

**IPA II ABSORPTION CAPACITIES  
REGIONAL RESEARCH**

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Note: The views expressed in this document are those of the authors and do not necessarily reflect the views of the International Visegrad Fund.

Dear friends and colleagues,

Before you, you have the result of a yearlong work on understanding, researching and analyzing IPA II absorption capacities in three countries of Western Balkans with the guidance and experience of Visegrad group countries. Namely, within the framework of the Regional Convention on European Integration of Western Balkans and project “Strengthening EU Approximation Processes in Western Balkans” we have focused on training CSOs to monitor and research capacities and work of institutions in charge of implementing EU pre-accession funds. On one side, our colleagues from V4 provided us with overview of their own experience in this field and lessons learned. On the other side, researchers from Albania, Serbia and Montenegro analyzed current situations in their respective countries with recommendations for future improvements. In addition to this, we included colleagues from Kosovo, Bosnia and Herzegovina and Macedonia in trainings and prepared ground for their formal involvement in the platform of Regional Convention on European Integration of Western Balkans in the following period.

We want to thank our partners on the project for their commitment and valuable contribution: European Movement in Serbia, European Movement in Albania, Research Center of the Slovak Foreign Policy Association, EUROPEUM (Czech Republic), Institute for Foreign Affairs and Trade (Hungary) and Center for Eastern Studies (Poland).

Also, we want to thank International Visegrad Fund which recognized the importance of regional cooperation of such uniqueness actively involving representatives of CSOs and Governments of the region of WB and V4.

In the end, we want to thank everyone who took part in the implementation of this project in any aspect.

Sincerely yours,

Team of the European Movement in Montenegro.



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# Structural funds in the early post-accession period of 2004 – 2006 in the Czech Republic and V4 – lessons learned

*Michal Vít<sup>1</sup>*

## Introduction

The most significant feature of the entire issue of making use of EU funds in the Czech Republic is the incapability of the Czech political structures and state administration. The massive redistribution of financial resources has led to a limited absorption capacity at all administrative, political, and economy levels. Although 99.5 % of the allocated financial resources in the period 2004 – 2006 have been used, the following financial period (2007 – 2013) brought dramatically different results. The final estimations show that the Czech Republic was able to successfully use only between 50 and 60 % of the allocated funds. Contrary to this, Slovakia was evaluated as a very effective member state in case of use of the EU funds.

The paper deals with the issue of lessons learned from the early post-accession period – why such a drop of effectiveness has come? What were the reasons and what lessons have been learned out of it? It looks into key differences in different effectiveness among V4 countries when it comes to use of the EU funds.

## Context

### 1) Decentralization of funds' structure

To evaluate the enormous reduction of resources gained from the EU funds, one should take a look on change in the power structure of Czech politics. This goes, again, in the same way as the critique of administrative reform launched in the 2000. After the 2002 first regional election, the new political source of power came into reality, namely the regional councils. This caused the rise of new 13 political sub regional centers (according to the number of regions) in each parliamentary political party. Despite the fact that the Czech Republic was and still is a highly centralized state, it opened space for rise of new power centers without any significant identity ties to the regions. In addition to this, newly created regional councils in many cases did not correspond with historical regional divisions – such as in case of Olomoucký, Pardubický, Karlovarský, or Ústecký region. The matter of lacking identification was also shaped by the fact that these areas suffered from changing composition of population after the 1945 when ethnic Germans were substituted by people of multiethnic and multicultural origin. In this context, creation of regional division that was forced by the EU accession process has been faced by very rigid starting conditions. In regard to the Structural Funds it also meant that these regional structures gained significant

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share of control over financial resources. Evaluating this very first step from current perspective, it meant that there was a possibility to control huge amounts of finances which was perceived from perspective of political power than as a source for regional or trans-regional improvements in the first place. When it comes to the responsibility for implementation of regional funds, it was divided among ministries involved and regional offices (NUTS II offices) into Regional Operating Programs (ROP) with representation of individual regions). In addition to this, the control function of regional operation programs was not assigned to the Ministry of Regional Development or to Ministry of Finance, but to quasi-independent regional bodies, speaking about regional funds. In the context of the 2007 – 2013 budgetary period, the centralized system of the 2004 – 2006 period has gained more deliberative elements such as decentralization. Due to the rise of relevance of the regional centers, it was argued that regions would be the most able to define the key areas for implementing the regional fund. In this context, the implementation relies on decision made on behalf of NUTS II unit, in the case of the Czech Republic within Regional Operation Program. In this context, it has to be mentioned that number of number of this decision making bodies does not correspond to the number of de iure regions.

## 2) Level of control

With the rise of influence of regions in terms of power, the administration system of managing the EU regional funds was designed. Contrary to the previous period 2004 - 2006, the regions (more specifically NUTS II units) were given significant autonomy in decision, monitoring, and evaluation making processes of applying individual operational programs. In the situation when the level of identification with the region as well as the EU as such was rather poor, and most importantly, the level of regional decision makers were able to understand the role of regional funds in broader perspective. Contrary to the previous period, each ROP has got responsibility over setting and full management of funding structure. The rise of demand for full control over project funding structure goes hand in hand with developing of regional council as significant political power. This meant that individual project calls were aimed to be tailored to the need of the individual regions. However, these regional councils failed to justify this demand for competences. Looking at the difference of 2004 – 2006 and 2007 – 2013 funding period, the main evidence of failing responsibility of regions is the high deficiency of financial resources approved by the regional councils and amount of resources certified by the European Commission. Due to lack of confidence of the EC nine of thirteen operational programs as well as certification of projects approved by Plzeňský and Ústecký regions were suspended from certification between 2012 and 2014.

From broader perspective, the implementation of elements of subsidiary system when having not sufficiently developed broader identification of citizens with region have caused that decision makers were not able to implement projects with long term perspective. Since the Czech Republic was economically the most advanced country in the CEE region (and being candidate country in post 200 period) the demand for developing for example strategic transportation projects was missing. In addition to this, there was also lacking need for solving deep social disparities as it was in case of Roma people in Slovakia. This has caused many cases of corruption or implementation of various projects with disputable added value.



### 3) Absorption capacity

Analyzing impact of structural funds on public administration, one has to distinguish between two main streams. Firstly, funds dedicated to national level coordinated by individual ministries such as transport, education, or health. Secondly, fund programs coordinated by individual local regions. Looking at the local level, it is evident that opening setting and execution of programs dedicated to very local level was not followed by implementation of same procedures. As a consequence of this, management and implementation of regional funds in the period 2004 and 2006 did not meet with ability to act effectively and according purposes of its use. In this regard, one cannot omit the fact that individual regions were hardly able to identify effectively their needs to be connected with the regional funds as well as to get used to administration and management of funds. This lead to tensions between national and regional level when it comes to setting indicators for individual streams, their evaluation, and flexibility during implementation of individual projects.

Firstly, the main problem of setting priorities for programs of regional funds was wrongly set indicators belonging to national instead regional level such as in case of issues connected to employment. Secondly, there was only limited space for accommodation of reality of implemented projects to this misfit. At the same time, there was weak motivation to change regionally tailored priorities. This has shown weak role of the main coordination body of regional fund system. In the evaluation of the 2004 – 2006 funding period, this was the main point of critique towards setting of funding system. When it comes to the identification of priorities of individual streams, they were often oriented towards needs of organizations operation in specific field instead corresponding with national strategy of specific field. In addition to this, wide scope of overlapping priorities did not reach the goal of changing individual policy formulation. This lowered impact of individual projects' outputs in order to reach impact in case of individual projects as well as broader policy formulation. Nevertheless, the experience of the 2004 – 2006 period led to decrease of used funding possibilities in the 2007 – 2013 period. In this regard, the learned lesson was not transformed into positive change in both funding and policy dimension. Although individual regions have developed its identity over the time and were able to determine regional development goals, the decrease of successful projects is connected mainly with unclear setting and fulfilling policy goals on regional level. In other words, regions were not able to determine the gains and advantages of regional funds in full scale.

Weak points of the funding system within the 2004 – 2006 can be thus summarized as follows:

- Uncoordinated dissemination of information about structure and implementation of funds from national perspective
- Disparity of attractiveness of individual project streams such and dominance of transport over social issues (connected also with limit of absorption capacity of public administration)
- Complicated application and monitoring system: time consuming evaluation system, unsatisfactory training of project streams evaluators, and different quality of consultation companies offering services in field of EU funds
- Requested pre financing of the project and/or high share of co-financing lowering number of various applicant from civic sector or municipalities
- Differentiated setting of individual program streams within regions as well as ministries<sup>2</sup>

2 [http://www.strukturalni-fondy.cz/getmedia/1387f6d9-4b7a-4aa8-9434-76b383474548/110912\\_Ex-post\\_Zaverecna-zprava-ex-post-evaluace.pdf?ext=.pdf](http://www.strukturalni-fondy.cz/getmedia/1387f6d9-4b7a-4aa8-9434-76b383474548/110912_Ex-post_Zaverecna-zprava-ex-post-evaluace.pdf?ext=.pdf) and [http://nf.vse.cz/wp-content/uploads/fewpp\\_article-cerpani-SF-zimmermannova-brown.pdf](http://nf.vse.cz/wp-content/uploads/fewpp_article-cerpani-SF-zimmermannova-brown.pdf)

Above mentioned points were aiming to define weak points of the 2004 – 2006 period, nevertheless, there have been undertaken major improvements on the national level. This is the case of implementation legislature measures to improve impact of individual projects when formulating specific policies. This was also taken as a lesson learned into following period of the 2007 – 2013. Above these issues, there has to be mentioned one more point that can be evaluate from broader perspective – impact of the EU interventions into selected business sectors in order to increase employment in economically excluded areas. These interventions have been often executed without considering broader impact for individual companies. This follows the critique targeting ability of public administration to evaluate impact and appropriateness of the EU funds in terms of state intervention.<sup>3</sup>

Speaking about side of beneficiaries, the most relevant critique towards management of structural funds was the issue of pre financing mechanisms and demands connected with administration and set strict rules and procedures. Paradoxically, setting of procedures is a competence of individual ROP as well as control mechanisms. Smaller municipalities or civil society organizations were not enough financially strong to finance preparation phases and to invest requested amount of finances. As a consequence, it led to smaller absorption capacity of individual regions and lower transformation effect in general on policy level. When it comes to the priorities set in order to the preparation of the 2007 – 2013, more extensive coordination of setting project streams was needed. Fitting into priority framework emphasizing knowledge based economy, support of education and human resources, as well as transportation, role of individual regions has significantly decreased when it comes to specific needs and priorities. However, these projects have been used for co-financing of already existing projects and infrastructure such as in secondary or tertiary education.

#### 4) Politicizing issue of the EU funds<sup>4</sup>

Hand in hand with above mentioned issues leading to difficulties when it comes to the public administration the political dimension cannot be omitted. Beside often ineffective management and evaluation system on both regional and national level, one of the main reason for ineffective use of EU funds in the 2007 – 2013 period was the corruption. This has led to postponing of certification of finances already used and even to interruption of funding selected ROP as such. As a consequence of this, the main focus was given on crisis management to secure existing funding structure instead strategic thinking about effective implementation of resources. The level of corruption raised especially within ROP with high number of priorities and complicated evaluation system. From the broader perspective, it was the case of regions where is long term political and social identification with the region is rather weak – such as in case of Ústecký or Karlovarský region. As a result, during the 2007 -2013 the funding system has strengthened weak elements of decentralization which demanded in the 2004 – 2006 period. Namely incompetence in setting priority streams in both regional and national context and ineffective management system which resulted in increasing role of regional political representation. The participation on control over ROP opened space for rise of clientelism as well as corruption in various sectors. As an example can be the case of currently (2016) jailed director one of the ROP office Petr Krušniezer for developing corruption system. It was proved by investigation that he requested from each approved project 10 % of share of financial resources as a kind of fee for approving the project. This was

3 As it is the case of polygraphy industry in the Czech Republic and interventions of Ministry of Industry in order to increase employment in socially excluded areas.

4 [https://cs.wikipedia.org/wiki/Kauza\\_ROP\\_Severoz%C3%A1pad](https://cs.wikipedia.org/wiki/Kauza_ROP_Severoz%C3%A1pad)

naturally followed by implementation of projects where use of financial resources was not very effective and having broader multiplication effect such as development touristic infrastructure in areas everything but touristic (mining and heavy industry areas).<sup>5</sup>

## 5) Example management of the EU projects in Jihomoravský region

Following example touches the issue of communication between CSO and management office of one specific ROP, namely in Jihomoravský region. It is to show that despite problems with management and evaluation of project streams, there exist examples of good praxis. The main emphasis is given to communication between representatives both ROP and CSO in order to increase effectivity of the funding system. The case show the praxis of using and evaluation of projects in field of education in Jihomoravský region in the period 2007 - 2013 (developed according analysis of Křepská 2015).<sup>6</sup>

The project calls in the operation program Education and Competitiveness (on regional level) has been developed following Educational plan of Jihomoravský region as well as with regional Chamber of Commerce. In this particular case, most of beneficiaries were elementary or high schools. In addition to this, almost 10 % projects were run by CSO and 10 % by NGO run by office of region. All four calls were prepared following the regional strategy on education. The main issue that avoids broader multiplication and sustainability of implemented project is often national regulation of specific area, in this case elements of inclusive school system. Following the example of projects' implementation Jihomoravský region, the projects outputs have been discussed with representatives of regional council as well as regional office of Chamber of Office in order communicate these findings on level of Ministry of Education as well as at level of Parliament. At the same time, representatives of applicants (mainly NGO and CSO) articulated their critique when it comes to monitoring and evaluation of individual projects within mentioned program towards representative of regional office as well as to office of ROP. There were two main points of criticism. Firstly, administrative demands for evaluation and monitoring of projects were differentiating when it comes to two separate programs announced by the same office. Secondly, the aims of the program were contradicting with design of national policies, in this particular case inclusion strategy in the Czech education system. Therefore, effects of individual projects meet their limits of broader spreading. However, it can also serve as first step for broader policy formulation and consequently policy change.

## 6) Lessons learned

The experience shows that for successful implementation of the EU funds plays crucial role well developed national strategy that meets needs of different regions. It has to be also distinguished whether the aim of funds is to develop new social or transport infrastructure or to improve already existing system. As shows the case of the Czech Republic, accommodating funding system into specific needs of regions led to democratization of decision making process, but at the same time it failed to follow broader national strategy of individual policies. In addition to this, decentralized system contributed to raise of regional oligarchs seeing the funds as a source for financial profit and (regional) power. Basic element of development of any funding structure has to be strict split of decision making level with monitoring and controlling. As shows case of

5 [http://nf.vse.cz/wp-content/uploads/fewpp\\_article-cerpani-SF-zimmermannova-brown.pdf](http://nf.vse.cz/wp-content/uploads/fewpp_article-cerpani-SF-zimmermannova-brown.pdf)

6 [https://is.muni.cz/auth/th/370152/esf\\_m/diplomka\\_Krepska\\_final.pdf](https://is.muni.cz/auth/th/370152/esf_m/diplomka_Krepska_final.pdf)

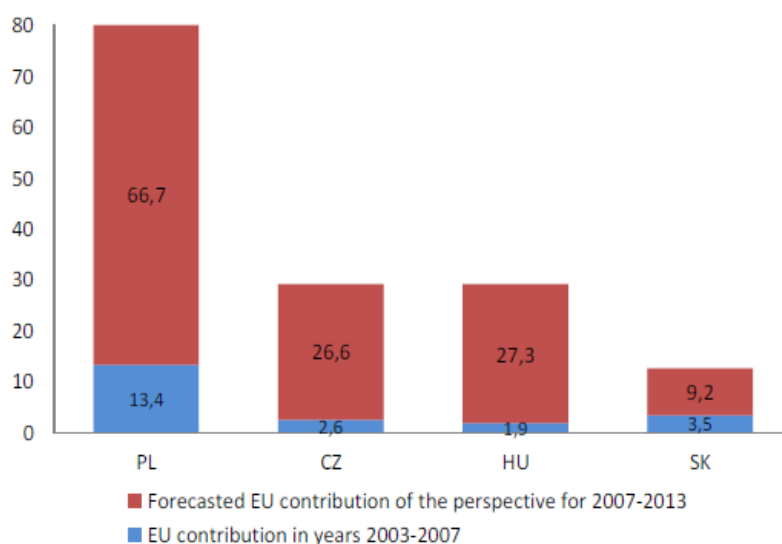
Slovakia, such implementation is possible – system of regional funds respects needs of regions when it comes to approving of project application, but setting overall policy priorities as well as monitoring elements are executed from national perspective. Lastly, setting of funds' structure has to consider the level of country's infrastructure and real needs both public administration and NGO/CSO sector.

## 7) Regional similarities and differentiations

Closer look to Slovakia shows some similarities when it comes the comparison with the Czech Republic. It means the despite the fact that the regional funds have been coordinated by Ministries for regional development in both countries, due to significant problem with absorption capacity management of structural funds was transfer to different bodies of the executive. Implementation of the structural funds was conducted by Ministry of Construction and Regional Development of the Slovak Republic (MCRG SR), which merged with the Ministry of Transport and in 2010 took over the responsibility for the EU funds which was then belonged to the Government Office. Then it was the governing bodies of the funds overseeing the implementation of the programs. Both countries also share difficulties when it comes to implementing administrative reform as well as its suitability to the NUTS II division. Contrary to the Czech Republic where independence of NUTS II division corresponded also with independent on funding priorities and its management, Slovak model is based on centralized funding priorities setting managed and implemented on level of NUTS II. Similarly to the Czech Republic, key project priorities of the 2004 – 2006 period were oriented towards policies against social exclusion and employment.

### Overview of finances allocated to the V4 countries in the 2003 – 2013 period

Figure 9. EU contribution in two financial perspectives in V4 countries in EUR billion



source: IBS 2011: 20<sup>7</sup>

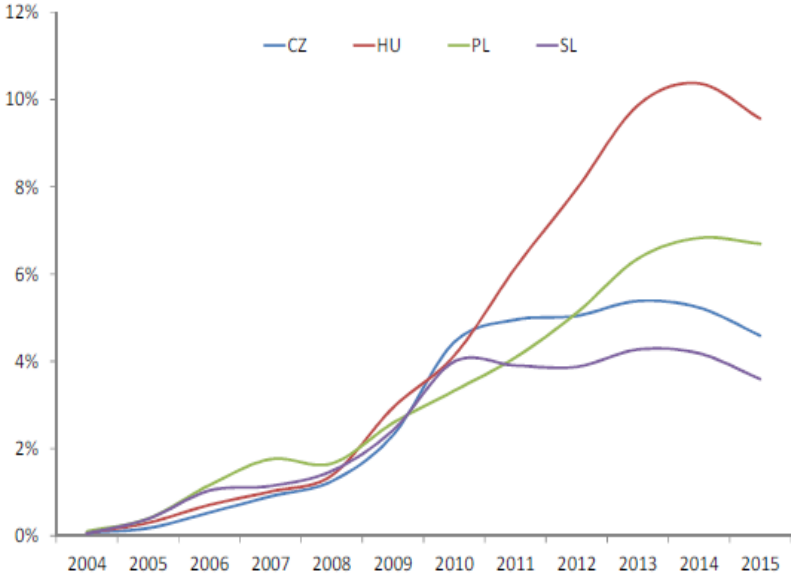
However, according the Transparency International Etický kódex a pakt integrity vo verejnom obstarávaní (*Code of Ethics and Integrity Pact in Procurement*) report one of the most crucial

7 See more details here: [http://ibs.org.pl/app/uploads/2016/07/IBS\\_Report\\_01\\_2011.pdf](http://ibs.org.pl/app/uploads/2016/07/IBS_Report_01_2011.pdf)

issues in evaluation of implantation process of structural fund is lack of transparency. To make the process more transparent they recommend to act according to the Law on Free Access to Information from 2000 and to publish agreements between external actors in the process. This leads to a “proactive policy” towards the public on sharing information. In the partnership fund management the recommendation is aimed at the strict definition of the partnership and carefully crafted list of rules and procedures among the responsible bodies within the process.

Examples of Hungary and Poland show significantly different patterns. Firstly, both countries centralized management and priority setting of the EU funds under supervision office of government. Secondly, financial resources were used for development of infrastructure (both transport and employment) with much greater extent than in case of the Czech Republic and even Slovakia. This means that in both countries EU funds were used primarily to develop infrastructure that could not be able to be financed using national resources. As a consequence of this, both governments took much closer look on management and implementation of projects. This resulted into much higher share of finances used than in the Czech Republic and Slovakia (see table below).

**Table: Share of EU Funds on the GDP of V4 countries**



Source: own elaboration (IBS) based on results of the EUImpactMOD V4 simulation

Source: IBS 2011: 28

**Table: Development of motor and rail networks**

	2000	2005	2009
<b>Czech Republic</b>	499 km	564 km	729 km
<b>Hungary</b>	448 km	636 km	1273 km
<b>Poland</b>	358 km	552 km	849 km
<b>Slovakia</b>	295 km	327 km	391 km

Source: IBS elaboration based on Eurostat data

As the comparison shows, Hungary and Poland proved the significant rise transport infrastructure has been also followed by high percentage funds used during the 2007 – 2013 period. In addition to this, in both countries EU funds are highly centralized under the governmental office not assigned to ministries as it is for example in the Czech Republic. The argument for this is the request for effectiveness and better control. However, the issue of transparency and public control has to be raised. In this context, it is questionable whether centralized system increases transparency in comparison to decentralized system such as in the Czech Republic. However, it is evident that the Czech Republic and partly Slovakia faced severe issues of control of the EU funds followed by criminalization of persons responsible for EU funds management and also postponed certification individual program by the EU. In broader context the experience with the EU funds in the V4 countries has shown that in case of need for development of key infrastructure projects, the money assigned are used with higher effectiveness. However, it limits number of direct beneficiaries (in terms of direct individual applicants) of the projects contrary to emphasis on development of higher education or social projects. In this context, it should be also mentioned that democratization of decision making process as well as management of the system did not meet appropriate results in terms of effectiveness and justification of some projects results without direct impact on national policies.

**Based on above mentioned, conclusions can be summarized as follows:**

- key aspect is appropriate and sensitive regional reform for effective use as well as management of the EU funds
- setting of funding structure has to correspond with level of policy change as a result of individual projects
- effective system of the EU funds – in a result centralized – means limited number of applicants

Instrument for Pre-Accession Assistance (IPA)<sup>9</sup> is designed as a tool of the European Union for support of reforms in the candidate and potential candidate countries. In 2007, it replaces all the previous tools used by the EU, such as: PHARE, PHARE CBC, ISPA, SAPARD, CARDS and the financial instrument for Turkey. Montenegro receives EU financial support since 1998 and through EU tools in period between 1998 and 2010 it ensured 408.5 million Euros, including CARDS assistance worth 277.2 million EUR. EU funding of this kind never covers the full amount of the expenses necessary for specific set of reforms and investments, it is a partial assistance and state is required to ensure its financial means.

As previously stated, candidate and potential candidate countries can be beneficiaries of IPA and the difference is that the candidate countries can use all five components, while potential candidates can only use the first two. According to NIPAC<sup>10</sup>, Montenegro has contracted 93% of available funds, out of which and 78% were paid, while in the area of Cross-Border Cooperation, 70.7% funds were contracted and 63% were paid. This refers to period covered by IPA I and in total, Montenegro used 235.7 million EUR. Although Montenegro has been considered as a leading country in the region with respect to the percentage of usage of IPA funds, there are several indicators which show that there is lack of transparency and that numerous improvements should be made through the implementation process of IPA II. Thus, this paper will deal with peculiarities of the new IPA structure, functioning and transparency of this process in Montenegro especially regarding the involvement of CSOs and possible solutions in the future.

## 1. IPA 2014-2020 – changes and priorities

### 1.1. Lessons learned from IPA 2007-2013

Ever since 2007 IPA was in place and its existence can be divided into two phases: IPA I (2007-2013) and IPA II (2014-2020). IPA I was divided into five components:

- Assistance for transition and institution building;
- Cross-border cooperation (with EU Member States and other countries eligible for IPA);
- Regional development (transport, environment, regional and economic development);
- Human resources (strengthening human capital and combating exclusion);
- Rural development.

<sup>8</sup> Mila Brnovic is a Program Coordinator in the European Movement in Montenegro

<sup>9</sup> Established by Council Regulation (EC) 1085/2006 of 17 July 2006

<sup>10</sup> <http://www.delme.ec.europa.eu/code/navigate.php?id=3177>

Here is a table<sup>11</sup> with data on the expenditure of IPA funds per country:

Država	2007	2008	2009	2010	2011	2012	2013
<b>Albanija</b>	61.0	70.7	81.2	94.1	94.4	94.5	95.3
<b>Bosna &amp; Hercegovina</b>	62.1	74.8	89.1	105.3	107.4	107.8	108.8
<b>Hrvatska</b>	142.2	146.0	151.2	153.5	156.5	156.1	93.5
<b>Makedonija</b>	58.5	70.2	81.8	91.6	98.0	101.8	113.2
<b>Island</b>	---	---	---	---	12.0	12.0	5.8
<b>Kosovo*</b>	68.3	184.7	106.1	67.3	68.7	68.8	71.4
<b>Crna Gora</b>	31.4	32.6	34.5	33.5	34.1	35.0	34.5
<b>Srbija</b>	189.7	190.9	194.8	197.9	201.8	202.0	208.3
<b>Turska</b>	497.2	538.7	566.4	653.7	779.9	860.2	902.9
<b>Više korisnički Program</b>	129.5	137.7	188.8	141.7	186.2	176.2	177.2

Tabela 3. Pregled trošenja IPA sredstava u periodu 2007-2013 (u milionima EUR).

\*Prema UN, Kosovo je "pod Misijom UN administracije (UNMIK) u skladu sa Rezolucijom 1244/1999 Saveta bezbednosti UN."

In the Report of the European Commission to the European Parliament from 2014, there are two main conclusions regarding shortcomings from IPA 2007-2013:

1. Although EC states that significant changes and improvements have been achieved what is lacking and needs to be addressed in the following period is: "increased ownership of the programmes, and local administrative capacity. The need to assign clear priority and increased funding to this area was also pointed out."<sup>12</sup>
2. Second shortcoming relates to the lack of flexibility of programmes therefore influencing the success of the outcomes being transferred into results. This especially relates to the national management of IPA funds. "Beneficiary management capacity takes time to improve after management power has been conferred to national contracting structures, meaning that ownership therefore needs to be improved."<sup>13</sup>

There are additional shortcomings of IPA 2007-2013 and additional reasoning behind those recognized by the EC:

1. *Institutional Ownership*: projects are implemented by small group of experts without involvement of wider expert community. Thus, projects are less legitimate and their outputs are not adequately accepted.
2. *Annual Planning*: mainly relates to the fact that outputs and results of the project are rarely being scrutinized and checked, rather the new ones replace them.
3. *Availability of Components*: meaning that the fact that potential candidate countries could only use funds for two out of five components prevented them from developing as quickly as candidate countries.
4. *Lack of Strategic Component*: in practice, projects were grouped according to the general field but they were not complementary and did not serve joint strategic purpose, they were rather isolated in their goals.

11 From Publication „Let’s talk about IPA II“, <http://bankwatch.org/documents/toolkit-IPA-II-SR.pdf>

12 [http://ec.europa.eu/enlargement/pdf/financial\\_assistance/ipa/2014/2013-ipa-report\\_en.pdf](http://ec.europa.eu/enlargement/pdf/financial_assistance/ipa/2014/2013-ipa-report_en.pdf) p. 9

13 [http://ec.europa.eu/enlargement/pdf/financial\\_assistance/ipa/2014/2013-ipa-report\\_en.pdf](http://ec.europa.eu/enlargement/pdf/financial_assistance/ipa/2014/2013-ipa-report_en.pdf) p. 10



## 1.2 Priorities and structure of IPA 2014-2020

IPA II for period 2014-2020 proposes some novelties to address previously stated shortcomings. The most important one concerns strategic approach. Namely, there are Country Strategy Papers are developed for a seven-year-long period for each of the countries allowing for more focus on specific countries taking into account their different needs. Thus, EU wanted to achieve more tangible, adequate and lasting results in different priority areas.

Beneficiaries now are: Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo, Montenegro, Serbia, and Turkey. This means there is no differentiation of available funds between candidate and potential candidate countries.

In addition to this, it has more sectoral approach in pre-defined areas in line with the priorities of the enlargement policies. Within these strategies, indicators are determined in order to ensure simple options of following up with the measurement of the effect of actions. Indicative Strategy Paper for Montenegro clearly states: “The Instrument for Pre-accession Assistance (IPA II) 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 regional development, (c) strengthening the ability of the beneficiaries listed in Annex I to fulfill 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.”<sup>14</sup>

There are no components any more, those are now priority sectors and for Montenegro within IPA II (2014-2020) they are:

- 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

The overall available funds for this period are 270.5 million EUR, which is 10% bigger than what was used within previous IPA (2007-2013). In the table<sup>15</sup>, you can see detailed numbers regarding EU's allocation of IPA funds, while it is important to notice that it can differ during years, these are not mandatory amounts of funds per year. Also, table excludes cross-border cooperation funds.

Montenegro	2014	2015	2016	2017	2018-2020	Total 2014-2020
Democracy and governance		29.1			17.8	46.9
Rule of law and fundamental rights		31.6			20.7	52.3
Environment and climate action		18.8			18.7	37.5
Transport		20.2			11.8	32.1

14 [http://ec.europa.eu/enlargement/pdf/key\\_documents/2014/20140919-csp-montenegro.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-montenegro.pdf) p.3

15 [http://ec.europa.eu/enlargement/instruments/funding-by-country/montenegro/index\\_en.htm](http://ec.europa.eu/enlargement/instruments/funding-by-country/montenegro/index_en.htm)

Competitiveness and innovation	12.3				8.9	21.2
Education, employment and social policies	15.3				12.8	28.1
Agriculture and rural development	24.7				27.7	52.4
Total	35.9	35.6	37.5	39.6	118.5	270.5

It is important to note that according to the IPA 2014-2020 priorities it is possible, after mid-assessment of implemented goals, for EU to grant additional funds to those countries which are the most successful. This is an important novelty, since it can be a driving force, especially if we take into account that project implementation was delayed in the previous period in Montenegro.

Regarding Multi-Country IPA assistance, there are four channels: 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).

When it comes to regional and territorial cooperation, 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)
- 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.

In order to better understand the chain through which IPA planning and programming goes, please take a look at this pyramid:



Grafikon 1. Piramida koja pokazuje proces programiranja IPA II, počevši od vrha.

## 2. Implementation of IPA 2014-2020 in Montenegro

### 2.1 Legislative and institutional background

Beneficiaries of IPA can be ministries, organs of public administration, local self-governments, public institutions, universities, non-governmental organizations and associations. Since this paper focuses on funds used by the public sector, it will present legislative and institutional framework which this cooperation is based upon.

As already mentioned, Framework Agreement between the Government of Montenegro and the European Commission is the basis for the usage of IPA funds in the period 2014-2020. Further on, 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.

From the side of the EU, European Commission is in charge, on the other hand in Montenegro, there is *National IPA Coordinator (NIPAC)*. Namely, in 2012, Government of Montenegro appointed Ambassador Aleksandar Andrija Pejovic, who is chief negotiator for the accession of Montenegro to the EU, to be National IPA Coordinator. He is in charge of coordinating assistance within IPA and management of the approximation process and the process of coordination of programmes within each of the priorities. This also includes cross-border and transnational projects. He reports to the European Commission annually.

Beside NIPAC's coordination role, another institution has the role of *National Accreditation Office (NAO)*, which has a role to approve budgetary expenditure and control budget management by all the other institutions and it is supported by Directorate of National Fund. Naturally, this is the role of the Ministry of Finance. Additionally, Special Programme Officer (SPO) is in charge of the unit for implementation of projects in the ministries and there are operational units, which correspond to ministries.

“The key document which defines national priorities for IPA II support is ISDCG (Indicative Strategy Paper for Montenegro 2014-2020). This document defines concrete modes of support necessary for achieving objectives in select sectors, whereas the planned support must be based on priorities defined in national and EU strategic documents, and they must be focused on the areas which require more notable improvements for preparing the country for EU membership.”

This documents sets out the background, planning priorities and main obstacles for Montenegro, which are necessary to be addressed with IPA II. As one of the biggest issues, this strategy emphasizes administrative capacities. This relates to both lack of capacities at national and local level, but also lack of professionalism, transparency and integrity. Additional issue when it comes to administration refers to planning. Namely, there is lack of horizontal cross-sectoral approach in terms of project planning. What Strategy recognizes as an issue is necessity for the Strategy on the reform on public financial management. In the meantime, in 2015 Programme of Reforms for Management of Public Finances was adopted and its implications are yet to be seen.

Beside this document, following strategies are relevant for the implementation of IPA II:

- The Accession Programme of Montenegro (2014-2018) – due to the fact that it lays out the plan of administrative capacity building for Montenegro in order to be able to fulfill obligations stemming from membership.
- The Montenegro Development Directions (MDD) 2013-2016 – sets out development

priorities for the following period, such as: Tourism, Energy, and Agriculture and Rural Development.

- The Pre-accession Economic Programme (PEP) 2014-2016: “aims at determining the appropriate economic policy and structural reforms, as well as at developing institutional and analytical capacities for participating in the multilateral surveillance procedures of the Economic and Monetary Union (EMU)”

## 2.2. Findings of the Research – results of implementation of IPA II

As most of the processes stemming from the accession negotiations, legislative framework is in place, implementation is an issue. First of all, all ministries publish information and their reports, regularly although there are no annual reports on usage of IPA funds available.

Concrete indicators we followed in order to assess current state in institutional readiness for proper implementation of IPA II were: number of people employed in IPA structures, level of their training for IPA implementation, involvement of CSOs, availability of Sectoral and Financial Agreements, availability of minutes from the Joint Monitoring Board, irregularities in usage of IPA funds and ration between available and spent funds for 2014 and 2015.

Since NIPAC and NAO are two addresses to be contacted regarding these information, due to the fact that IPA II is sectoral, we only received partial information. On one side, from NIPAC office we were provided with all the information, with different level of precision.

Regarding the **availability** of the documents, which is a number one indicator of transparency, Sectoral Agreement is available, Financial Agreements are available, but Reports from the meetings of Joint Monitoring Board of IPA are only available as press releases.

**Human resource** aspect of implementation of IPA is not an available information to the public, since official documents available on web sites do not have differentiation of IPA specialized staff and NAO did not provide us with any of the requested information. What could be found on their website through their annual reports are claims of improved and intense trainings of staff but without precise data.

In the Report on the Implementation of Action Plan for fight Against Frauds with EU Funds for period of 1 May 2014 to 31 December 2015, Ministry of Finance states that two activities which have not been realized up to that point were: Informing public servants with the policy of prevention in the management system of IPA Programme and Strengthening the system of reporting on confirmed irregularities. The reason for not fulfilling the last criteria was that Ministry was waiting for the European Commission to organize this type of training for public servants.

Regarding **irregularities** or potential abuse of IPA funds, not a single case was recorded. In Ministry's of Finance annual report, they state that they conducted three check-ups of budgets:

- Annual and/or Multiannual Action Programmes (CAP)
- Programmes of Cross-Border Cooperation
- Programmes of Rural Development.

Not a single irregularity was found.

Concrete **numbers of funds** spent in these two years are unavailable at the state level. We received information only about allocated funds for 2014 (39,5 million EUR) and 2015 (35,6 million EUR). In addition to this, specific ministries gave us information about funds they have spent through this mechanism, some examples are:

1. Ministry of Information Society and Telecommunications (220,843 EUR for project of cross-border cooperation),
2. Ministry of Transport and Maritime Affairs (three ongoing projects for environment, transport and technical support within Operational Programme for Regional Development worth 8,868,112 EUR),
3. Ministry of labor and social welfare (implementing Operational Programme “Development of Human Resources” worth 6,568,240 EUR with the share of IPA of 5,583,000 and until the end of 2015 529,340.60 EUR was spent) and
4. Ministry of Agriculture and Rural Development (although 2,7 million EUR was allocated, nothing was spent in this period).

Beside specific data we found on certain ministries and projects, overall picture is still unclear since it can only be provided by NIPAC or NAO. Of course, it is important to note two circumstances:

- Projects and funds allocated annually can be delayed and often take more time of realization since they are with longer impact and outcome. Considering that IPA II started from 2014, it is expected that not all funds allocated are spent.
- Since IPA II has sectoral approach, individual data from ministries are indicative but not enough to draw definite conclusions.

With that being said, it is worrying that there is clear lack of available data and that there is clear lack of administrative capacities in terms of necessary trainings. As previously stated, IPA II provides with the option of additional budget being allocated to the most successfully countries in terms of usage of these funds, and Montenegro should strive for that.

### 2.3 Monitoring role of CSOs

The role of the CSOs in this process is especially problematic one. Although we have received official answers from the institutions about open calls for CSO participants in sectoral working groups and Monitoring Committee of IPA in practice this mechanism did not succeed so far. proof of which is a case of NGO representation in Monitoring Committee of IPA. Namely, public call for two representatives of NGO sector was published in March 2016 and candidates are still not informed about their applications. Ministry of Foreign Affairs was contacted once in June when they informed us that the candidates were chosen by the Ministry, but that the Delegation needs to confirm this decision. Ministry was again contacted in October and the decision was still not made. Thus, the process is not transparent, efficient or legitimate whether the issues behind were decision making process in the Ministry or the Delegation of the EU.

## 3. Conclusions and Recommendations

Based on the overview of the system of IPA II in Montenegro and findings of the research, it is clear that what this process lacks the most is the implementation, since there are clear procedures in place, planning cycles and basic mechanism required by EU standards. There are several necessary steps to be done in the future which would improve current situation.

- It is necessary to publish all the reports of meetings Monitoring Committee of IPA on the website in full.
- It is necessary to strengthen capacities of public administration dealing with IPA funds and implementing them.
- It is necessary to involve CSOs in the planning and monitoring process of IPA II in more efficient and transparent manner.
- It is necessary to build awareness and strengthen ownership of the process amongst public administration implementing IPA II.
- Communication with expert and general public upon requests for information needs to be improved, especially from the side of NAO.
- It is recommended to hold annual meetings with all interested parties in order to assess last years' performance within implementation of IPA funds and provide all interested parties relevant information which are precise and quantitative.

# CSO Oversight of Pre-Accession Funds Management in Serbia

Ivana Lazarević<sup>16</sup>

## Introduction

The basis of conducting successful European integration process is in building stable institutions, ensuring adequate economic development and providing all the necessary information to the society in order to achieve broad social consensus on the European future of the country.

A field where the European integration process has achieved significant results, and where the involvement and presence of European Union in Serbia should be much more understandable to the citizens, is the field of pre-accession assistance. Understanding the processes of programming and management of pre-accession assistance is complex for both citizens and CSOs and it needs to be much better explained.

Pre-accession assistance, in this case IPA II, as well as its predecessor IPA I, serves as a level playing field where a country that is in the EU accession process, shows its ability to prepare and implement projects of high value in order to achieve goals set by the EU accession process e.g. building effective state administration, implementing voluminous projects of strategic importance, ensuring high quality of public services etc. This is also a field where a country proves that it has knowledge, highly skilled experts, and institutional memory needed for later management of the cohesion funds when entering the EU that are much more demanding and rely on much bigger funds.

Having in mind the capacities that current EU candidate countries have at disposal as well as the effectiveness of the institutions in the management of IPA funds, it proved necessary to think and act towards giving more space for CSOs to become involved in the process in all the possible phases.

EU member states that were wise enough to transfer this kind of obligations to the CSO and to see them as a valuable counterpart and help in the process, managed to achieve much better results in the absorption and implementation of the IPA funded projects.

Serbia has been aware of the necessity to include CSOs in the negotiation process as well as in some of the areas of monitoring of the implementation of pre-accession assistance. CSOs in Serbia also had a major, successful bottom up initiative when it comes to increasing the ability of CSOs to monitor and influence the EU integration process. By establishing National Convention on the European Union in 2014, Serbian CSOs created a strong and recognized platform that follows the negotiation process in all the 35 negotiation chapters including the chapters 5 and

### DG Enlargement

*“The enlargement countries face a range of challenges, especially in fields such as the rule of law, corruption, organized crime, the economy and social cohesion. Civil Society actors and organizations can make a substantial contribution to addressing many of these through their lobbying, advocacy and oversight activities at national, regional and local level.”*

***Guidelines for EU support to civil society in enlargement countries, 2014-2020***

<sup>16</sup> Ivana Lazarević, European Movement in Serbia.

22 that are directly influencing the level of absorption of IPA funds and proper management of financial means available.

Apart from National Convention on the European Union, Serbia also has a sort of top down initiative that reflects in the form of SEKO mechanism that gathers CSOs who follow closely the EU accession process and are particularly interested in monitoring of programming of EU funds and development assistance. SEKO was founded by the Serbian European Integration Office back in 2011 as a consultative mechanism that would gather CSOs able to effectively contribute to defining top national priorities in different sectors.

This research will give more detailed information on the lessons learned and the specifics of CSO involvement in the oversight of pre-accession funds management as well as the recommendations on how to improve and strengthen available initiatives, aiming to increase the effective absorption of IPA funds.

## Case of Serbia from IPA I to IPA II

Serbia has been the beneficiary country of IPA I since the financial period 2007-2013. In this period EU had dedicated 11.5 billion Euros for IPA funds while the part belonging to Serbia was 1.4 billion Euros. The lessons learned from this budgetary period lead to certain changes in defining the rules for using the funds from IPA II. Currently Serbia is still using funds from the IPA for financial period 2007-2013. The percentage of the funds being contracted is around 85%. Expectations from the authorities in charge claim that in the 2017 the whole amount of funds will be contracted.

Pre – accession assistance in itself is a great learning tool for both the EU candidate countries as much as for the European institutions involved, mainly European Commission.

Even though the conditions for usage of IPA funds were envisaged to be implemented by the policy “one size fits all” it was proved that this approach had to be changed in order to be more aligned with specific characteristics of each country. Which is why in the IPA II, European Commission was showing willingness to respect the differences that exist in different EU candidate countries.

**Overall budget of IPA II is 11.7 billion Euros while Serbia can account for 1.508 billion Euros.** EU will provide financial support under this framework for the activities that are closely in line with the needs stemming from the accession process and the recommendations provided by the Enlargement strategy. Main objective is and will continue to be, **providing support to national reform processes while at the same time paying close attention to coordinating the pre-accession funds with the other donors and international financial institutions.**

In order for Serbia to use this available funding as efficiently and effectively as possible, there has to be clearly listed and publicly available set of **policy and development priorities** that are thoroughly communicated between all the relevant actors in the accession process both state and non-state. This will help fighting against potential bottle necks in communication, and non-necessary wasting of both time and resources available. At the same time it will ensure that the projects are prepared and implemented in a strategic and consistent way, stimulating the Serbian economy as a whole and contributing to its overall development.

In order to have a clear vision on the priorities and the goals Serbia needs to achieve, it is neces-



sary to set a clear national development strategy that would remove space for doubt. This activity should be implemented with care and devotion especially because Serbian authorities throughout the years proved to be in shortage of clear strategic thinking while at the same time having dozens of strategies that proved to be useless.

This is a red flag for the EU as well giving the fact that the IPA II funds will be mainly used to finance preparation of necessary Action Plans and strategies that are to be adopted during the negotiation process. Also it is necessary to have in mind that apart from that, IPA II will provide support for some priority needs streaming from the negotiation process, as well as co-financing participation of Serbia in the EU programs.

Since 2014, Serbia has received accreditation for indirect management of IPA funds, which means that the European Commission (represented by the Delegation of the EU in a particular country), that was in charge of implementation of the budget had decided to confide this work to the national authorities. Even though this is a sign that there is certain capacities in the state administration, able to conduct the coordination, planning and monitoring of the EU pre-accession assistance, it remains to be seen how the employees involved will, respond to this challenging task. At the same prohibition of employment in public sector that was implemented in Serbia means that their teams will remain to be small and highly skilled human resources scarce.

Each candidate country needs to have a National IPA Coordinator – NIPAC responsible for coordination, planning and monitoring the EU pre-assistance funds. In Serbia, is Minister without portfolio in charge of European Integration is named to be NIPAC, while the duties of Technical Secretariat of NIPAC are done by the Serbian European Integration Office.

## **Retention policy as the precondition for successful programming**

Very complexity and the fact that this field is particularly demanding both for state administration and the civil society, speaks in favor of taking care and further motivating valuable human resources able to cope with the ever-growing amount of work and obligations when it comes to programming IPA II and development assistance.

Throughout the years, civil society has been particularly active advocating for implementation of overarching and effective retention policy. Both NCEU and SEKO mechanism members often proclaim that without such policy Serbia is losing its most skillful members of state administration while at the same time fostering negative selection that can and will be hazardous on the long term due to the fact that there is no retention policy put in place.

In 2016, the Ministry of State Administration and Local Self-Government has established a special Working group, composed of representatives of all relevant IPA bodies and public administration bodies that oversee the civil service system, which has the task to prepare a policy for the provision and retention of staff on matters relating to the implementation of IPA during 2016.

In addition, having in mind increased turnover of staff in the state administration in the context of EU accession, with particular emphasis on staff in the units in charge of European integration, including the management of EU funds and development assistance, the importance and need to develop a comprehensive analysis of the current the status of qualified personnel and provide recommendations for the creation of sustainable policies is fully recognized. In the time of formulating this study, the aforementioned analysis is still not finished.

The total number of employees in state administration engaged in activities related to the implementation of IPA (as of April 2016) is **237**. The highest number of employees engaged is in the institutions of end users (**49%**). **The rate of brain drain at the level of the overall system is 13.9%**.

In a number of IPA bodies the lack of staff to perform workload during 2016 was noticeable. This is especially the case of individual end-user, the Body and Contracting Unit to support the national authorizing officer, and the bodies had taken measures to ensure the missing number of employees.

All IPA bodies carry out an analysis of the volume of work at least once per annum. The methodology used in the bodies of the IPA system is based on a detailed assessment of the volume of work for all tasks. There is systematic approach put in place for monitoring present number of employees in relation to the required number of employees and identify the IPA body in which this difference is risky. IPA bodies preparing their plans for securing the missing capacity whose implementation is still monitored through regular control system (reporting and verification system in the field). Let IPA bodies during the last year significantly reduced the number of missing employees (CFCU and NAO SO), but there are a handful of IPA body in which this problem is still evident.

## **Chapter 22** Regional policy and Coordination of Structural instruments - **what is it about**

Chapter 22 Regional policy and coordination of structural instruments is the key negotiation chapter for all of the issues regarding the IPA II funds. Mostly, this chapter consists of regulations which do not require transposition into the national legislation. They will come into effect once the candidate country becomes a member state of the EU and as such, fully able to implement Cohesion Policy on its territory. Finding a proper way to define a legal framework for efficient functioning of cohesion policy is a challenging task for each country that is in the process of joining the EU.

The main pillar of conducting and closing the negotiations in this chapter is the institutional framework that provides undoubtable guarantees that the future EU Member state can effectively program, implement, monitor and evaluate projects while respecting the national policy and development priorities.

### **Good to know**

*Negotiation Working group for chapter 22 is led by Serbian European Integration Office.*

Explanatory meeting for chapter 22 took place on 1-2. October 2014 while the bilateral meeting was held on 28-29. January 2015. Here it is important to mention that the CSOs who are members of the NCEU working group for Chapter 22, had the chance to help the Negotiation Working group in preparation for the bilateral screening meeting on a special meeting held in December 2014. This is a good example of cooperation between the Negotiation Working group and

the CSOs, namely National Convention on the EU, that further strengthened trust between the parties, provided scope for CSOs to actively contribute to the process and receive feedback on their recommendations.

Screening report was completed by October 23, 2015. Report provided summary of the information and plans presented at the meeting, overview of the state of art of the main fields of action and the necessary targets that need to be reached in order to conclude the negotiations in this chapter successfully.

Giving the importance of the chapter, we will give a short overview of the main points from the screening report:

Topic	Recommendations
Legal framework	<ul style="list-style-type: none"> <li>- Serbia needs to fully align its legal framework with policies and the EU acquis that is most relevant for implementing EU cohesion policy such as: competition policy, state aid, public procurement, fight against discrimination and gender equality, environmental protection and transport</li> <li>- Serbia has to pay particular focus on adopting legislation that will ensure NUTS classification (Nomenclature of territorial units for statistics)</li> <li>- Serbia needs to adopt legislation that will ensure multiannual budget planning</li> <li>- Serbia needs to fulfill ex ante conditions defined by Common provisions regulation (CPR) regarding European Structural and Investment Funds (ESIF)</li> </ul>
Institutional framework	<ul style="list-style-type: none"> <li>- Serbia needs to ensure full integration of newly established IPA structures and transfer of their functions in the ministries in charge in order to maintain continuity</li> <li>- Serbia needs to ensure that the coordination structures will continue to be improved and that the functional independence of future structures (especially managing authority and bodies in charge of certification) will be maintained</li> <li>- Serbia needs to ensure effective inter - ministerial coordination in order to implement ESIF related activities effectively</li> </ul>
Administrative capacities	<ul style="list-style-type: none"> <li>- Serbia needs to further strengthen administrative capacities, more staff members need to be employed and further trained to do their work properly. Especially that needs to be done in the Audit Authority Office of EU Funds</li> <li>- Serbia needs to adopt overall strategy for capacity building for all institutions involved. Capacity building should also be treated broadly in order to involve all the interested parties in order to enhance understanding of the ESIF</li> <li>- Serbia needs to adopt retention policy</li> </ul>
Programming	<ul style="list-style-type: none"> <li>- Serbia needs to consolidate many strategies and to put them into practice by preparing adequate action plans</li> <li>- Coordination of programming on the national level should be maintained and further strengthened</li> <li>- Relevant bodies in Serbia should start ensuring technical assistance of EU for project preparation</li> </ul>
Monitoring and Evaluation	<ul style="list-style-type: none"> <li>- Serbia needs to establish Information system for monitoring and evaluation for IPA</li> <li>- Additional human and financial resources are needed for establishing adequate system for monitoring and evaluation i.e. Integrated Information system needs to be put in place</li> <li>- Serbia needs to develop a strategy for overall monitoring in order to define bodies that need to conduct such functions for ESIF</li> </ul>
Financial Management and Control	<ul style="list-style-type: none"> <li>- Process of establishing framework for financial management and control is unfolding and it needs to be additionally developed in order to include necessities of cohesion policy</li> <li>- Serbia needs to make a division of responsibilities between key bodies such as Certification and Audit Authority</li> </ul>

Based on the Screening report European Commission set the opening benchmark for this chapter. Action Plan needs to be formulated in order to fulfill requirements stated in the screening report: “Serbia needs to presents to the (European) Commission a detailed Action plan with a timeframe, which sets out clear objectives and dynamics in order to meet requirements stemming from EU Cohesion Policy.” The Action plan will be built on six main areas:

- Legal framework
- Institutional capacities
- Administrative capacities
- Monitoring and evaluation
- Financial management
- Programming

Negotiation working group for Chapter 22 started the **preparation for the first draft** of the action plan and again showed readiness to involve CSOs gathered in the NCEU into the process. On the meeting held in January 2016 members of the NCEU WG for Chapter 22, were informed in great detail about the preparation of the Action plan, steps that need to be undertaken and the future plans on how to further involve CSOs in the monitoring of this chapter.

**Action Plan (AP)**, once finalized and approved by the European Commission will serve as an excellent **monitoring tool for CSOs** which can help them to foresee potential bottle necks, to pay attention to showing up some incompatibility of the project approved with the AP or the national strategies, to monitor progress made in the negotiation process as a whole etc. This is also a reason to further continue good practice of involving NCEU WG and other CSOs in formulating AP, which was also promised by the Negotiation Working group.

**This year will be crucial for the members of the Negotiation working group to increase capacities of the officials involved in the preparation of the Action plan while main resolutions regarding cohesion policy in Serbia has to be brought by 2018.**

One part of the AP will be entirely devoted to the state aid, public procurement and activities needed to conduct successful public sector reform. This is only one of the indicators showing the utmost complexity and over archness of the chapter 22 giving the fact that for successful concluding of the negotiations in the chapter 22 depends of thorough public sector reform. More specifically, Ministry of public administration and local self - government, needs to prepare a document entitled “Human Resource Policy Paper” that will have an impact on regional development via formulating retention policy, establishing performance evaluations etc.

## CSO Oversight of Pre-accession Funds Management

CSOs that are ready to take part in the monitoring process have to make sure that they possess all the possible information needed to conduct the monitoring process successfully. Complexity of the field gives particular importance on the preparation, ability to learn and invest significant amount of time and resources into finding the best possible information. Even if there is readiness by the CSOs to do this, there has to be readiness by the state administration to share the process, information and to be ready to ask for help if needed.

When it comes to making sure that the information needed for the monitoring process are available,

we contacted NIPAC technical secretariat aiming to find out if the necessary legal act concerning the transposition of the framework agreement between the Republic of Serbia and the European Commission on the rules for conducting financial assistance of the EU to the Republic of Serbia as a part of IPA II, are made available on their website. In the case of Serbia, main legal act for transposition is the Law on confirmation of the framework agreement. Apart from this law, two additional bylaws were adopted: Regulation on the management of assistance programs of the European Union under the Instrument for Pre-Accession Assistance (IPA II) for the period 2014-2020 and the Decision on determining the responsible persons and bodies for management of assistance programs of the European Union under the Instrument for Pre-Accession Assistance (IPA II) for the period 2014-2020. All of the documents are made available on the website of NIPAC, as well as on the website of Ministry of Finance and the special part of the Ministry i.e. Department for Contracting and Financing of EU Funded Programs.

Before entering the monitoring process heads on, it is highly recommended to consult main documents that bring IPA II to Serbian legal framework.

## Sector Working Groups and SEKO Mechanism

Another opportunity for oversight and participation in monitoring and evaluation of the activities related to monitoring and coordination, Serbian CSOs have via aforementioned SEKO mechanism. This mechanism provides opportunity for CSOs to participate in the programming and monitoring the use of EU funds and other development assistance. Back in the 2011, SEKO mechanism was established lead by the purpose of improving the programming process and ensuring increase in efficiency of the use of development funds, especially EU funds, as well as creating and promoting a constructive dialogue between the state and civil society.

Divided into 10 thematic sectors, members of SEKO mechanism are following state of art in the thematic areas defined by strategic documents on priorities for international development assistance.

For a CSO, being a member of SEKO mechanism can be of great importance particularly when it comes to cooperating with **Sector working groups for programming and coordination of IPA funds and other development assistance (SWG)**. SWGs are established by the decision of NIPAC while the members, organization and management of the work of SWGs is regulated by the Rules of Procedure of the work of SWGs that is brought by the members of the SWG on their first meeting. Rules of Procedure also identifies leading national institution and leading donor in each of the SWGs.

SWGs represent the main mechanism to manage and coordinate the entire process of programming. SWGs have been established in order to provide a mechanism for consultation and coordination between various institutions in charge for management the programming process and the international assistance. SWGs ensure transparent and inclusive dialogue among all relevant stakeholders.

NIPAC in Serbia managed to establish the following SWGs for programming and management of IPA funds and other development assistance:

1. SWG for the Rule of Law

2. SWG for Home Affairs
3. SWG for Public Administration Reform;
4. SWG for Human Resource Development;
5. SWG for Transport;
6. SWG for Energy
7. SWG for Environment and Climate Change
8. SWG for Competitiveness
9. SWG for Agriculture and Rural Development

Additionally another Working group was founded for the field of civil society, media, and culture.

Members of SWGs are representatives of national institutions and relevant national bodies. If needed, participation in the work of SWGs can be ensured for representatives of Autonomous Province of Vojvodina, Delegation of the EU, representatives of international financial institutions and others.

SWG mechanism has two main functions:

- Establishing transparency and inclusiveness of all relevant partners in the phases of IPA II programming process
- Providing effective and efficient coordination of assistance lead by leading national institutions, leading donor and NIPAC Technical Secretariat

For civil society, namely members of the SEKO mechanism, there is an opportunity to participate on the on the meetings.

## Civil Society: Participation in the Monitoring Committees

Valuable sources of information for CSOs can also be meetings of the Monitoring committees.

Establishment, field of action, composition and functioning of the Monitoring committee at different levels in the scope of pre-accession instrument, are defined by the procedures of decentralized management of IPA defined through the accreditation process i.e. through the transfer of management responsibilities.

Each Monitoring Committee both under IPA I and IPA II, in addition to the permanent members, provides for the possibility for presence of **observers** that have relevant knowledge and expertise for the issues that are on the agenda of the Committee. **Representatives of CSOs**, in this way, **can be invited** to attend the meetings of any of the established Monitoring Committees. This process is taking place through already established SECO mechanism in order to maintain **systematical approach to inclusion of the CSOs in the monitoring process**. According to the mandate of SEKO mechanism in the process of monitoring the implementation of IPA in the Republic of Serbia (for the period 2007-2013), CSO sare invited to participate in the meetings of the Monitoring Committee of the first component of IPA, as well as the Monitoring Committee of IPA (for projects and sectoral programs from IPA 2013 of the National programs implemented under decentralized management approach).

Since the signing of the Financial Agreement related to the National Program IPA 2013 which is implemented under decentralized approach and for which jurisdiction for monitoring and reporting has been transmitted to NIPAC Technical Secretariat, there were two sessions of the Monitoring Committee of the first component of IPA - TAIB (Technical Assistance and Institution Building) as well as two sessions of the Monitoring Committee of the IPA one of which is held by written procedure.

The first meeting of the Monitoring Committee for the first component of the IPA was held in June 2015, after which the Monitoring Committee of IPA held meeting in a written way due to practical matters. The next meeting of both committees were organized simultaneously in March 2016 via a joint session. Civil society organizations responded to the invitation and had the possibility to address the meeting of each of these committees (apart from the session of the Monitoring Committee of the IPA in July 2015, which was held in writing).

### Challenges for NIPAC TS and CSOs

NIPAC Technical Secretariat is the main contact point for CSOs who want to take more active part in the monitoring process. In order to maintain practice of good cooperation between them, it is necessary to understand the limitations and the challenges of this process that are somewhat typical for the first phases of managing IPA under decentralized approach.

Monitoring of the implementation of IPA programs under decentralized management is a complex and highly regulated system which relies upon creation of numerous reports, conducting meetings of different committees and organization of voluminous information flow. In itself this can be a source of confusion and troubles for CSOs. On order to tackle this problem, CSOs have to continue to strengthen their capacities and put additional effort to understand the entire system and its ways of functioning while at the same time having in mind the real possibilities for providing contributions etc.

These types of challenges have become noticeable after the first session of the Monitoring Committee for the first component of the IPA. Based on feedback obtained from civil society organizations, NIPAC Technical Secretariat in November 2015, organized training in monitoring and reporting for the representatives of SEKO mechanism aiming to further introduce the entire system to the civil sector.

Additional challenges to the participation of the CSOs in the work of monitoring committee relates to organizational aspects, i.e. a large number of issues that committees have to work on, to intensive agenda and the practical possibilities for conducting quality discussions with representatives of the institutions involved in this system. Variety of topics that the committees have to deal with and that relate to the national IPA being implemented under centralized approach, as well as more current issues in the implementation of IPA (ex. EU aid for floods in the Republic of Serbia, providing answers to the migrant crisis, solving issues of communication and visibility EU funds, etc.), in addition to the national programs implemented under decentralized approach leaves not too little time to detail discuss each of them, let alone to include other partners. In the future it is of high importance to additionally focus the agenda and discussion in order to enhance possibilities for further involvement and contribution by the CSOs.

## Recommendations

- Relevant national authorities should continue to involve CSOs in the monitoring process and to ensure that there is two folded communication channels established.
- Serbia should continue to learn and improve activities confided by the indirect management approach.
- Retention policy that aims to protect, incentivize and attract most skillful and knowledgeable civil servants has to be put in place particularly in the sectors that are working in the complex, time and resources consuming areas such as those dealing with IPA.
- State institutions should continue to improve their relations and ways of involving CSOs in all of the necessary processes e.g. by focusing agenda and meetings where CSO representatives can participate, providing trainings for interested CSOs, providing information and asking for help when necessary.
- CSOs need to be highly devoted and skillful if they want to actively participate in the monitoring process of EU funds absorption. Continuous effort has to be put in place in order to follow through the complex activities related to IPA II programming and monitoring.
- CSO representatives need to do all that is in their power to position themselves as valuable and reliable sources of information for the relevant authorities.
- CSOs need to be involved in the defining of the national and strategic priorities in order to make sure that the priorities are in line with the actual situation in Serbia.
- Already established mechanism such as NCEU and SEKO mechanism should be used as a channels for inclusion of CSOs in all of the processes where their knowledge and resources can be useful.
- Transparency of management of IPA funds has to be enhanced as well as absorption capacities of EU assistance.



## IPA II absorption capacities in Albania- A Brief Overview

Mona Xhexhaj<sup>17</sup>

### Key features - From IPA I to IPA II introduction in Albania

Through IPA, European Union assists the candidate and potential candidate countries in their preparation for EU membership adapting specific EU approximation agendas, representing a link between pre-accession preparation and post-accession challenges. Since 2014, the financial support of EU candidate and potential candidate countries is offered through the new financial instrument, IPA II, which is being implemented during 2014-2020<sup>18</sup>. In order to achieve inclusive growth and strengthen regional integration, IPA II aims at supporting political reforms as well as economic, social and territorial development.

Taking into consideration lessons learnt from the predecessor, under IPA II the Commission has set specific objectives based on ranked priorities and measurable targets, applying indirect management and considering the complexity and political sensitivity of projects being decentralized. Notwithstanding that the areas of intervention of the IPA II are conceptually not very different from the previous one, the new instrument is still quite distinct in many aspects. Specifically, the IPA II has the following features that distinguish it from the IPA I. First, a novelty of IPA II is the *strategic approach*, providing a stronger ownership by the beneficiaries in Albania through integrating their own development agendas and reforms. This introduced indirect management, which means that the Albanian institutions manage EU funds, whereas in the past EU pre-accession instrument these funds were often contracted by the EU Delegation as being the highest managerial level mechanism. The identification of sectors, clear strategic and institutional framework per sector, multi-annual co-financing is provided through Country Strategy Papers, while multi-regional strategy papers address priorities for regional cooperation. Second, the main driving force of IPA II is the so-called *sector approach* targeting 5 priority areas which are: (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, (e) regional and territorial cooperation. Compared to the previous IPA, it is oriented towards a more targeted assistance, ensuring efficiency, sustainability and focus on results. This sector approach promotes structural reform that contributes to transform a given sector and approach it to EU standards, closely linked to the Enlargement Strategy. Following this, IPA II introduces as well the *budget support sector* approach, which is explained further in the analysis. Budget Support is not a blank cheque, nor is it provided to every country. Eligibility criteria have to be met before and during the programme and conditions need to be fulfilled before payments are made. There are no targets for the amount of EU budget support to be programmed at either national or global level in pre-accession countries. Fourth, with the new IPA II, all countries candidates and potential candidates have access to all priority areas(except for access to IPARD indirect management is obligatory). There is *no difference between*

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<sup>18</sup> 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)

*candidate and potential candidate countries*. Fifth, it is emphasized a *stronger performance reward*. Hence, after mid-term review of IPA II additional funds could be allocated to those countries who are performing well in EU integration process and absorption of IPA.

Albania continues to participate in cross-border cooperation programs with neighboring Western Balkan countries and Member States, as well as in transnational cooperation programs under the European Regional Development Fund and the IPA Adriatic cross-border program. Albania participates in three *IPA II cross-border programs* CBC with other IPA II beneficiaries, notably Montenegro, Kosovo and the former Yugoslav Republic of Macedonia. Each program focuses on three thematic priorities. *Environmental protection, climate change and risk prevention and tourism and cultural and natural heritage* are common thematic priorities for the three program. The program with Montenegro and the program with the former Yugoslav Republic of Macedonia are also focused on competitiveness, business, trade and investment as third thematic priority while the program with Kosovo will focus on youth and education As regarding the cooperation with Member States, Albania can participate in a *trilateral cross border program* with Italy and Montenegro and in a bilateral program with Greece. Six of the eight Territorial IPA II cooperation programs declared calls for proposals, while it is expected that the calls for the programs of Albania-Kosovo and Italy, Albania and Montenegro are to be launched during the second 6 months of 2016.

During the period 2014-20, Albania will continue to participate in the *Mediterranean transnational program* and will also join the new Adriatic-Ionian program. Both programs have a rather broad geographical outreach, including several countries, and cover the entire territory of Albania as eligible area for funding. Also, the country participates in the following EU program, with IPA support: Erasmus+, Creative Europe (Culture and Media strands), Employment and Social Innovation, Horizon 2020, Customs 2020, Fiscalis 2020, Competitiveness of Enterprises and Small and Medium-Sized Enterprises Program (COSME).

## Coordination of structural instruments - Some progress

Each year in the Progress Reports, the Commission services present their assessment of what Albania has achieved over the last year, and set out guidelines on reform priorities, giving more details about achievements and main issues to be further addressed. In order to comprehend the progress achieved from year to the other, the table below presents in a comparative approach the assessment related to IPA II developments as referred to Chapter 22, Regional Policy and Coordination of Financial Instruments, as structured around six main areas:

	Albania EC Report 2015	Albania EC Report 2016
	<i>Some progress</i>	<i>Some progress</i>
<b>Legal framework</b>	Further efforts are needed to ensure multi annual programming.	The 2015-2020 national strategy for development and integration remains to be adopted. The national project pipeline of investments, including those for regional development, is yet to be fully aligned with the medium-term budget plan and the nationwide public investment planning and management.
<b>Institutional framework</b>	IPARD OS needs to stepped up.	The integrated policy management group on competitiveness is not yet fully functional

<b>Administrative capacity</b>	Further action is needed to ensure competent staff in view of WLA.	The administrative capacity of the integrated policy management group secretariats, including in terms of monitoring, needs to be built up and staff continuity ensured. The number of integrated policy management groups should be expanded in 2016 and new sectors identified.
<b>Programming</b>	Coordination between MoF and line ministries needs to be improved. The national strategy for dev and int. is not approved.	Coordination between the Ministry of European Integration, the Ministry of Finance, the Prime Minister's Office and line ministries needs to be improved to develop and implement realistic and budgeted sectoral development policies and programs in line with the medium-term budget plan.
<b>Monitoring and evaluation</b>	The existing set-up of sector working groups was reorganised.	Three of the four pilot integrated policy management groups set up to support the government's Strategic Planning Committee and other high-level inter-ministerial committees in charge of key policy decisions are fully functional.
<b>Financial management and control</b>	CFCU in the Ministry of Finance needs to be strengthened while the audit authority requires increased human resources with senior expertise on audit.	Both the Central Financial and Contracting Unit in the Ministry of Finance and the Audit Authority underwent a change at the top management level, with new heads being nominated. The Audit Authority's financial and administrative autonomy is still not guaranteed.

## Allocated, contracted and disbursed funds

While for the period 2007-2013 IPA has provided 509 million EUR to Albania on the key priorities, under IPA II Albania will benefit an assistance of total indicative allocation of 649.4 million EUR. The Framework Agreement for IPA II entered into force in April 2014 and the Priorities of Albania in IPA II are determined in the Country Strategy Paper. The preparation of CSPs comes as results of the partnerships between the EC and Albania. During the programming of IPA II, *indicative strategy papers* (2014-2020) replaced the IPA I planning documents, paying more heed to the beneficiaries' capacity to commit to sector reform at political level and manage IPA funding. The most important strategic document is *National Strategy for Development and Integration*, representing a guide for the development of the country and reflecting the links between the development of the country and European Integration process. The NSDI provides the strategic framework for all sector and cross-sector strategies and is the backbone of the Integrated Planning System (IPS) – a set of operating principles to ensure that government policy planning, budgeting and monitoring are linked and operate efficiently. The NSDI guides the Medium-Term Budget Programme (MTBP), as well as annual budget allocations, by providing policy objectives which are included in the Ministry of Finance's instructions for the budget preparation by all Ministries and agencies. All legal acts concerning transposition of IPA Framework Agreement are publicly available on the NIPAC Office website. The following table is a presentation of the amount allocated to the annual IPA programs 2007-2013, supporting 109 projects in total.<sup>19</sup>

<sup>19</sup> National Assessment of the current situation for programming and absorption of IPA funds, GIZ, Open Regional Funds of South East Europe, December 2014, pg 32

## IPA 2007-2013 PER SECTOR

Allocated	IPA	IPA	IPA	IPA	IPA	IPA	IPA	Total	
	2007	2008	2009	2010	2011	2012	2013	MIL €	%
	MIL €	MIL €	MIL €	MIL €	MIL €	MIL €	MIL €	MIL €	%
<i>Justice and home affairs</i>	15,6	9,4	10,7	18,7	17,3	23	19,5	114,2	22
<i>Public administration reform</i>	9,8	13,5	14,5	3,5	3	9	12,6	65,9	13
<i>Social development</i>	0	7,4	1,3	3	4,3	6,2	4,5	26,7	5
<i>Environment</i>	24	3	22	30	11,1	18,5	8	116,6	23
<i>Agriculture and rural development</i>	0	17,7	13	26,5	24,5	9,5	34,2	125,4	25
<i>Transport</i>	0	7,6	0	0	19,4	9,3	2	38,3	8
<i>Others</i>	0	2,3	8,4	1,5	2,4	6,1	1,2	21,9	4
<b>Total</b>	<b>49,4</b>	<b>60,9</b>	<b>69,9</b>	<b>83,2</b>	<b>82</b>	<b>81,6</b>	<b>82</b>	<b>509</b>	<b>100</b>

Contracted	IPA	IPA	IPA	IPA	IPA	IPA	IPA	Total	
	2007	2008	2009	2010	2011	2012	2013	MIL €	%
	MIL €	MIL €	MIL €	MIL €	MIL €	MIL €	MIL €	MIL €	%
<i>Justice and home affairs</i>	15,4	8,2	12,1	17,7	15,4	3	0	71,8	22
<i>Public administration reform</i>	9,2	13,2	14,5	3	2,4	0	0	42,3	13
<i>Social development</i>	0	6,4	1,3	3	4,3	0	0	15	5
<i>Environment</i>	23,8	3	21,9	29,7	0,5	0	0	78,9	24
<i>Agriculture and rural development</i>	0	17,6	12,8	25,4	24,5	0	0	80,3	25
<i>Transport</i>	0	6,5	0	0	17	0	0	23,5	7
<i>Others</i>	0	2	6,9	1,5	2,4	2,5	0	15,3	5
<b>Total</b>	<b>48,4</b>	<b>56,9</b>	<b>69,5</b>	<b>80,3</b>	<b>66,5</b>	<b>5,5</b>	<b>0</b>	<b>327,1</b>	<b>100</b>

Disbursed	IPA	IPA	IPA	IPA	IPA	IPA	IPA	Total	
	2007	2008	2009	2010	2011	2012	2013	MIL €	%
	MIL €	MIL €	MIL €	MIL €	MIL €	MIL €	MIL €	MIL €	%
<i>Justice and home affairs</i>	12,3	7,1	10,6	10	2,3	0,8	0	43,1	23
<i>Public administration reform</i>	8,9	12,6	12,7	2	0,8	0	0	37	20
<i>Social development</i>	0	5,1	1,2	2	0,8	0	0	9,1	5
<i>Environment</i>	15,8	2,7	5,9	5,3	0	0	0	29,7	16
<i>Agriculture and rural development</i>	0	15,2	9	9,7	8,8	0	0	42,7	23
<i>Transport</i>	0	6,2	0	0	5	0	0	11,2	6
<i>Others</i>	0	1,5	6	1,1	2,4	0,4	0	11,4	6
<b>Total</b>	<b>37</b>	<b>50,4</b>	<b>45,4</b>	<b>30,1</b>	<b>20,1</b>	<b>1,2</b>	<b>0</b>	<b>184,2</b>	<b>100</b>

The absorption capacities resulted at the level of 28% for the time period 2009-2013. The implementation of IPA faced many challenges such as the quality of tendering( unclear responsibility among beneficiaries, lack of documentation, property rights,etc), time consuming procedured, and communicationg with EU Delegation. In order to increase it impact, EU financial assistance shall be concentrated on areas where the reforms or investments are most needed to meet accession criteria, and tailored to make into account the capacities of Albania to meet these needs. Therefore, the current approach of the EU financial assistance allocation has changed completely in the perspective of IPA II, introducing the novelty of the Budget Support. IPA 2014, was the first program scheduled within the new funding perspective, under IPA II. The novelty of this program brought the inclusion of a new financial mode that was the budgetary support within the *Public Finance Management*- PFM. Meanwhile, in the framework of IPA Programming 2015, Albania benefited from budgetary support in the field of *Public Administration* and in the field of *Employment and Skills*. Regarding the IPA programming 2016, it is provided a budgetary support for the sectors of Transport and Anti-Corruption. Referring to the IPA 2014 Financing Agreement, we can say that it was signed in December 2015, while the Financial Agreement IPA 2015, after the successful completion of all procedures was signed in September 2016, according to the prescribed period. According to the latest National Action Plan for European Integration 2017-2020 <sup>20</sup>, while for the IPA Programme for 2017, it is still at the discussion stage and the sectors that will benefit from the budgetary support are not identified yet. The progress achieved by our country in the respective sectors has made possible the disbursement of tranches for 2015, while preparations have already begun for IPA 2016. Assistance is planned in a coherent and comprehensive way with a view to adress as appropriate the thematic priorities as listed below.

ALBANIA	2014	2015	2016	2017	2018-2020	Total 2014-2020
<b>a. Reforms in preparation for EU membership</b>	<b>78.7</b>	<b>59.9</b>	<b>12.7</b>	<b>74.9</b>	<b>94.3</b>	<b>320.5</b>
Democracy and Governance		157.2			66.3	223.5
Rule of law and fundamental rights		69.0			28.0	97.0
<b>b. Socio-economic development</b>	<b>0</b>	<b>18.0</b>	<b>50.0</b>	<b>0</b>	<b>100.0</b>	<b>168.0</b>
Environment		34.0			34.0	68.0
Transport		18.0			38.0	56.0
Energy		0.0			0.0	0.0
Competitiveness and Innovation		16.0			28.0	44.0
<b>c. Employment, social policy, education, promotion of gender equality and human resource development</b>	<b>5.0</b>	<b>0</b>	<b>14.0</b>	<b>0</b>	<b>50.0</b>	<b>69.0</b>
Education, employment and social policies		19.0			50.0	69.0
<b>d. Agriculture and rural development</b>	<b>0</b>	<b>9.0</b>	<b>13.0</b>	<b>18.0</b>	<b>52.0</b>	<b>92.0</b>
Agriculture and rural development		40.0			52.0	92.0
<b>Total of IPA II areas</b>	<b>83.7</b>	<b>86.9</b>	<b>89.7</b>	<b>92.9</b>	<b>296.3</b>	<b>649.4</b>

Under the IPA II, a candidate country such Albania is still facing challenges for an effective absorption of EU funds, especially with the introduction of IPA II novelties. The absorption capacity can be defined as the extent to which a state is able to fully spend the allocated financial resources

<sup>20</sup> National Action Plan for European Integration 2017-2020, pg 8

from the EU funds in an effective and efficient way. For an effective and fully functioning of indirect management of EU financial assistance and preparation for a cohesion policy is essential the establishment and successive strengthening of absorption capacities including:

- I) *The appropriate structures with precise designation of tasks, functions and responsibilities*
- II) *Human resources, trained and in accordance to the work load analysis*
- III) *Arrangements for accountability and involvement of different stakeholders*

## I) Power mapping - Institutional cooperation and competences

The key institutions coordinating IPA are: the Ministry of European Integration, Ministry of Finance, and Prime Minister Office (DDPFFA). For the purpose of management, control, supervision, monitoring, evaluation, and reporting of IPA II assistance, the following structures and authorities are responsible<sup>21</sup>:

The National IPA Coordinator (*NIPAC*) is the Minister of European Integration. It is the central body responsible for programming, monitoring and evaluating the EU Financial assistance in charge for coordinating the participation of Albanian institutions in EU Programmes. Within the Ministry, two departments are dealing with EU financial assistance a) Directorate for Monitoring and Evaluation the EU Assistance Projects consisting of 2 sectors: monitoring and evaluation of IPA and CBC projects b) Directorate for programming the EU Assistance.

The Ministry of Finance is in charge for management of financial assistance of EU funded projects. The Deputy Minister of Finance as the National Authorizing Officer (*NAO*) bears the overall responsibility for the legality and regularity of transactions for effective management and control system. The management structure accountable to the NAO is composed of: The National Fund and NAO Support Office. Within the Ministry, *CFCU* (Central Finance and Contracting Unit) is the leading body of the Operating Structures. The Operating Structures composed of: Central Financing and Contracting Unit (*CFCU*); Structures responsible for management of IPA II programme in Line Ministries and/or beneficiary institutions (hereinafter referred as IPA Units) and *NIPAC* Support Office.

*CFCU* operates in close cooperation with the Senior Programme Officer (*SPO*) in the Line Ministries and Governmental Bodies which are the final beneficiaries of the projects. The *CFCU* is also the specialised Unit for the administrative and financial management of twinning projects. The *CFCU*, appointed by the National Authorising Officer (*NAO* in the MoF) and the National IPA Coordinator (*NIPAC*), is responsible for operating as an appropriate administrative structure, including: premises, sufficient qualified staff, suitable filing system and full transparency in procurement and contracting, financial transactions, management and reporting. The Audit Authority (*AA*) is a new structure defined to be functionally and financially independent.

Monitoring Committee reviews the overall effectiveness, efficiency, quality, coherence, coordination and compliance of the implementation of the actions towards meeting the objectives set out in the Financing agreements and country strategy paper. For this purpose it shall, where relevant,

21 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)”

base itself on the information provided by sectoral monitoring committees and make possible recommendations for corrective action if needed. The **Sectoral monitoring committee** shall be composed of representatives of relevant national authorities and bodies, other stakeholders such as economic, social and environmental partners and, where relevant, international organisations, including international financial institutions and civil society.

*Inter-Ministerial Committee for the Coordination of IPA II (2014-2020)* is a ninter-institutional working group established at the Ministry responsible for European Integration, by virtue of Order of the Prime Minister, and serves as a coordination mechanism for monitoring the implementation of IPA projects/programs on the problematic areas.

GoA has adopted the establishment of the *Integrated Policy Management Groups (IPMG)*, a new system to guide policy development, implementation, monitoring and evaluation and to strengthen sector and donor coordination. The IPMGs provides a formal structure that brings together senior representatives of the relevant ministries, agencies and development partners in priority sectors – particularly those requiring cross-ministerial cooperation - and allowing them to oversee the entire policy cycle and decide eventual adjustments. The IPMG system aims to provide the Strategic Planning Committee (SPC) and other high-level government committees (e.g. the Inter Ministerial Committee on European Integration Coordination) with the necessary recommendations for key policy decisions affecting those sectors deemed a priority and which require cross-ministerial cooperation. Four *pilot integrated policy management groups (water management; public administration reform; competitiveness and innovation; and employment skills and social policy)* were set up to support the government's Strategic Planning Committee and other high level inter-ministerial committees in charge of key policy decisions.

In order to ensure coordination and cooperation among line ministries within specific sectors, a number of *inter-ministerial working groups (IMWG)* were established. The coordination of activities by the **DDPFFA** include the maintenance of a project database, the coordination of the meetings of the international donor community, Sector Working Groups (**SWGs**) and issuing a monthly donor dialogue newsletter. A high-level donor-government dialogue is taking place once per year as 'round table' to focus on aid harmonization, followed by regular operational meetings. This work is supported by a Donor Technical Secretariat (DTS), composed of four multilateral donor organizations, including the EU and a rotating participation of two bilateral donors. **The SWGs** are supporting the coordination at sector level and include government, donor representatives and other stakeholders as required. The envisaged **33 groups exchange** information focusing on policy coordination, prioritization of assistance and monitoring of implementation.<sup>22</sup>

*The National Investment Committee* is created by the decision of the Council of Ministers (CoM) No.18 dated 22.01.2014 "On the establishment of the Inter-Ministerial Committee on Strategic Planning" and Order No. 113, dated 08.26.2015 "On some amendments to the Order of the Council of Ministers No.18, dated 22.01.2014 on the establishment of the Inter-Ministerial Strategic Planning Committee ". This order clearly attributes the existing Inter-Ministerial Committee for Strategic Planning and the role and functions of the National Investment Committee. In this context, NIC is supported by the General Secretariat (Department for Development, Finance and Foreign Aid and the Strategic Planning Unit Development). The National Project Package (Single Project Pipeline), forging identification, preparation and selection of projects in the sectors of energy, transport, environment and social, is a precondition for obtaining the support of the IPA II for co-financing.

22 [http://ec.europa.eu/enlargement/pdf/key\\_documents/2014/20140919-csp-albania.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-albania.pdf), fq 9

Based on documents scrutiny and reports such as “IPA II Monitoring, Reporting and Performance Framework of January 2016” and “EU pre-accession assistance for strengthening administrative capacity in the Western Balkans: A meta-audit” there are identified some challenges and recommendations regarding the role of each of the appointed structures.

- The key challenge of NAO in the new period (IPA II) is the “building” of the new system (practically going from IPA I to IPA II, i.e. aligning IPA I to IPA II monitoring). Among other they have the problems of the lack of personnel being much lesser than the NIPAC Office.
- The competent SPOs have not yet started to submit data on a regular basis. Under IPA I they had and operated a monitoring system at project level, but Under the IPA II (and the required budget-related approach) they have not yet developed the proper monitoring system. All the projects/ actions will be monitored as of their very start. 6-monthly reports are foreseen to be produced.
- The NIPAC offices have considerable weaknesses at various levels: part of its role has been undertaken and exercised by the Prime Minister’s Office, while there are also some weaknesses in its capacity (systems). The involvement of PM Office as the overall coordinating body, although important for the development and start of operation of the system, is also very risk prone to political changes. The Ministry of Finance (MoF) or the NIPAC office should be finally assigned the overall responsibility of the system, when it will have been developed and put in operation
- Due to the foreseen pivotal role of the NIPAC (and his/her office) it is important that they are vested with the proper power and develop their capacity at both the managerial/ coordination and technical levels; a strong NIPAC office is a key factor for the successful implementation of IPA (especially in the countries with extended indirect management mode)

## II) Human resources

The absorption of funds is hampered mostly by weak administrative capacities. It is important to take under consideration the number of staff involved, their capacities, retention policies, the provided trainings on IPA II. Staff in the line ministries invest a lot of efforts in many project proposals lowering the overall quality and increasing the staff frustration when only one or no proposal at all was approved from their institution. Staff working on IPA II program is assigned to other tasks and responsibilities affecting their performance. The promoted architecture to integrate all donors’ and IFIs’ programmes/ finances under the National Development Strategy is excellent but it is very ambitious, therefore it is necessary in parallel to the implementation of the development of the relevant capacity of the competent units of the Public Administration (and its officials who will implement it in practice) as well as the development of a permanent structure, legally enforced so that it is as little as possible vulnerable to political changes. Albania is undergoing a public administration reform. This process does not address separately the need of capacities specifically to IPA funds, nevertheless the government needs to undertake serious measures to create capacities for coordination and implementation of IPA programmes. Trainings on IPA are high and acknowledged in most institutions although they differ in the topics. The



Albanian School of Administration offers regular trainings dedicated to IPA project implementation and a pool of trainers is in place.

#### *Key challenges and Recommendations*

- The Government of Albania (GoA) has recently approved the revision of functions of the European Integration Directorates in the line Ministries and the reorganisation of the NIPAC Office in the Ministry of European Integration (MEI). This includes also the development of a motivation/retention policy (salary policy) for EU integration employees.<sup>23</sup> However, the implementation has been lagging.
- The PM decision setting up the new architecture for IPA management should enforce the role of the NIPAC's office, introduce the sector approach (through Sector Lead Institutions) and. It should also solve the capacity issue of the Ministry for Public Administration (a Minister without a full Ministry structure below him).
- Staff retention policies for experts working on IPA II program and implement are not in place. The legal framework does not offer guarantee the transfer of know how within institutions. High rate of staff turnover is caused by heavy workload, remuneration and frequent structural change.
- High staff turnover is not only due to lack of continuous training, but depends on a number of other factors such as poor career perspectives due to politicisation at the management level, generally lower salaries in public sector, etc. The issue therefore has to be addressed more holistically, in line with the new enlargement policy on PAR. Also, the Regional School of Public Administration (ReSPA), which the Commission supports, can have a positive impact and complement the training provided at the national level. The Commission already aims at mitigating the risks related to staff turn-over through identifying appropriate measures, which address PAR more holistically in line with the new approach on PAR since the 2014-15 enlargement strategy, and where appropriate, by introducing conditionalities. Attention is also paid to this in the context of PAR sector, SBS and related policy dialogue

### **III) Accountability and involvement of different stakeholders**

Government of Albania approved in May 2015 *the Road Map for an Enabled Environment for Civil Society, which provides that the strengthening of dialogue between government with citizens and civil society organizations (CSOs) in the process of drafting public policies brings a range of benefits. It enables the government to obtain information resources and extensive expertise, which improves quality of new policies and provision of public services, but also contributes to efficient monitoring and evaluation of existing policies, as well as determining the necessary changes. In order to improve transparency and increased participation in decision-making, through consultation with stakeholders, in 2014 is adopted the law on public discussions of political acts and legislative, as well as is adopted a new law on access to information, for whom they are take the necessary measures for the full implementation of quality respectively: Law no. 119/2014 “for the right to information” and Law No. 146/2014 “On public information and consultation”, which*

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foresee the publication of the legal acts and by laws on the electronic register. This register is an official website, which serves as a central point of consultation, and provides access and offers the opportunity to all interested parties to communicate with the public body.

Following successful experiences from the region, such as SECO in Serbia, IPA2CSO in Macedonia there are four models of cooperation among IPA structures and civil society presented such as: 1) Planning- Consultations in the drafting of documents aimed at planning the utilization of funds; 2) Programming-Civil society indicates the priorities on which funds will be used; 3) Monitoring –CSOs participates in the activities of a committee in charge of monitoring the utilization of funds 4) Reporting –consultations in the drafting of reports, where the success of EU development assistance is assessed. The involvement and contribution provided so far for the CSOs in Albania consists of consultations regarding Action Plan on EU Integration, Indicative Strategy Paper for Albania, Action Plans on some of the Sectors. NSDI organized extensive public consultations with a wide range of stakeholders, including advisory groups from government, donors, academia and civil society. As well regarding the Indicative Strategy Paper consultations took place with relevant institutions such as the judiciary, local government, civil society, international financial institutions, international organisations and other donors. TACSO Albania office is engaged in this process to facilitate such consultation, collect inputs and develop a consolidated paper with contributions from civil society organizations in Albania. This is the first step in the process with several stakeholders including: public institutions, international partners, independent institutions and civil society organizations.

It represent a significant importance that the CSOs have constant access to EU funding schemes. It could help civil society develop its tools within the existing networks, and in this way would make it more likely that their efforts achieve mutually desired results. A positive step in this regard was the October 2016 call dedicated only to CSOs “Support to Civil Society Organizations for the Implementation of Capacity Building Actions to Increase Policy Dialogue and Awareness on European Integration Process”<sup>24</sup>.

#### *Key challenges and recommendations*

- A wide range of CSOs should be involved in consultation process concerning IPA programming about development of SPDs, ADs, CBC Operational Programmes and IPARD Programme the priorities and designing of these documents as well as the participation of partners in Monitoring Committees. Partners should be represented within the monitoring committees of programmes, throughout the whole cycle (i.e. preparation, implementation, monitoring and evaluation);
- There is no feedback on whether civil society comments have been reviewed or adopted
- It is necessary to establish minimum procedural requirements in order to ensure timely, meaningful and transparent consultation (i.e. sufficient time for consultation, availability of documents, etc.). In most of the cases, CSOs obtain the documents at the last minute and there is no enough time for a good evaluation of document on expenditure of funds
- Also, the question of the unequal capacity of CSOs to follow the quite technical and comprehensive process of programming, may be posed as a shortcoming. This all brings us to CSOs’ participation based on individual level of interest, the time they are able to invest. Hence, exchange of experience and mutual learning should be facilitated. Adequate

<sup>24</sup> EuropeAid/138384/ID/ACT/AL <http://cfcu.financa.gov.al/>

information dissemination and capacity building in local government and civil society for the conception and implementation of development projects

- It is necessary the availability and transparency of information and data on NIPAC and CFCU website, especially regarding the tenders, contracting, and fund disbursement, audit reports, irregularity and fraud cases
- In order to enhance the involvement of different stakeholders, there is a need to use and strengthen the mechanism of CSOs and State institutions cooperation already in place.

