted the Strategy for Preparation of DIS Accreditation in the Republic of Serbia (DIS Road map). According to the DIS road map, the deadline for achieving DIS accreditation was until December 2011. However Serbia completed the process and received accreditation of the structures and system for decentralized management of IPA funds in March 2014 for the part of the IPA 2013 National Programme for TAIB Component, and for the CBC Programmes with Montenegro and Bosnia and Herzegovina for years 2012 and 2013 (IPA Component IIb). In April 2018, Serbia received entrustment for indirect management of IPA II national action programmes 2014, 2015 and 2016 and for CBC programmes with Bosnia and Herzegovina and with Montenegro.

Regarding the IPARD funds²⁰ allocated to Serbia the request for entrustment of budget implementation tasks for the IPARD programme 2014-2020 was submitted by Serbia in December 2015. In 2015-2016, audits carried out by external auditor and DG AGRI found out that at the time Serbia was not yet ready for the IPARD implementation. Several key issues remain to be addressed in order to be entrusted with budget implementation tasks for the IPARD II programme, including allocating adequate resources and strengthening the capacity of all IPARD bodies and improving implementation procedures. In August 2017, an independent European external auditor began the second external audit of the Serbian implementation structures of the Instrument for the Pre-accession Assistance in the policy area Agriculture and Rural Development. In February 2018 Serbia has been entrusted by the European Commission with budget implementation tasks for two investment measures under the IPARD II Programme. During 2018 it is planned to prepare remaining IPARD measures for implementation.

Under IPA Serbia has established also an operational framework for financial management and control. The tasks of financial management and control of IPA funds are performed by the National Fund which provides support to the National Authorizing Officer in the implementation of control over operational structures. Additionally, Serbia is currently in the process of reforming the public finances and conducting negotiations within the Chapter 32 where process of harmonization of the legislation with the relevant *acquis* is ongoing. Moreover the Public Financial Management Reform Programme 2016-2020 was adopted in November 2015. Within the PFM Program, development and strengthening of the capacities of the function of the internal and external audit as well as systems for managing irregularities and combating fraud have been envisaged.

As a requirement deriving from the Framework Agreement, in the context of the preparation for the conferral of management by the EC for all IPA components the Government established an Audit Authority Office of EU Funds²¹ as functional and financial independent institution from relevant authorities in the system. Functional independence of the Governmental Audit Authority Office for EU funds is ensured through Decree on Government Services while financial independence is ensured by fact that Office is financed directly from the national budget. Upon establishment Audit Authority Office of EU funds was firstly enrolled with the ongoing CBC programmes, while in mid-2014 started with the first systemic audit of the management and control under IPA Component I. Audit Authority Office of EU funds is responsible institution for auditing the functioning of the management and control systems however audit reports are not available on Audit Authority website.

As far as internal audit is concerned as a requirement under IPA, relevant public institutions in Serbia involved in the pre-accession funds management system have regular internal audits in accordance with the domestic public internal financial control regulations. Also new Strategy of Public Internal Financial Control Development in Serbia for the period 2017-2020, with the supporting Action Plan, was adopted.

20 EUR 175 million for IPARD in Serbia has been allocated for the years 2014-2020. Applicants will be able to use grants for up to 70% of eligible expenditure.

21 Decree on establishment of the Governmental Audit Office of EU funds (Official Gazette of the Republic of Serbia no. 41/11 and 83/11)

The Central Harmonization Unit with the Ministry of Finance is leading the process of improvement of the requirements in the area of internal audit and control. EC Progress report 2018 stated on financial management, control and audit that “the national systems were further developed to comply with the requirements for indirect management of IPA funds. A Head of the Audit Authority was recruited, and the capacities of the institution have been strengthened”²².

In 2013 within Department for Control of Public Funds of the Ministry of Finance the national anti-fraud coordination service AFCOS has been established. AFCOS is central contact point for of the European Anti-Fraud Office (OLAF) in the Republic of Serbia. In September 2015 the Government of Serbia adopted a decision on establishment of the Network for the prevention of irregularities and fraud in dealing with the financial resources of the European Union. The Government also adopted the Strategy for combating Irregularities and Fraud in dealing with the EU Funds in the Republic of Serbia for the period 2017-2020, with Action plan for its implementation in October 2017. According to the EC Progress Report 2018 Serbia reports on irregularities and suspected fraud cases via an online Irregularity Management System. Since 2012, 22 cases have been reported through the system, including 12 cases in 2016 and 1 case in 2017. However Report recommends that Serbia needs to further develop a solid track record on investigations and reporting on irregularities²³.

Table 2: Absorption of IPA funds in Serbia²⁴

PRO-GRAMME	MANAGE-MENT MODE	ALLOCATED	CONTRACTED	% CON-TRACTED	PAID	% PAID
IPA 2007	Direct	169,777,025.43	164,059,757.20	96.63%	163,913,170.00	99.91%
IPA 2008	Direct	171,654,301.50	162,830,729.55	94.86%	161,154,102.51	98.97%
IPA 2009	Direct	175,230,308.16	167,958,977.30	95.85%	167,590,918.45	99.78%
IPA 2010	Direct	178,744,279.00	174,751,839.11	97.77%	173,821,564.05	99.47%
IPA 2011	Direct	182,356,810.00	150,811,838.75	82.70%	143,296,699.02	95.02%
IPA 2012	Direct	175,623,995.00	161,207,761.52	91.79%	146,717,637.51	91.01%
IPA 2013	Direct	47,099,000.00	24,452,419.72	51.92%	22,092,208.07	90.35%
	Indirect	138,014,533.00	113,991,255.92	82.59%	55,321,344.13	48.53%
IPA 2014	Direct	123,500,000.00	101,366,196.58	82.08%	67,285,688.60	66.38%
	Indirect	65,590,000.00	18,790,778.79	28.65%	18,790,778.79	100.00%
IPA 2014 – CBC		3,200,000.00	3,200,000.00	100.00%	1,875,640.38	58.61%
IPA 2015	Direct	133,980,000.00	93,784,472.80	70.00%	12,928,408.32	13.79%
	Indirect	72,620,000.00	0.00	0.00%	0.00	0.00%
IPA 2015 – CBC		3,200,000.00	3,200,000.00	100.00%	2,069,332.61	64.66%
IPA 2016	Direct	151,500,000.00	107,075,204.00	70.68%	24,607,054.44	22.98%
	Indirect	15,900,000.00	0.00	0.00%	0.00	0.00%
IPA 2016 – CBC		3,900,000	140,000	3.5%	56,000	40%

According to the data from the above table it can be seen that current absorption rate for IPA 2007- 2013 in Serbia is 83% (contracting rate is 90%). What is more important for assessing absorption capacities in Serbia is absorption rate recorded for the programs implemented under indirect management. Annual program IPA 2013 was implemented under indirect management and recorded contracting rate is 82,59% while absorption rate is 48,53%. However absorption rate after implementation of all contracts remains to be seen in the forthcoming years. Additionally current absorption rates for IPA 2014 and IPA 2015 programmes under indirect management are very low (28,65% and 0% respectively). Taking into account

22 European Commission, Serbia 2018 Report, April 2018

23 Ibid

24 Source: European Union Delegation to Serbia: Cut-off date 17.05.2018

that contracting deadlines for these two programs are approaching (December 2018 and July 2019) there is rising pressure on the CFCU to complete contracting process successfully and prevent de-commitment of the funds.

6. Administrative capacities

According to the available data (June 2017) total number of employees engaged for the implementation of the IPA programmes in Serbia, was 263 (IPARD operational structure excluded)²⁵. However Workload Analysis of the IPA bodies per job position indicates that the number of employees needed for the implementation of the already adopted programmes is 341 in 2018, 325 in 2019 and 332 in 2020²⁶.

Average turnover rate of the staff employed within the system for management of pre-accession funds was 10% in the first six months of 2016. In 2015, average turnover rate was 13% while in some IPA units it was even higher. Average turnover rate in 2017 was 12%. High staff turnover undermines efficient usage of IPA funds as well as preparation for management of future cohesion funds once Serbia joins the EU. If Serbia becomes an EU member it is clear that, under current rules of EU Cohesion Policy, substantially more funds will be at disposal than from IPA especially taking into account that only part of the IPA funds are implemented under indirect management. EC Progress report 2018 for Serbia also point out that there is a problem of staff turnover and staff retention policy still needs to be developed and implemented.

Training and capacity building activities are coordinated and performed by the Ministry for Public Administration in cooperation with the Government Human Resource Management Service and Ministry for European Integration. Human Resource Management Service in cooperation with Ministry for European Integration and the Ministry of Finance has been developing the comprehensive training program “Management of EU financial assistance” for staff engaged in IPA management. Within the Program of General Professional Development of Civil Servants the programme of professional development of civil servants in the area of Managing EU Financial Assistance was conducted in 2016 and 2017. The goal of aforementioned training program was to improve knowledge and competences of staff employed for IPA implementation regarding the processes of planning, programming, implementation, financial management and monitoring of the implementation of the IPA funded programmes and projects²⁷.

Having in mind that poor administrative capacity may hinder the successful and timely implementation of the EU funded programmes and in order to ensure efficient management of future ESIF funds, Serbia will need to reinforce its capacities within institutions dealing with the IPA funds. Experience of pre-accession assistance implementation since 2000, suggests that efficient functioning of the EU funds implementation system require more flexibility of human resource management as well as adequate retention policy within the national administration. Although that there some initial steps have been taken an adequate staff retention policy related to the IPA staff still needs to be developed and implemented. It is of the utmost importance that the Government provides competitive remuneration levels as well as other incentives (promotions, better working conditions, etc.) for civil servants working in the system of the EU funds management in the country. Additionally, it is necessary to establish the recruitment and training mechanism of staff as well as to decrease workload which adversely affects the performance of the system and satisfaction of actually employed staff.

25 NPAA-National Programme for the Adoption of the Acquis-Third Revision, February 2018

26 Ibid

27 Ibid

7. Conclusions and recommendations

Assessment exercise of the absorption capacities for usage of IPA funds in Serbia shown that although Serbia is using pre-accession instruments for the last 18 years there is a need to continue strengthening of absorption capacity especially to implement IPA programs under indirect management. The main conclusions are as follows:

- The institutional framework for the management of IPA has been established and is operational, however technical capacities relevant for contract management and implementation should be further developed.
- As far as programing is concerned Serbia has introduced sectoral approach and developed regularly required programing documents in all IPA policy areas. However there is still problem with the coherency and quality of strategic framework. Additionally transferring long term priorities and measures into more operational projects can be easier ensured if there is appropriate national legal framework which is ensuring coherent and coordinated policy-making system, both in terms of institutions and strategies. As for programing of infrastructure project there is established methodology, however newly adopted legal instruments related to the management of capital investments financed from the national budget create grounds for duality in the system of management of capital investments in the future. However there should be established single mechanism for investment prioritization and capital project selection in order to avoid parallel structures based on the origin of funding. Although that all programing documents are developed through consultative process in order to encompass broad group of stakeholders and variety of their interests in the more effective manner there is a need to further upgrade and develop SECO mechanism. Availability of relevant programing documents (SPDs and ADs), as well as Sector Reform Contracts for SBS and Signed Financial Agreements should be ensured at the NIPAC web site in order to increase transparency in IPA funds management.
- Monitoring and evaluation system related to the implementation of international development assistance has been established and operational in Serbia. However taking into account that this function has been a novelty for the whole administration in Serbia compared to other fields there is necessity for further capacity building both for staff employed in the national administration and among relevant stakeholders. Good practice identified in this field is related to the participation of CSOs representatives through SECO mechanism as observers in the IPA MC meetings. However notes from the IPA MC and SMC meetings are not available on the NIPAC office website while evaluation reports are available.
- Serbia has established also an operational framework for financial management and control as well as necessary structures and strategies related to the combating irregularities and fraud in dealing with the EU funds in the Republic of Serbia. Serbia received accreditation of the structures and system for decentralized management of IPA funds in March 2014 while in February 2018 has been entrusted with budget implementation tasks for two investment measures under the IPARD II Programme. Available data shows that for Annual program IPA 2013, which was implemented under indirect management, contracting rate is 82,59% while absorption rate is 48,53%. However taking into account that implementation is still in progress it remains to be seen what will be absorption rate at the end of the implementation period. However current absorption rates for IPA 2014 and IPA 2015 programmes under indirect management are very low (28,65% and 0% respectively) while contracting deadlines are approaching. Therefore pressure on the CFCU to complete contracting process successfully and prevent de-commitment of the funds within aforementioned IPA programmes is rising. This confirms the need for further development of technical capacities relevant for contract management and implementation.
- In the area of administrative capacities training and capacity building mechanism has been established however available data showed that turnover rates of employed staff in the IPA management system for the last three years are above 10%. Also there is constant lack of sufficient number of

employed staff within the IPA management system. The slow tendering and contracting rates of the accredited structures for indirect management of IPA funds in Serbia are connected with the staff turnover as well. Continuity of engaged staff within IPA structures is very important for efficient management of available funds and also helps new staff to catch up and gain practical experience as soon as possible. Therefore adequate retention policy has been identified as a crucial factor for further strengthening and sustaining administrative capacities for IPA II absorption in Serbia. However, adequate retention policy needs to be urgently developed and implemented in order to ensure sufficient quantity of the qualified staff, able to secure efficient absorption of IPA II as well as preparation of Serbia for management of the future European Structural and Investment funds.

8. Bibliography

1. Commission Staff Working Document Annexes to 2007 Annual Report on PHARE, Turkey Pre-Accession Instrument, CARDS and Transition Facility Country Sections & Additional Information Brussels, European Commission, 2008
2. Indicative Strategy Paper for Serbia 2014-2020.
3. Law confirming the Framework Agreement between the Government of the Republic of Serbia and the Commission of the European Communities on the rules for cooperation concerning EC-Financial Assistance to the Republic of Serbia in the Framework of the Implementation of the Assistance under the Instrument for Pre-accession Assistance (IPA) ("Official Gazette RS – International Agreements", No. 124/07)
4. Law confirming the Framework Agreement between the Republic of Serbia and the European Commission on the arrangements for implementation of Union financial assistance to the Republic of Serbia under the Instrument for Pre-accession Assistance (IPA II) ("Official Gazette RS – International Agreements", No. 19/14)
5. National priorities for international assistance (NAD) 2014-2017 with projections until 2020.
6. National Strategy for Agriculture and Rural Development (NRDS) for the period 2014-2024, 2017
7. NPAA-National Programme for the Adoption of the Acquis-Third Revision, February 2018
8. Screening Report -Republic of Serbia Chapter 22 – Regional policy and coordination of Structural Instruments
9. SECO annual Report, 2016
10. Serbia-ISDACON, Information System for Coordination of the Development Assistance to the RS <http://www.evropa.gov.rs>
11. Serbia 2018 Report, European Commission, April 2018

FINAL CONCLUSIONS

After the assessment of experience with EU pre-assistance funds in 6 Western Balkans (WB) countries, the following general conclusions and recommendations can be made:

1. All 6 WB countries have made use of IPA funds and are investing significant efforts to achieve progress towards becoming EU members, with various levels of success. Bosnia and Herzegovina (B&H) could be described as having the most unfavourable circumstances for IPA absorption, due to its internal political and organisational constraints obstructing the achievement of expected results and sufficient ownership of projects implemented. However, even in B&H case, the overall impact of implementing IPA-funded projects has been described as generally positive, albeit with modest results. In all 6 WB countries, the overall impression is that the IPA has not been used in the maximal scope available.
2. All countries have established legal and institutional framework for using IPA, with again the specific case of B&H inter-cantonal and inter-entity frictions not enabling a unified coordination mechanism for absorption. A new EU coordination mechanism has recently been introduced in B&H, with legitimate hopes of the situation improving to a certain extent. In Albania, there is a call for higher coordination among leading institutions for managing IPA, while Kosovo, along with B&H, remains the only country without the experience of indirect management, which in turn hinders the proper development of NIPAC, Ministry of Finance (CFCU), etc.
3. With regards to programming, all 6 WB countries had to adjust to the IPA II sectoral approach and the principle of partnership between government and non-government stakeholders. In Serbia and Montenegro, important progress has been registered with regards to developing regularly required programming documents in all IPA policy areas, however, there are still problems with coherency and quality of strategic framework. In spite of the introduction of Single Project Pipelines, there is room for improvement of a single mechanism for investment prioritization and capital project selection in order to avoid parallel structures based on the origin of funding. In Kosovo, the involvement of CSOs in the IPA programming phase was described as virtually non-existent, while in Albania and Macedonia, a more structured dialogue among CSOs and IPA structures was recognized as needed. In all countries, Sector Planning Documents, minutes from MC and SMC meetings as well as information on Sectoral Working Groups are not readily available on websites of relevant national institutions, while most of the information regarding Action Documents, Financial Agreements and other important IPA documents, are available mainly on European Commission/Delegation of EU websites and unavailable on NIPAC/CFCU websites.
4. Operational frameworks for financial management and control are overall established, including necessary structures and strategies for combating irregularities, however, more concrete results should be demanded from the practical application of these frameworks. Greater compliance needs to be ensured with regards to deadlines for procurements and payments and in all 6 countries, there are potential issues with meeting final deadlines for contracting of IPA 2014 (and even IPA 2013) supported Actions, particularly with regards to those under indirect management.
5. In all 6 WB countries, there is a problem with overlapping between managing current IPA projects from previous programming years, and planning and programming the upcoming IPA, which significantly hinders the absorption level and puts a significant strain on administrative capacities. With imminent deadlines approaching, either for programming new IPA or for contracting previous Actions, there is a danger of not only the inability to avoid de-commitment or lose new IPA support, but also of creating a trend of producing documents just for the purpose of meeting deadlines, with insufficient time devoted to the quality of content. In turn, such docu-

ments with low quality of content are returned to the beneficiaries by the European Commission more frequently, demanding corrections and improvements, prolonging the overall period of time necessary for going through all the steps of the programming procedure.

6. One of the major challenges recognized in all 6 WB countries regarding IPA absorption, relates to the lack of administrative capacities. Specifically, this entails: insufficient personnel, insufficient training IPA-related training activities, lack of retention policies, loss of institutional memory, high turnover rate, particularly regarding higher officials, lack of financial incentives for administrative personnel involved in IPA and a lack of coherent Government plans and policies which would tackle the aforementioned problems. In those countries with significant experience in indirect management, a significantly lower rate of absorption was registered for indirectly managed IPA Actions, and insufficient capacities of NIPAC, CFCU (and Directorate for Public Works, where applicable) are recognized as a major part of the problem. This is one of the problems with the most urgent needs of being addressed at the highest levels in all 6 countries, otherwise, not only current IPA II will be in jeopardy, but there is a risk of failing to create a solid institutional administrative foundation for future IPA III and, upon EU accession, structural funds absorption. The problem of administrative capacities is particularly poignant in relation to the newest developments in IPA III, which may eliminate financial allocations per individual country and create a common fund for all Candidate countries. In such scenario, awards will be given to best Action Programmes, regardless of the applicant's country, which may increase the imbalance among the WB countries related to EU funds even further.
7. It is recommended that all WB Governments recognize the success in absorbing IPA funds as one of the benchmarks for evaluating their EU accession progress in general. Subsequently, it should be a national priority in every WB country to put greater emphasis on creating a sustainable and trained administrative structure and to increase the coordination among government and non-government stakeholders vis-à-vis creating a unified overview of the country's involvement in strategic planning, programming and implementation.
8. It is recommended that such initiatives are also undertaken on a regional level, where all 6 WB countries would engage in similar reforms for the purpose of increasing their IPA absorption capacities, share experience and good practices, provide mutual assistance where applicable and monitor and inspire one another so the WB region develops as a whole, with no countries significantly left behind. This would render a common EU perspective of WB much more tenable and promising, putting the successful use of EU funds as one of the focal points of progress and development.



Friends of the Regional Convention on the European Integration of the WB

