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signed by Mr Jordi AYET PUIGARNAU, Director

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Delegations will find attached Commission SWD(2013) 326 final document.

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COMMISSION STAFF WORKING DOCUMENT

Background document

Accompanying the document

**Report from the Commission to the European Parliament, the Council and the
European Economic and Social Committee**

**2012 Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS,
Turkey Pre-Accession Instrument, Transition Facility)**

{COM(2013) 625 final}

Table of Contents

<u>A. FINANCIAL ASSISTANCE TO THE WESTERN BALKANS, ICELAND AND TURKEY</u>	4
CROATIA	4
1. SUMMARY	4
2. STRATEGIC PLANNING AND PROGRAMMING	4
3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2012.....	8
4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES	13
TURKEY	16
1. SUMMARY	16
2. STRATEGIC PLANNING AND PROGRAMMING	16
3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2012.....	20
4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES	29
ICELAND	32
1. SUMMARY	32
2. STRATEGIC PLANNING AND PROGRAMMING	32
3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2012.....	35
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA	37
1. SUMMARY	37
2. STRATEGIC PLANNING AND PROGRAMMING	37
3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2012.....	41
4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES	45
MONTENEGRO	49
1. SUMMARY	49
2. STRATEGIC PLANNING AND PROGRAMMING	49
3. IMPLEMENTATION OF ASSISTANCE.....	54
4. IMPLEMENTATION MODALITIES AND STRUCTURES	58
ALBANIA	61
1. SUMMARY	61
2. STRATEGIC PLANNING AND PROGRAMMING	61
3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2012.....	65
4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES	74
SERBIA	77
1. SUMMARY	77
2. STRATEGIC PLANNING AND PROGRAMMING	77
3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2012.....	80

4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES	88
BOSNIA AND HERZEGOVINA.....	91
1. SUMMARY	91
2. STRATEGIC PLANNING AND PROGRAMMING	91
3. IMPLEMENTATION OF ASSISTANCE.....	96
4. IMPLEMENTATION MODALITIES AND STRUCTURES	98
KOSOVO ¹	102
1. SUMMARY	102
2. STRATEGIC PLANNING AND PROGRAMMING	102
3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2012.....	105
4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES	110
<u>B. MULTI - BENEFICIARY</u>	114
1. SUMMARY	114
2. STRATEGIC PLANNING AND PROGRAMMING	114
3. IMPLEMENTATION OF ASSISTANCE.....	119
<u>C. Towards a more efficient and effective delivery of assistance: linking assistance more closely to the enlargement policy priorities and the sector approach</u>	122
1. Towards a new Instrument for Pre-accession for 2014-2020	122
2. Cooperation with the donor community on aid effectiveness.....	122
3. Sector approach	123
4. Lessons learned from Evaluation	124
5. TAIEX, a demand driven instrument aligned with EU policy priorities	126
<u>D. PHARE, CARDS, TURKEY PRE-ACCESSION AND TRANSITION FACILITY FINANCIAL DATA AT 31ST DECEMBER 2012 :</u>	129
1. EU 12 – PHARE and Transition Facility - Decentralised Management.....	129
2. Candidates and Potential Candidates - CARDS (and PHARE for HR) or Turkey Pre-accession Assistance - FINANCIAL DATA	129
<u>Acronyms and Abbreviations:</u>	132

¹ This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

A. FINANCIAL ASSISTANCE TO THE WESTERN BALKANS, ICELAND AND TURKEY

CROATIA

1. SUMMARY

Following the signature of the Accession Treaty on 9 December 2011, **Croatia** continued throughout 2012 the implementation of measures to further strengthen its capacity to meet the obligations of membership to the EU. Since 1 July 2013, Croatia is an EU Member State.

The National Programme² for component I adopted in 2012 covers two budgetary years, namely the IPA 2012 Transition Assistance and Institution Building allocation, as well as the 6-month allocation for 2013 (in accordance with the envisaged EU accession of Croatia on 1 July 2013). The total amount of the 2012 and 2013 National Programmes was EUR 46.80 million. The implementation of EU financial assistance in 2012 accompanied these developments by providing further support for completing reforms and building up capacity in the key areas necessary for assuming the obligations of membership, namely in the areas of judiciary and fundamental rights and justice, freedom and security, as well as continuing the efforts of preparing Croatia for the management and implementation of post-accession funds.

Furthermore, during 2012 Croatia completed its preparations for the waiver of the *ex-ante* controls on procurement in order to achieve full decentralisation of the management and implementation of EU financial assistance prior to accession.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

The Instrument of Pre-accession Assistance (IPA) support for the period 2012-2013 reflects, in accordance with the 2011-2013 MIPD³, the shift to a stronger sector approach to EU financial assistance under the IPA Instrument. A positive effect of this new approach was the more targeted assistance allowing easier identification of the remaining gaps as well as improved donor coordination.

The sectors identified as key for EU assistance in Croatia are 1. justice and home affairs and fundamental rights; 2. public administration reform; 3. environment and climate change; 4. transport; 5. private sector development; 6. social development; 7. agriculture and rural development.

In line with the Enlargement Strategy and Main Challenges 2011-2012 and the accompanying 2011 Progress Report for Croatia, which identified the need to further consolidate reforms in the fields of rule of law, fight against corruption and reform of the public sector had been identified as key accession priorities, the IPA 2012-2013 National Programmes under Component I mainly focused on the first two sectors of the MIPD.

In addition, the priorities identified under the sectors 3 to 7 continued to contribute to the "Europe 2020" objectives of the EU by improving regional competitiveness, as well as human

² For the purpose of this Report, figures quoted under National Programmes refer to Components I

³ Decision C(2011)4181 of 17.6.2011.

capital and natural resources management. The implementation of the assistance in these sectors took place under IPA Components III, IV and V, allowing Croatia to continue its preparation managing decentralised funds.

Table 1: MIFF⁴ allocations per component, in million EUR

Component	2011	2012	2013	2011-2013
I – Transition Assistance and Institution Building	39.96	39.97	17.44	97.37
II – Cross-border cooperation	15.87	16.44	9.75	42.06
III – Regional Development	58.20	57.45	30.09	145.74
IV – Human Resources Development	16.00	15.90	8.55	40.59
V – Rural Development	26.50	25.82	27.70	80.02
TOTAL	156.53	155.59	93.52	405.78

2.2. Programming

2.2.1 Component I

The National Programme for component I adopted in 2012 covers two budgetary years, namely the IPA 2012 Transition Assistance and Institution Building allocation, as well as the 6-month allocation for 2013 (in accordance with the envisaged EU accession of Croatia on 1 July 2013). The total amount of the 2012 and 2013 National Programmes was EUR 46,804,559 (2012: EUR 35,219,859; 2013: EUR 11,584,700). The latter focuses on the priorities identified by the Enlargement Strategy 2011-2012 and the 2011 Progress Report and in the MIPD 2011-2013, namely public administration reform as well as justice, home affairs, and fundamental rights.

In addition to the National Programme 2012/2013, two separate Decisions were adopted to support Croatia's participation as active observer in the committees and expert groups of the European Commission (2012: EUR 800,000; 2013: EUR 500,000), and an amount of EUR 9,302,571 was transferred to the Regional Housing Programme under the Sarajevo Process.

The Commission, with the support of the EU Delegation in Croatia organised consultations on the 2012/2013 National Programme, with EU Member States' Embassies and local branches of International Financial Institutions (IFIs) in Zagreb, and the comments received were duly incorporated in the final programme.

As regards the evaluation of IPA assistance, Croatia has taken over full responsibility of interim evaluations under IPA Component I. The final report of the 2011 Country Programme

⁴As reflected by the Communication from the Commission to the European Parliament and the Council Instrument FOR Pre Accession Assistance (IPA) Revised Multi-Annual Indicative Financial Framework for 2013. COM(2012) 581 of 10 October 2012

interim Evaluation (CPiE) was presented in March 2012. The report gave a positive conclusion regarding the implementation of IPA projects in Croatia and also provided useful analyses and recommendations, able to lead to further improvements in the medium-term for the management of the implementation of financial assistance by the national authorities.

Table 2: Indicative financial allocations for the year under the National Programme, per priority axis and per project, in million EUR:

Priority Sector	Projects	Budget
2012 Allocation		35,219
Public Administration Reform		6,400
Project 1	Support to the enhanced functioning of the public administration	1,021
Project 2	Supply of IT equipment for the customs administration	1,700
Project 3	Flexible facility for reinforcement of administrative capacity	3,679
Justice, Home Affairs, Fundamental Right		22,352
Project 4	Strengthening the capacity and efficiency of SAO/USKOK	2,900
Project 5	Further improvement of the case management system	5,710
Project 6	Support to the prison system of the Republic of Croatia	4,399
Project 7	Construction and equipping of police station Tovarnik and border police station Maljevac	2,560
Project 8	Civil society organisations	4,950
Project 9	Support to national minorities at local level	1,832
Social Development and Supporting Programmes		6,467
Project 10	Strengthening policy and capacities to reduce undeclared work	1,375
Project 11	Participation in Union Programmes and Agencies	5,092
2013 Allocation		11,584
Public Administration Reform		2,893
Project 1	Strengthening Croatian tax administration's G2B capacities through consolidation of IT systems	1,393
Project 2	Flexible facility for reinforcement of administrative capacity	1,500
Justice, Home Affairs, Fundamental Right		5,164
Project 3	Development of geographic information system with geographic profiling of serial criminal offenders	925
Project 4	Strengthening capacities of the Ministry of Interior to implement the automated exchange of DNA and dactyloscopic data	1,080
Project 5	De-mining of social/economic infrastructure in Lika-Senj, Sisak-Moslavina and Zadar county	3,159
Social Development and Supporting Programmes		3,527
Project 6	Reconstruction of Moise Palace on the Island of Cres	3,527
TOTAL		46,805

2.2.2 Component II

The IPA Cross-border Programmes Croatia – Bosnia and Herzegovina, Croatia - Montenegro and Croatia - Serbia, adopted in 2007 and revised in 2010, included only a financing plan covering the period 2007-2011.

In agreement with the participating countries, these programmes have been revised in 2012, in accordance with Art. 93(1)(a) of the IPA Implementing Regulation No. 718/2007, in order to update the financing plan according to the revision of the Multi-annual Indicative Financial Framework 2011–2013 and in line with the Multi-annual Indicative Planning Document 2011–2013 for the IPA Cross-border cooperation component.

The revision of the programmes essentially entailed the update of the financing plan to include the 2012–2013 appropriations. In accordance with the foreseen date of Croatia's accession (1 July 2013), the 2013 allocations for these programmes cover until 30 June 2013. IPA funds for the second half of 2013 would be committed through further Commission Decisions. At that stage, about two years before the end of the programming period, it was considered as untimely to change the content of the programmes, which would have entailed operational difficulties, especially for the use of possible leftovers 2010–2011 into the 2012–2013 calls for proposals.

These programmes have been jointly revised by the Operating Structures of the participating countries and approved by the Joint Monitoring Committee, before the submission to DG Enlargement and the adoption by the Commission.

2.2.3 Component III

Under IPA Component III, "Regional Development", the programming exercise continued to follow a multi-annual approach, mirroring the Cohesion and Structural Funds programmes. Three Operational Programmes related to the Environment, Transport and Regional Competitiveness sectors were originally agreed for the period 2007-2009. They underwent a first revision in 2010 following the allocation of 2010-2011 funds, and were revised again in 2012 in order to cover the full period until the accession to the EU expected in July 2013.

Despite these two revisions, the strategic priorities of these programmes remain the same: the development of waste management infrastructure, the improvement of the water supply and the waste water management systems, the upgrading of the rail and inland waterway systems, the support of business-related infrastructure, to technology transfer and support for Small and Medium-Size Enterprises (SMEs).

2.2.4 Component IV

The Operational Programme for Human Resources Development was modified on 1 August 2012 (Commission Implementing Decision C (2012) 5580). The modifications consisted of an allocation of additional resources (for 2012 and 2013), adaptation of indicators and addition of one new priority (Priority 5 - Strengthening the role of civil society for better governance). Two new bodies were also included in the Operating structure: the National Foundation for Civil Society Development and the government's office for NGOs.

2.2.5 Component V

During 2012 two calls were launched for the first two conferred measures, namely measure 101 'Investments in agriculture holdings to restructure and to upgrade to EU standards' and measure 103 'Investments in the processing and marketing of agricultural and fishery products to restructure these activities and to upgrade them to EU standards'.

So far, the implementing body – the IPARD Agency - has received 305 applications out of which 167 projects were contracted, with an IPA contribution of over EUR 56 Million by the end of 2012.

Further to the two measures conferred in March 2010, namely measure 301 '*Improvement and development of rural infrastructure*' and measure 302 '*Diversification and development of rural economic activities*' three additional calls were launched throughout 2012.

As a result, 383 applications were received for both measures from the beginning of implementation, conversely only 84 were contracted. The low contracting rate is explained by the important rejection rate concerning the first call for the Measure 301. Most difficulties encountered by beneficiaries - Croatian small municipalities - were related to the implementation of public procurement rules. However, it is worth mentioning that compared to the first call, all following calls observed an increased number of contracted projects. Moreover, the last call for the Measure 302 'Diversification' was launched at the end of 2012.

The measure 'Rural infrastructure' continued to play an important role in the IPA Component V programme, mainly due to its social impact on the population within the rural areas.

Last but not least, in July 2012, the Croatian authorities submitted to the Commission an application for conferral of management for the two remaining programme measures, namely measure 501 "Technical Assistance" and the measure 202 "Preparation and implementation of local development strategies". The conferral decision was expected in early 2013; follow by the first call for selection of Local Action Groups (LAGs). Implementation of the "LEADER approach"⁵ still in the pre accession period is crucial to guarantee readiness of Croatian LAGs for implementation of long term local rural strategies as a Member State.

3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2012

3.1 Success stories

IPA 2009 'Capacity Building in the Field of Fight against Sexual Exploitation and Sexual Abuse of Children, and on Police Assistance to Vulnerable Crime Victims' (EUR 1.6 million)

This project contributed to enhance law enforcement in the fight against sexual exploitation and sexual abuse of children, as well as police assistance to vulnerable crime victims, especially children and their families, according to EU standards and best practices. It strengthened institutional capacities by providing recommendations to the Ministry of Interior and the Ministry of Justice, including the Public Prosecutor's Office, and preparing a protocol

⁵ LEADER ("*Liaison Entre Actions de Développement de l'Économie Rurale*", meaning 'Links between the rural economy and development actions') is a local development method which allows local actors to develop an area by using its endogenous development potential. The LEADER approach forms one of the four axes of Rural Development Policy 2007–2013. In this section you will find all you need to know about LEADER, just click on any of the sections below.

and Standard Operating Procedures for handling investigations among the relevant institutional actors, internet service providers and NGOs. This project raised the skills of police officers, public attorneys and judges, including in the area of Internet and computer related crime, by designing a training needs analysis and a "train the trainers" programme and providing guidelines for police officers in order to prevent secondary victimization and reduce the risk of repeated victimization. In terms of awareness-raising activities, this project improved communication with the concerned groups (victims and those who are in risk of becoming victims of sexual exploitation and sexual abuse involving their parents and teachers), focusing on the use of Internet as a tool for dissemination of information and prevention, and for reporting criminal offences. EU funds also provided equipment to implement the "witness and victim support system" in all police districts, conduct interviews with children, equip official police premises with digital units for audio-visual recording of interviews, and purchase forensic computers and forensic software for investigating computers, mobile phones and similar storage devices.

IPA 2008 'Strengthening of the Tax Administration in the Fight against Corruption' (EUR 230 000)

This project contributed to strengthen the accountability and transparency of work in the Croatian Tax Administration and to raise efficiency with regard to the detection and prosecution of corruptive offences. The project first reviewed the existing system for combating corruption and for improving ethics, integrity and the transparency of the Croatian Tax Administration towards the public. Secondly, an Internal Anticorruption Strategy and related Action Plan were prepared, including guidelines for the treatment of citizen's complaints against the work of employees. Extensive trainings were conducted in order to transfer knowledge and skills to middle management and officers who are connected with the fight against corruption. A training plan was developed for continuous training of the employees in the central office and in the regional offices together with 'train the trainers' training after which the participants are capable of training other employees. Procedures for reporting, detection and investigation of criminal acts were improved and relevant guidelines were created.

IPA 2008 'Support to the Management, Monitoring and Evaluation of the Structural Instruments (SI) in Croatia' (EUR 1.9 million)

This project implemented by Lithuanian and Hungarian Member States counterparts contributed significantly to the preparations of Croatia for the management of Structural Instruments (SI) in the post-accession period. The twinning partners assisted in providing guidance for the preparation of, as well as critical review of, draft key documents relevant for the programming of SI in Croatia for the period 2007-2013, such as the National Strategic Reference Framework and Operational Programmes. The key contribution of the twinning partners was guidance in the preparation of the Common National Rules which will regulate the management and control system for SI. Since Croatia is preparing in parallel for the 2014-2020 perspective, the twinning partners assisted in the programming process for this new period, especially in facilitating the work of seven thematic working groups on the national level which are to produce conclusions on funding priorities for 2014-2010. The twinning partners also organized a series of trainings for the staff of the Croatian state administration on SI including topics such as establishment of management and control systems, project selection criteria, management of grants, financial management and monitoring of operational programmes. The final phase of the implementation of the project confirms the high level of

ownership of the project by the Croatian authorities, which demonstrates the high level of sustainability of the project

3.2 Overview of the implementation status of the different instruments and components

Regarding IPA Component I and II, good progress was accomplished concerning the decentralised implementation of the assistance by the Croatian authorities.

As regards the contracting performance of the national authorities in Croatia, in 2012 a total of EUR 35.2 million were contracted, which is 57% of the forecast established in January 2012 (EUR 61.74 million). The National Programme TAIB 2008 achieved a contracting rate of 94.67% around its deadline expiration, namely 5 June 2012.

In 2012, EUR 40 million were disbursed to contractors/grant beneficiaries representing 63% of the aforementioned forecast.

Regarding transfers for Components I and II by the Commission to the National Fund following requests for funds (RfF), EUR 39.2 million were funded in 2012, which is 94% of the forecast established in January 2012 (EUR 41,68 million).

Under IPA Component III, the contracted rate amounts to 49% and the certified rate at 24% of the funds allocated in 2007-2013. In line with progress in the physical implementation of the programmes, the decommitment rate decrease at EUR 2,607,118 (Regional competitiveness programme), as against EUR 16.5 Mio in 2011 (three programmes).

The implementation of the Environment Operational Programme registered progress during 2012. The pending contracts for the implementation of the two major waste management centres in Marišćina and Kaštijun have been signed. The works for the Water supply and sewerage treatment projects in Slavonski Brod have progressed.

Tangible progress was also registered regarding the Transport Operational Programme. The project aiming at the development of the signalling and telecommunications infrastructure at Zagreb Main Railway station pursued its physical implementation. Works started for the Okučani to Novska Railway Rehabilitation and Upgrade project. As a consequence, no IPA funds were de-committed in the end of 2012.

Under the Regional Competitiveness Operational Programme six tourism and business-related infrastructure projects have been completed whereas nineteen new projects have been selected. Newly established Business Support Centres delivered training and services to SMEs in the e-commerce and e-business activities sector. Business centres were coached and trained to deliver high-level consultancy & training services to the SMEs throughout Croatia. A certification programme was developed to attract investors that will assist investors in eight lagging-behind counties. New infrastructure and entrepreneurial training curricula were developed in universities and research centres in order to boost the technology transfer and commercialisation of public sector R&D. Despite progress in the implementation of the programme, EUR 2,607,118 IPA funds were de-committed in the end of the year.

As regards IPA Component IV, under the Human Resource Development Operational Programme, tenders in the total amount of EUR 67.50 million or 71% of total 2007-2013 allocation were launched. Contracts in the total amount of 43.18 million or 46 % of total 2007-2013 allocation were signed. The National Authorising Officer (NAO) submitted statements of expenditure to the European Commission (last statement dated 27 December 2012) in the total amount of EUR 24, 13 million. The amount represents 56% of the total

amount contracted so far or 26% of the total amount available under HRD OP 2007-2013. The "n+3" requirement for 2012 is EUR 26, 79 million – therefore, de-commitment could not be avoided.

As regards Component V, although Croatia made important progress in 2012 in the implementation of the IPA Rural Development Programme, certain delays in implementation and more particularly in payments to final beneficiaries accumulated so far persisted in 2012. This is due to the fact that completion of rural development projects can be quite lengthy, and therefore only a part of contracted projects could be paid in 2012. Due to this situation, according to the N+3 budgetary rule, a part of the funds allocated in 2009, about EUR13 million, was de-committed at the end of 2012.

Such a situation should be avoided in the next years as currently the contracting is increasing. However Croatia should carefully monitor the progress of implementation taking into account proportional distribution of funds between the IPARD measures.

The implementation of the IPARD has made an important contribution to building up Croatia's capacity for managing post-accession funding, including by "learning-by-doing".

3.3 Sector I: Justice and Home Affairs and Fundamental Rights

IPA 2007 Component I 'Strengthening Capacities of the Ministry of the Interior to Combat Narcotic Drugs Trafficking and Drug Abuse', EUR 2.20 million.

This project supported the strengthening of the ability of the Ministry of Interior in the fight against organised crime, especially in the field of combating drugs trafficking and drugs abuse. It contributed to enhance the ability of criminal police officers, to strengthen the institutional capacities of the Forensic Science Centre "Ivan Vučetić" in the area of drugs analysis, and to establish a National Contact Point for the transmission of synthetic drugs samples and data exchange with other Forensic Science Centres. Some of the main achieved results were, for example, increased capacity for narcotic drugs analysis and profiling, development of a protocol for cooperation, communication and strengthening of the institutional control model for precursors, establishment of contact points in governmental institutions, and training of police officers on advanced methods of investigations related to drug crimes.

IPA 2007 Component I 'Development of modern information system for strengthening Anti-Corruption Inter Agency cooperation', EUR 460 000.

This project supported Croatia in its efforts to implement the National Anti-Corruption Strategy (adopted in 2008). The success of the Strategy relies very much on the good cooperation among all stakeholders (Croatian Ministries, specific administrations, control bodies, other agencies, etc.). Therefore, the project focussed on the development of an IT tool (including Internet portal) to support the Ministry of Justice in coordinating the Croatian anti-corruption efforts of all stakeholders; improving its capacity in managing the flow of information from and towards other involved bodies, facilitating its monitoring and analytical tasks, and improving its communication towards the public. The project contributed to increase the public awareness on corruption. Its effects should allow a better prevention of corruption, allowing Croatia to become also more attractive to international business and foreign investments.

3.4 Sector II: Public Administration Reform

As regards **TAIEX**, the EU Delegation to Croatia received 183 TAIEX applications for review in 2012, of which the majority, 51 applications, concerned Chapter 12, Food Safety, Veterinary and Phytosanitary Policy and Chapter 11, Agriculture and Rural Development with 40 applications. Chapters 24 (Justice, Freedom and Security), 27 (Environment), 23 (Judiciary and Fundamental Rights) and 28 (Consumer and Health Protection) followed with 27, 21, 11 and 7 applications respectively. Chapter 1 (Free movement of goods) and Chapter 22 (Regional policy and coordination of structural instruments) had 6 applications each. The Delegation also participated in the coordination and recruitment for 13 Local Administration Facility events and 7 events funded by the People to People Programme.

Twinning enjoyed a major success in 2012, contracting 13 twinning lights and a total of 19 twinning contracts for a total of EUR 21,2 million. The sectors targeted by twinning and partner countries were as follows: under IPA 2008: judiciary reform (one with Germany and France and another one with the UK and Czech Republic), road safety (Germany with Poland), effective management of EU cohesion funds (one with Lithuania and Hungary, another with Italy and Poland), environment (Austria); under IPA 2009: training of judicial advisors, future judges and state attorneys (Spain), fighting sexual exploitation and sexual abuse of children and police assistance to vulnerable victims (UK), anti-discrimination protection (Austria), co-ordination of social security schemes (Sweden), Croatian Civil Aviation Agency and Aircraft Accident and Incident Investigation Agency (Austria with Germany), tax audit (German with the UK), environment (France with Austria and another one Austria), audit function for the structural, cohesion and agricultural funds (Netherlands), energy (Austria); under IPA 2010: taxation/VAT EU common system (Netherlands), Integrated Border Management (Austria).

During 2012, **SIGMA** provided assistance to the Ministry of Public Administration analysing the draft legislative framework linked to the prevention of corruption and workshops were organised in the field of performance appraisal of civil servants and integrity. In the area of policy-making, SIGMA provided support to the Government Legislation Office in the field of regulatory impact assessment and legislative drafting.

Concerning public finance, SIGMA supported the Ministry of Finance in the preparation of the new Action Plan for the implementation of financial management and control for the period 2012 – 2013; draft Public Finance Management Strategy for the period 2013 – 2016; Guidelines on managerial accountability and Guidelines on cost and management accounting. In addition, the new Financial Management and Control Manual and Rulebook on Internal Audit criteria (including at the local level) were elaborated with the support of SIGMA. Workshops and on-the-job trainings were consequently organised in the areas of risk management at central and local levels; quality assurance process of the internal audit function of budget users; use of Structural Funds and Cohesion Fund. In addition, a conference on the supervision and external quality assessment of internal audit was organised. SIGMA also conducted a peer review of the Agency for the Audit of European Union Programmes' Implementation System (ARPA).

In the area of public procurement, SIGMA made a review of the structure and organisation of the State Commission for Supervision of Public Procurement Procedures and provided assistance in developing its Action Plan. SIGMA worked with the Central Procurement Office

on preparing a draft Strategy and Action Plan. In addition, assistance was provided in drafting the new Public-Private Partnership (PPP) Act and the Concessions Act as well as in the elaboration of the relevant secondary legislation. Workshops were organised in the following areas: review procedures; blending of PPP schemes and EU Structural and Cohesion Funds; defence procurement; centralised procurement; e-procurement and utilities for various stakeholders.

As regards **participation in EU Programmes and Agencies**, in 2012 Croatia participated in the following programmes for which it will continue to participate in the first half of 2013 on the basis of signed Memoranda of Understanding: Fiscalis 2013, CUSTOMS 2013, Culture 2007-2013, Criminal Justice Programme, Civil Justice Programme, Media 2007, Seventh Framework Programme for Research, Technological Development and Demonstration Activities, Europe for Citizens, PROGRESS, Competitiveness and Innovation Framework Programme (CIP), EU Civil Protection Mechanism, Second Programme of Community Action in the Field of Health 2008-2013, Marco Polo II, ISA Programme (Interoperability Solutions for European Public Administrations), Life-Long Learning Programme (LLP), Youth in Action Programme. Croatia also participates as an observer in the European Agency for Fundamental Rights. As regards the participation of Croatia in Union Programmes and Agencies as a Member State, there will be no horizontal arrangements or specific terms or conditions applicable to all such programmes, and each responsible Commission's Directorate General will make the necessary arrangements to include Croatia as a Member State in the programmes under their responsibility.

4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES

One of the main objectives of the IPA instrument is that, in addition to supporting the efforts of the country in the negotiating process, it will also prepare the country for managing the structural and cohesion and rural development funds, which become available after accession. In order to achieve this, the full potential of IPA is reached when the beneficiary country becomes fully responsible for managing the assistance it receives from the EU. Furthermore, Article 29 of the Croatian Act of Accession stipulates that the *ex-ante* control by the Commission over procurement and grant awards shall be waived by a Commission Decision to that effect, once the Commission is satisfied with the effective functioning of the management and control system concerned in accordance with the criteria and conditions laid down in Article 56(2) of the Financial Regulation and in Article 18 of Commission Regulation (EC) No 718/2007.

Following the Commission Decisions to confer the management of the IPA funds to the Croatian national authorities in 2008 and 2009, Croatia continued to implement IPA programmes in 2012 on a decentralised basis, with *ex-ante* controls by the European Union Delegation in Zagreb.

Furthermore, Croatia moved closer in 2012 to the ultimate objective of the conferral of management process, the decentralised implementation without *ex ante* controls by the Commission for IPA Components I to IV. Component V has operated directly without *ex ante* controls since the conferral of management decision in 2009.

In June 2012, the National Authorising Officer (NAO) submitted to the Commission the requests to waive *ex-ante* controls under IPA Components I and II. On the basis of the regular review of the implementation of the roadmap for the waiver of *ex-ante* controls, and of the

supporting evidence submitted by the NAO as part of the application for the waiver of *ex-ante* controls, the Commission examined the readiness of the Croatian national authorities and Implementing Bodies for the waiver of *ex-ante* controls and the compliance with the requirements of Article 18 of Regulation (EC) No 718/2007. Following a review by the Commission of the procurement systems of Croatia, it was concluded that the capacity of the Croatian authorities has sufficiently developed to take over the full responsibility of the system without *ex-ante* controls.

As regards rejection rates in the context of the *ex-ante* controls, under IPA Component I in 2012 they averaged at 2.4%, i.e. 8 rejected files out of a total of 337.

On the basis of these assessments and of the steady low rate of rejections, the amendments of the conferral of management decisions for Component I and II with the view of waiving the *ex-ante* controls on procurement currently exercised by the EU Delegation were launched in the third quarter of 2012.

PART II - FINANCIAL DATA (EUR million and %)

On implementation of assistance by DG ELARG at 31 December 2012

IPA I + II Croatia

Croatia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	44.96	44.93	99.94%	42.58	94.72%
IPA 2008	45.03	45.03	100.00%	40.12	89.10%
IPA 2009	47.36	47.36	100.00%	32.42	68.46%
IPA 2010	40.82	40.82	100.00%	17.18	42.08%
IPA 2011	42.17	39.86	94.52%	12.39	29.39%
IPA 2012	38.52	0.00	0.00%	0.00	0.00%
Total	258.86	218.01	84.22%	144.70	55.90%

IPA – Component I National Programme Croatia

Croatia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	42.30	42.28	99.94%	40.12	94.85%
IPA 2008	41.37	41.37	100.00%	37.46	90.54%
IPA 2009	44.60	44.60	100.00%	31.12	69.77%
IPA 2010	38.62	38.62	100.00%	16.76	43.38%
IPA 2011	39.16	39.05	99.72%	12.39	31.65%
IPA 2012	36.02	0.00	0.00%	0.00	0.00%
Total	242.08	205.93	85.07%	137.85	56.94%

IPA – Component II (CBC) Programme Croatia

Croatia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	2.65	2.65	100.00%	2.46	92.63%
IPA 2008	2.71	2.71	100.00%	2.57	94.98%
IPA 2009	2.76	2.76	100.00%	1.30	47.25%
IPA 2010	2.20	2.20	100.00%	0.42	19.09%
IPA 2011	2.20	0.00	0.00%	0.00	0.00%
IPA 2012	2.50	0.00	0.00%	0.00	0.00%
Total	15.02	10.32	68.71%	6.75	44.95%

TURKEY

1. SUMMARY

In 2012, the Positive Agenda for EU - **Turkey** relations brought fresh dynamism putting in several areas the accession process back on track after a period of stagnation. This agenda focused on efforts related to common interests, including:

- the alignment with the *acquis*;
- enhancing the energy cooperation;
- visas, mobility and migration;
- trade agreements as well as the Customs Union, on which a specific study to assess its overall impact was launched with the World Bank;
- foreign policy, including political reforms and counter terrorism actions;
- substantial increase in the participation in Union programmes.

The IPA financial assistance in 2012 continued to support the political priorities of the accession process with a focus on the rule of law and tackling key reforms linked to the judiciary and fundamental rights, under Component I, for a total value of EUR 225.74 million in 2012.

Positive developments were also observed in the management of the financial assistance by the Turkish national authorities under decentralised management mode. The accreditation process in view of transferring tendering, contracting and financial management functions from the Central Finance and Contracts Unit (CFCU) to the line ministries has been successfully finalised for all Operating Structures under IPA Components III and IV. The conferral of management for the IPA Component V has also been granted for almost twenty provinces.

Throughout 2012, the dialogue with the Turkish institutions was enhanced on migration and asylum as well as on integrated border management. Further opportunities were explored, to support institutional reform with EU financial assistance. A pipeline of project proposals was developed and reviewed by all the relevant programming stakeholders for financing under IPA, including specialised UN agencies. Efforts to improve the management and control system by the Turkish authorities, responsible for the implementation of IPA programmes continued, although further improvements are still required in the area of IPA programming and monitoring.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document 2011-2013

The selection of a relatively limited number of sectors in the MIPD 2011-2013 allowed for a more targeted approach towards EU assistance that aims to deliver the expected results and meet the envisaged objectives in a sustainable manner. The MIPD identifies priorities based on the needs documented in the Accession Partnership of the country as well as the latest progress report and the Turkish authorities' own strategies. It takes into account the lessons learned as outlined in the Commission's own assessment of past performance and on recent

audits and evaluations.

EU assistance provides added value and often initiates important reform processes that will continue in a sustainable manner beyond the duration of the EU programmes.

In line with the MIPD 2011-2013 sectors and priorities identified for the 2012 IPA funds under IPA component I have been programmed, mainly supporting projects in the sectors of justice, home affairs and fundamental rights, energy, transport, social development and agriculture and rural development, as well as horizontal support activities.

Table 1: MIFF⁶ allocations per component, in EUR million

Component	2011	2012	2013	2011-2013
I – Transition Assistance and Institution Building	231.27	227.50	238.50	697.27
II – Cross-border cooperation	5.13	2.17	2.22	9.52
III – Regional Development	293.40	356.07	366.88	1,016.35
IV – Human Resources Development	77.60	83.19	91.17	251.96
V – Rural Development	172.50	187.39	204.18	564.07
TOTAL	779.90	856.32	902.95	2,539.17

2.2 Programming

2.2.1 Component I

The National Programme 2012 which has been adopted by the Commission on 21 June 2012 is split between 5 sectors in line with the MIPD 2011-2013: (1) justice, home affairs and fundamental rights; (2) transport; (3) energy; (4) social development and (5) agriculture and rural development and supports 14 projects in the above-mentioned sectors. Projects under these sectors were selected as they were mature for implementation and are of high priority for Turkey. As part of the programming process, only those relevant and eligible projects proposed by the Turkish authorities that have achieved sufficient readiness for implementation have been accepted.

While programming 2012 IPA funds, efforts were made to better focus projects on the political priorities of the accession process as well as on aligning them with sector priorities. The largest part of the budget has been programmed to support projects in the justice, home affairs and fundamental rights sector, aiming to strengthen effective law enforcement, successful fight against organised crime and corruption as well as improved integrated border management and prevention of illegal migration. For example, project TR2012/0329.06 "Modernisation of Turkish Customs Administration VIII" (EUR 10.49 million) aims to modernize the Turkish Customs Administration (TCA) and to ensure a harmonized implementation of Customs Code and effective functioning of the Customs in their law enforcement and border management tasks, border protection of intellectual and industrial

⁶Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', new MIFF (10.10.2012 COM(2012) 584 final)

property rights (IPRs) and Customs Laboratories in line with obligations of an EU Member State Customs Administration.

While programming 2012 IPA Component I programme, a project TR2012/0315.10 "Energy sector programme – phase 1" has been developed together with the World Bank, which will manage it. The project aims at enhancing Turkey's energy sector in line with the EU energy strategies and priorities in energy efficiency, renewable energy, and the natural gas and electricity markets. This project is in line with the MIPD 2011-2013 objective of promoted energy efficiency and renewable energies.

When it comes to donor coordination, the Commission took several initiatives in Brussels and Ankara in order to coordinate with IFIs, notably EIB, EBRD as well as the World Bank. In particular a second EU-WB Turkey Country Day was organised in Brussels on 2 May 2012 in order to explore further areas where synergy and value added can be found through a joint approach. In addition, the Ministry of EU Affairs has also organised on May 23rd a meeting with the participation of several IFIs (EBRD, AFD, KFW, WB) and other donors (UNDP, UNICEF, UNIDO, ILO, IMO, CoE, WHO) in order to facilitate donor coordination activities within the scope of the accession agenda.

Table 2: Indicative financial allocations under IPA 2012 (component I) National Programme, per MIPD sector and per project, in EUR million:

Priority Sector	Projects	Budget
Justice, Home Affairs and Fundamental Rights		
TR2012/0123.01	<i>Prevention of corruption and promotion of ethics</i>	2.25 MEUR
TR2012/0123.02	<i>Strengthening Judicial Ethics in Turkey</i>	3 MEUR
TR2012/0324.03	<i>Efficiency in anti-money laundering and counter terrorist financing</i>	3.75 MEUR
TR2012/0124.04	<i>Socioeconomic development through demining and increasing the Border Surveillance Capacity at the Easter Borders of Turkey - Phase II (EUR 40 million)</i>	40 MEUR
TR2012/0323.05	<i>The Strengthening of Probation Services' Institutional Capacity in Transition to Electronic Monitoring System</i>	1.8 MEUR
TR2012/0329.06	<i>Modernization of Turkish Customs Administration VIII</i>	10.49MEUR
TR2012/0136.07	<i>Common Cultural Heritage: Preservation and dialogue between Turkey and the EU (Phase II)</i>	5.42 MEUR
TR2012/0136.08	<i>Jean Monnet Scholarship Programme</i>	8.84MEUR
Transport		
TR2012/0314.09	<i>Capacity Building on Safety and Security Training Requirements of the Turkish Civil Aviation</i>	13.55 MEUR
Social Development		
TR2012/0465.11	<i>Turkey's Participation in Union Programmes and Agencies</i>	67.93 MEUR

TR2012/0465.11	<i>Preventing and combating selected Risk Factors for Health in school</i>	3 MEUR
Energy		
TR2012/0315.10	<i>Energy sector programme (phase I)</i>	11.8 MEUR
Agriculture and rural development		
TR2012/0312.13	<i>Electronic identification and registration system for sheep and goats</i>	28.9 MEUR
Other activities		
TR2012/0740.14	<i>Enhanced Support Activities to Strengthen the European Integration Process (ESEI) (EUR 25 million)</i>	25 MEUR
TOTAL		225.74*

* The figure only concern National Programme 2012 and not include the amount allocated to the CSF

2.2.2 Component II

On 17 July 2011 the Commission adopted an annual programme on financing the participation of Turkey in the European Neighborhood & Partnership Instrument (ENPI) Black Sea Basin programme⁷, worth EUR 3 million. To streamline implementation, for the last three years (2011–2013) of the programme, it has been decided to front load the remaining IPA contribution within a single financing decision of EUR 3 million to be adopted in 2011. The multi-annual Black Sea basin programme (2007-2013) aims at supporting stronger and sustainable economic and social development of the regions of the Black Sea basin and enhanced mutual understanding through cross-border partnerships. Consequently, there was no dedicated programming activity to be reported.

2.2.3 Components III-V

Component III and Component IV programmes were adopted in 2007 and 2008 covering a seven-year programming period.

As regards the revision of Environment, Regional Competitiveness and Transport operational programmes (OPs) under IPA component III in 2011, preparations were done regarding the distribution of the total allocation and the project pipeline.

In 2012, the Environment, Regional Competitiveness and Transport operational programmes were again subject to an amending decision in order to revise the financial tables, monitoring indicators as well as the project pipeline. The programme modification also addressed the restructuring of the public institutions in Turkey in 2011. The amending programme decisions were adopted in October 2012 and the transposing amending financing agreements were signed in November 2012.

Following the entry into force of the amending financial agreements, an additional pre-financing of approximately EUR 36 million was paid for the Transport OP and EUR 38 million for the Environment OP.

⁷C(2010)7470

The Human Resources Development OP (HRD OP) under IPA component IV was also revised in 2012 and the related Financing Agreement was updated accordingly. In the framework of this revision, the scope of eligible actions was increased and funding opportunities were opened up to a wider range of final beneficiaries. Finally, provisions were included to allow for funding to be provided to all Turkish regions while maintaining the principle to concentrate on the Turkish regions with a GDP *per capita* below 75% of the Turkish national average. The Commission Decision concerning the revised operational programme was adopted on 12 October 2012.

As regards IPA Component V, the fourth and fifth modifications of the IPA rural development programme (IPARD) were adopted by the Commission respectively on 7 September and 5 December 2012. The main thrust of the fourth modification was the improvement of absorption capacity, via an extended geographical scope, more flexible eligibility conditions and broader eligible expenditure. The fifth modification consisted in updating the financial table to add the allocation for 2012 as in the agreed EU budget.

3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2012

3.1 - Success stories

IPA Component I, '2007 project Introduction of quality management in the revenue administration'(EUR 1.18 million)

The project, implemented in 2012, aimed to improve the administrative capacities and efficiency of the tax administration in line with the Fiscal Blueprints, and to align the Turkish tax system with the EU directives. The training was provided to the Turkish Revenue Administration (TRA) in particular in relation to the implementation of the European Foundation for Quality Management (EFQM) excellence model and establishing the infrastructure for its implementation. During the course of project implementation the infrastructure for the implementation of EFQM model was established through its basic tools and frameworks such as self-assessment, RADAR benchmarking⁸ and other new tools. The following results have been achieved: establishment of a Complaint Management System, creation of a Suggestion Improvement System for suggestions of employees, enhanced level of administrative capacity of the TRA for the National Quality Movement.

IPA Component I, '2008 project Improving Occupational Health and Safety Conditions at Workplaces', (EUR 3.50 million)

The project has been implemented between 2010 and 2012 aiming to provide Turkish workers with safer workplaces and healthier working conditions. National Occupational Health and Safety Management Systems have been established for risky sectors to be implemented at company level. Occupational health and safety conditions in 128 SMEs operating in the top risk sectors (mining, construction, and metal) have been improved, significantly reducing accident risks. The outputs were disseminated to SMEs and related partners all around the country. A national web-based recording system has been established, aiming to gather reliable data concerning occupational accidents and occupational diseases. This enables

⁸ The radar chart approach is one of a number of special analytical tools that have been developed in connection with benchmarking in the private and public sectors.

Turkey to produce data comparable with the EU, allowing for better informed policy making processes.

IPA Component IV – 'Increasing Enrolment Rates Especially For Girls', EUR 13.61 million)

Particularly focusing on girls and women, this operation aims at increasing enrolment rates in secondary education and vocational education and training, decreasing drop-out rates in both primary and secondary education and increasing vocational skills and competences of the labour force. Early drop outs from school are a problem especially for girls often caused by cultural obstacles, early and forced marriages, and economic insufficiencies, among others.

This project, directly related to the EU 2020 targets of increasing the educational attainment and preventing early school leaving and drop outs, will help Turkey, as a potential future Member State, to pursue the EU 2020 targets. The implementation started in May 2011 and is expected to run until July 2013. It has supported the Turkish Ministry of National Education (MoNE) in its efforts to tackle the drop out problem, especially for girls.

So far, the technical assistance team in cooperation with the MoNE has prepared local actions plans covering 16 cities where school enrolment rates are low, aiming at increasing enrolment rates through persuasive activities with families, teacher training and monitoring of drop outs and absenteeism. These actions are currently implemented by the local authorities and monitored by the technical assistance team. Thanks to the project support, the MoNE has improved guidance services within schools in Turkey's less developed regions, targeting the existing students with focused training for teachers and students of Guidance and Psychological Counselling Departments within universities.

In addition to these bigger-scale activities, the project also supported 89 small-scale interventions implemented by primary schools, universities, local authorities and non-governmental organisations, to help their activities to increase school enrolment rates, including direct persuasive engagements with families to send their children to school, which is the most significant factor influencing girls' education. These small-scale projects are targeting specifically the problems in the Eastern and South-Eastern provinces of Turkey, where the school enrolment rates are low compared to the other provinces. As a result of the 89 grant projects, project workers visited 16,600 households. So far, 2800 girls have been enrolled to catch up education. 1500 girls and women received skills development training. 1000 girls and women learned how to read and write. 3300 girls went back to formal education. 2800 drop-out cases have been prevented. 3300 girls received psychological and counselling support to keep them in school.

The project also supported a very effective awareness campaign, by broadcasting on national channels short movies targeting girls outside the education system. As a result, 800 children who had dropped out or who had never attended school have so far been enrolled. This has happened only within two months following the broadcasting of the short movies, which can be seen at this link: <http://www.eba.gov.tr/video/izle/025876bd3ffe9d02a4ff4b0f88760d33b614081ed6001>

3.2 Overview of the implementation status of the different instruments and components

3.2.1 Component I

EU assistance implementation under IPA component I has advanced compared to the previous years. The financial performance has been positive overall in 2012 thanks to a substantial effort and the good cooperation among different institutions that resulted in contracting almost 94% of the NP 2008 and 97% for NP 2009 (programme part for which the contracting deadline has not been extended). Nonetheless, despite good contracting rate of 2008 and 2009 funds, the contracting of 2010 and 2011 programmes encounters substantial delays. The lengthy preparation of the tender dossiers and then of the evaluation process, explains the long time required to get to the contract signature. Payments still remain low due to the fact that they are lagging behind contracting and that final payments are only made on average several months after contracts are fully implemented.

3.2.1.1. Sector I: Public Administration Reform

In the MIPD 2011-2013, Public Administration Reform (PAR) is addressed under the sector of "Justice, Home Affairs and Fundamental Rights" where one of the sector objectives is *"Effective implementation of the legislation regarding the reform and restructuring of the central public administration and transferring authority to the local and provincial administrations; reduced bureaucracy, strengthened policy making systems and sustainable development of a professional, accountable, transparent and merit-based civil service; parliamentary and civilian oversight mechanism over security sector secured; oversight, control and participatory mechanisms supported including strengthened external and internal audit functions and establishing an independent data protection system"*.

Within this framework, the project "Participatory Decision Making at the Local Level" (EUR 3,305,000) has been implemented by the Ministry of Interior as the main beneficiary and the Ministry of Development as a co-beneficiary. 26 province municipalities are involved as pilots. The overall objective of the project is to increase the scope of local government reform in Turkey by improving the capacity of local governments for enhancing participatory strategic governance at the local level. In line with the overall objective, the project's purpose is three-fold:

1. Improving strategic planning and programming capacity and capability of local governments;
2. Enhancing citizens' role within assemblies in local decision making mechanisms;
3. Supporting further implementation of the recent legislation to ensure transparency and accountability in 26 local governments in Turkey.

In Turkey, one of the main challenges is the need to strengthen the administrative and judicial capacity to implement and enforce the *acquis*. Under IPA, the Commission continued to mobilise significant human and financial resources to help Turkish public administrations with this process, using the mechanism of T-twinning administrations and agencies. In 2012, 7 twinning contracts were signed with Member States in the area of judiciary, transport, justice, freedom, security and health. In total, 114 out of the 132 projects initiated over the period 2002-2012, 91 projects were completed. Twinning continues to be an important element for further implementation. Through the so-called twinning Review Mission tool, in a

form of a TAIEX mission, the sustainability of twinning projects continued to be reviewed once a year.

During 2012, around 100 workshops and expert missions took place in Turkey in addition to many Turkish officials who took part in numerous study visits and multicounty seminars in various European countries.

An EU funded TAIEX seminar "Cycle on Human Rights Institutions - Turkish Independent Human Rights Institutions in line with the Paris principles" was held in Ankara on 19-20 December in Ankara together with high representatives of the Ministry for EU Affairs, NGOs members and international experts. The seminar covered legislative developments in the area of national human rights institutions falling under chapter 23. The (then) Draft Law on Independent Human Rights Institutions, as well as other relevant draft laws (Ombudsman, Equality Board), including accountability and appointment of membership, eligibility and plurality of membership, budget and staffing, jurisdiction and functions were the main topics discussed.

3.2.1.2. Sector II: Justice, Home Affairs and Fundamental Rights

Key objectives set in the MIPD 2011-20213 are to implement the necessary reforms to build an independent, impartial and efficient judiciary, to foster effective law enforcement, successful fight against crime and corruption and improved integrated border management and prevention of illegal migration. This is in view of achieving tangible and measurable progress towards the full enjoyment of all fundamental rights and freedoms by all individuals without discrimination and building strong democratic institutions promoting pluralism and the values of European integration.

Therefore, the twinning Project "Improved Capacity of Civil Enforcement Offices" (IPA 2009 - EUR 1.7 million) was designed to address the deficiencies observed in this area. The transactions carried out by the enforcement offices are directly related with the fundamental rights and freedoms. In this sense, the project's purpose is to strengthen the institutional capacity of civil enforcement offices to ensure effectiveness and efficiency in executing their services thus enhancing the trust in the judiciary.

Another twinning project, Towards an Effective and Professional Justice Academy (IPA 2010 - EUR 1.13 million), started in December 2012 and is designed to support the Justice Academy to become a strong and independent training provider for the entire Turkish judiciary. The project will address both institutional and academic capacity of the Justice Academy through activities including the establishment of a Human Rights Unit in charge of providing adequate training on human rights to legal professionals.

A workshop on "International judicial cooperation in fighting transnational and Terror Crimes" took place in Ankara on 28 - 29 November 2012. It involved a large and diverse group of officials from various institutions including the Ministry of Justice, the Financial Crimes Investigation Board of Turkey, the IT and Financial Investigation Units of the Turkish National Police as well as Prosecutors from the Court of Cassation. Experts from the Department of financial information of Poland brought an international perspective to this event. The seminar was an excellent opportunity for the various institutions to share knowledge and to get acquainted with innovative international practice notably with regard to the investigation of terrorist financing cases.

The project "Improvement of Civilian Oversight of the Internal Security Sector Project – Phase II" (IPA 2011 - EUR 3.5 million) started in July 2012 and is implemented in joint management with the United Nations Development Programme (UNDP). The project is expected to make a significant contribution to increasing accountability of the internal security forces to the public and establishing the necessary checks and balances to prevent any potential abuse of power. Main targets include the revision and development of the regulatory framework to enable the Ministry of Interior and local public administrators to exercise effective civilian oversight over law enforcement bodies.

Similarly, in 2012, "Action Plan on IBM, Phase 2" developed recommendations for a structured risk analysis system on border management and also modernised the database system of the police used for border checks, supplied further border surveillance equipment for the Gendarmerie, Coast Guard and the Land Forces. Another project that was in force in 2012 on training of border police developed curriculum and training programme for the in-service training of the police. Assistance has been delivered also to the Customs Enforcement, with a project by which Turkey's first train scanner device was installed at the border with Iran and also a number of boats were purchased to increase the maritime capacity to fight against smuggling together with training delivered via a twinning project.

In the field of asylum and migration, a major and complex programme worth more than EUR 85 million was under implementation aiming to deliver six response centres for asylum seekers and the elimination of a dedicated detention centre destined for irregular migrants.

3.2.1.3. Sector III: Private Sector Development

The MIPD 2011-2013 for Turkey under Private sector development envisages support to increase employment, productivity and export of goods and services, particularly in the regions where employment and business stocks are low. In 2012, the implementation of the projects under the Private Sector Development has continued.

Significant progress was registered regarding the facilitation of access to finance opportunities for SMEs. **The Greater Anatolia Guarantee Facility (GAGF)**, a financial instrument designed and implemented by the European Investment Bank Group for the benefit of SMEs operating in Turkey, has become fully operational in 2011 and almost all loans were disbursed to SMEs during 2012. The second phase of the project has become operational in 2012, increasing the IPA budget to EUR 51 million, which is complemented with an EIB loan programme of EUR 450 million and an equivalent loan volume provided by participating local banks. The project provides loans to SMEs through Akbank, Yapı Kredi, Vakıfbank and Halkbank and micro-credits through Kredi Garanti Fonu.

Lending activities continued under the **Crisis Response Package**, where the Commission mobilised some EUR 470 million through the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) in late-2010. The programme enabled small businesses to receive loans from local banks to meet their working capital and investment needs. The programme also supports investments for energy efficiency.

3.2.1.4. Sector IV: Environment and climate change

Environment and climate change continued to be one of the highest priorities underlining the increasing EU support over the years in line with the MIPD horizontal priorities on environment, nature protection and climate change.

The projects' portfolio and investments reached up to project applications of EUR 855 million EU contribution, including all available pre-accession instruments. Under Component I and III, 85 contracts were signed so far. 22 water, wastewater or solid waste infrastructure projects were approved and are at different stages of implementation.

A technical assistance project on Increasing Implementation Capacity of the Seveso II Directive which is worth EUR 2.73 million was started in 2012. This project aims to strengthen the administrative and institutional capacity of central and local bodies responsible for future implementation of the Seveso II Directive in Turkey.

Further on, a twinning light project on Emergency Case Management and Risk Analysis in Drinking Water for the Protection of Public Health started in 2012 with a budget of EUR 250,000. The project aims to strengthen the Ministry of Health via building the institutional capacity both at the Public Health Institution of Turkey and the Public Health Directorates of the 81 provinces in the field of drinking water for risk assessment, early warning and management of emergency cases in line with the EU Drinking Water Legislation (98/83/EC).

A framework contract (FWC) for Strengthening the Institutional and Administrative Capacity on Implementation of Habitat and Birds Directives in Turkey has started in 2012 with a budget of EUR 115,877. The project aims to build the institutional capacity and strengthen the Ministry of Forest and Water Affairs through a series of training for the trainer on the implementation of Birds and Habitats Directives and assessing the potential Natura 2000 sites.

3.2.1.5. Sector V: Transport

There is an almost complete convergence between national strategies and EU pre-accession strategies with an outlook towards 2015. The priority areas are carefully selected and project pipelines are prepared to achieve the strategic priorities.

3.2.1.6. Sector VI: Energy

Defined as a major priority sector under MIPD document (2011-2013), the energy sector englobes three main objectives; the increase of capacity and better alignment in the energy efficiency field; further alignment by implementation of the *acquis* on the internal gas and electricity market; bringing the nuclear safety in line with EU standards.

Within this framework, the project "Structure and Capacity Improvement of Turkish Electricity Transmission Corporation (TEIAS)" (IPA 2009 - EUR 1,8 million) was contracted in December 2012, aiming to improve the institutional structure and capacity of TEIAS, by expanding its technical capacity to perform live working (LW) and to develop work safety and training activities and restructuring its organization by improving human resources policies and its IT structure. Furthermore, the LW system will not only increase the reliability and availability of the transmission system, but also reduce the operation and maintenance costs of the operators on the strategic lines and interconnections. The project is fully in line with the second objective of the MIPD related priorities particularly on the implementation of the *acquis* on the internal gas and electricity market.

In addition, the tendering phase was finalised for the implementation of another project related to electricity sector: "Harmonization of Transmission Code in line with ENTSO-E, (2010 - EUR 1.35 million). The project is designed to harmonize the Turkish Power System

Transmission Code in line with the European Network of Transmission System Operators for Electricity (ENTSO-E). By establishing the same rules on electricity networks, they would provide better interoperability in both the EU and Turkish systems and will bring the Turkish electricity network code fully in line with EU energy *acquis*.

3.2.1.7. Sector VII: Social development

The first objective of this sector under MIPD document is to prepare Turkish authorities for an effective implementation of the European Social Fund (ESF) and bringing Turkey closer to the EU policies and parameters of the Europe 2020 strategy, both in terms of strengthening employment and human resources development as well as building institutional and administrative capacity.

Within this framework, one of the projects implemented is "Promoting Gender Equality in Working Life". The twinning project has helped Turkish authorities transpose the equal opportunities *acquis*. Turkish authorities have acquired extensive knowledge, better understanding, and more resources to make gender equality, a fundamental EU principle, a reality in their legislative and policy work. A gender equality award for Turkish companies was established, and will be granted by the Turkish authorities annually. The project is also intended to intensify discussion of harmonisation of work and private life in the private sector.

The Human Resources Development programme Operation "Improving the Quality of the Public Employment Services" – (EUR 8,600,000 EU contribution) is still on-going.

The overall objective is to attract and retain more people in employment by improving the quality of the public employment services. This is being done by assisting the Turkish Public Employment Service (ISKUR), the Ministry of Labour and Social Security, the Provincial Employment and Vocational Training Boards and the social partners to strengthen their administrative capacities. The three-year project will last until the end of 2013.

Thanks to the operation, the professional skills and behaviour of ISKUR staff at the provincial level, where they meet up with their clients, jobseekers and those seeking job changes and/or training advice, is changing and improving with intensive and extensive training on management techniques like local action planning and introducing the concept of the "Model Public Employment Office" to deliver more quality and targeted services.

One major initiative aimed at improving the access of jobseekers and employers to ISKUR's services has been a bus campaign in 2012 that reached 25,000 people in 21 provinces targeted directly at households, students, people in rural communities informing them through interviews, presentations and promotion materials about ISKUR and its full range of services. The campaign has significantly increased ISKUR's visibility in the media as well. The second bus campaign will be rolled out in 2013 visiting 22 provinces.

3.2.1.8. Sector VIII: Agriculture and rural development

MIPD 2011-2013 sets out three main objectives for agriculture and rural development sector. The first objective is to facilitate the preparation of Turkey for the future implementation of the Common Agricultural Policy (CAP) and related policies respecting the relevant EU standards and thereby ensuring a smooth integration into the Single Market, which will be achieved by assisting Turkey with getting ready to effectively implement EU rural development programmes as well as other CAP related expenditures upon accession, including the setting-up of systems for management and control of financial expenditures and agricultural information systems. The second objective is the alignment with the *acquis* in the area of food safety, veterinary and phytosanitary policy. The third objective is the

restructuring of the administrative system for fisheries required for the adoption of the *acquis* for fisheries resource management, including the strengthening of resource and fleet management as well as the fisheries inspection and control services, producer organisations and an integrated approach to sea-related activities.” In this framework the following projects were particularly successful in 2012.

The project "Extending the Pilot Farm Accountancy Data Network Project and Ensure Sustainability" (IPA 2009, EUR 1.45 million) was completed in 2012 and helped improving the capacity of the Ministry of Food Agriculture and Livestock in the farm level accounts.

The current project "Tagging and Vaccination of Sheep and Goats" (IPA 2008, EUR 29.6 million) has assisted Turkey to establish the small ruminant database and identifying sheep and goats as well as contributing to improvement of the current PPR (peste des petits ruminants) situation in Turkey by strengthening the existing control measures.

3.2.2 Cross-border cooperation (ENPI Black Sea basin programme and Turkey-Bulgaria programme)

In 2012, regarding the implementation of the Turkey-Bulgaria CBC programme, the 2nd call for proposals was finalized and grant contracts were signed. These projects aim at boosting sustainable economic and social development. They build on comparative advantages to improve social development, promote social cohesion among people and communities, and to improve quality of life through the efficient use of shared natural resources, as well as the protection of natural, cultural and historical heritage sites.

3.2.3 Component III

Under Component III a high number of relevant projects was approved in 2012. Their approval, and the start of implementation of some, can be considered as a success as a good project pipeline is an important premise for a full absorption of funds and a positive step to preparing Turkey for the management of the Structural and Cohesion Funds.

The Operational Structure (Ministry of Environment and Forestry) under the Environment OP put in place a very substantial project pipeline. Out of this pipeline, the Commission adopted 7 major projects and respective Bilateral Project Agreements were signed for 3 in 2012. Cumulatively, the major projects approved under this programme amount to 19; they ensured payment requests exceeding EUR 30.7 million in 2012. In parallel, work continued on the preparation of new IPA projects to further strengthen the pipeline.

On the one hand, the Regional Competitiveness OP faced significant problems in absorbing the available funding largely due to insufficient capacities at the level of the Operating Structure (Ministry of Science, Industry and Technology) and end recipients. On the other hand a major problem, related to the extension of the financial instrument "Greater Anatolia Guarantee Facility (GAGF)", was resolved committing an additional EUR 20 million.

The Ministry of Transport, responsible for the Transport OP and the Ministry of Science, Industry and Technology, in charge of the Regional Competitiveness OP, obtained their accreditation in 2012.

With the changes made in 2012 in the operational programmes' financial tables, the final IPA contribution for the period 2007-2013 will amount to approximately EUR 682 million for the Environment OP, EUR 585 million for the Transport OP and EUR 468 for the Regional Competitiveness OP, provided no further changes are adopted in the 2013 annual budget.

The efforts made in 2012 led to important progress in terms of fund absorption eliminating the risk of de-commitment related to the 2009 funds for Transport OP and Environment OP. However, a narrow project pipeline in the Transport OP raises the risk of future decommitment, as do delays in tendering, contracting and approval of major projects in the Environment OP. Due to slow implementation and a weak pipeline of projects in 2012, the Regional Competitiveness OP suffered from a ca. EUR 12 million loss of 2009 committed funds.

3.2.4 Component IV

Progress has been made concerning the Human Resources Development Operational Programme - IPA Component IV. The Operating Structure (the Ministry of Labour and Social Security) has taken a series of actions to increase the design and implementation capacity of the operation and grant beneficiaries. Numerous trainings and other types of capacity building activities were conducted. This is an important achievement which led to the design and approval of a number of new operations in 2012, for instance for the promotion of youth employment and registered employment, for the increase of school enrolment rates, especially for girls, for the promotion of lifelong learning, for the promotion of adaptability of tradesmen and craftsmen, for facilitating access of disadvantaged higher education students to the labour market and for the promotion of active inclusion. Three calls for proposals for a total amount of EUR 50 million as well as several service and supply tenders were published. However, the progress in contracting did not reach the expected level. Although the amount that has been contracted in 2012 is higher than in 2011 (EUR 26.6 million in 2012, compared to EUR 17.8 million in 2011), the number of contracts that were signed remains at a low level. The total contracted amount since the beginning of the programme reached EUR 145 million (IPA share: EUR 123 million). This represents a 32% contracting rate for the IPA funds allocated to the HRD OP for the 2007-2012 period (EUR 383 million). The level of expenditure declared to the Commission remains low (22 % by the end of 2012).

3.2.5 Component V

Major progress was achieved for IPA Component V, since 2012 marked the first year of IPARD. Three conferred measures (on farm investments, investments in processing and marketing of agricultural holdings and diversification of economic activities) were implemented in 20 provinces. Five calls for applications were organised by the IPARD Agency in 2012 (following two calls in 2011). 630 project proposals were submitted in these calls (a total of 878 from 2011), of which 201 were contracted in 2012 (263 from 2011), whilst the project assessment for the sixth and seventh call for proposals continues in 2013. EUR 13 million were disbursed to the beneficiaries during 2012. A great majority of projects concern investments in agricultural holdings.

4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES

Efforts were made by the NAO office in implementing **the Comprehensive action plan** which is now the main tool (for IPA Component I) to follow up the outstanding shortcomings in the management and control system. In 2012, in line with the Comprehensive action plan, Turkish authorities have addressed shortcomings related to the reinforcement of the NAO supervision, workload analysis and training of staff. Nonetheless, further measures are necessary to address some system's persistent problems mostly related to high staff turnover in the Central Finance and Contracts Unit (CFCU), still high rejection rates on some transactions (tender dossiers and requests for services) delays in preparation of procurement plans and payments made by the CFCU. Improvements in those areas are crucial to increase the absorption capacity and to reduce the current backlog in contracting and payments.

For the accreditation of the operating structures under components III and IV, all necessary procedures for granting the transfer of tendering, contracting and financial management functions to the responsible line ministries were completed in 2012.

Regarding **Component III**, the Commission has adopted three amending Decisions conferring the tendering, contracting and financial management functions from the CFCU to the Ministry of Environment and Urbanisation (on 31 January 2011), to the Ministry of Science, Industry and Technology (on 15 February 2012) and to the Ministry of Transport, Maritime Affairs and Communication (on 12 November 2012).

Under **IPA Component IV**, the tendering, contracting and financial management functions were transferred from the CFCU to the Ministry of Labour and Social Security in the beginning of 2012 following the adoption of a Commission Decision. The necessary staff has been recruited and received extensive training in line with the new needs. It is also planned to recruit additional staff in order to enhance the monitoring and on the spot check functions of the Ministry of Labour and Social Security.

For **IPA Component V**, the process of conferral was extended to cover three additional provincial offices of IPARD Agency, thus totalling 20 by the end of 2012. Turkey continued the implementation of its action plan to improve absorption, but despite these efforts the project pipeline was still insufficient. Also not many projects were actually completed on time. As a result a major de-commitment of 2009 could not be avoided at the end of 2012 (EUR 64.9 million). Intensive work is needed to avoid a large de-commitment in 2013. A request for a conferral of additional 22 provincial offices, technical assistance and some outstanding sub-measures in the existing provinces was submitted to the Commission on 28 September 2012.

Monitoring:

A monitoring reform, set up in 2011, aimed at enhancing the DIS monitoring system in Turkey. Although there have been some major actions taken by the Turkish authorities as regards the follow up of the operational conclusions of the monitoring reform, it is still considered that the monitoring reform has not reached full speed and some further actions are needed as regards functioning of the Sectoral Monitoring Sub-Committees (SMCS) and Steering Committees.

The capacities of the NIPAC office (Ministry of EU Affairs - MEUA) have been further strengthened through trainings and assistance delivered in the context of the ROM (result

oriented monitoring) contract. Much remains to be done in terms of development of own monitoring capacities of the MEUA alongside the intensification of monitoring activities.

The cooperation among the key actors needs to be strengthened further. Although there was only a very limited number of joint missions executed in 2012, the respective parties started sharing more information about their monitoring plans. In line with the recommendation of the evaluation on the Stakeholder Involvement, the MEUA has taken an active role to invite relevant stakeholders and civil society organisations to the meetings related to IPA assistance.

The IPA Monitoring Committee for all five components took place on 26 June 2012 in Ankara discussing progress and challenges in implementation. The main concern raised was related to the high risk of loss of a significant amount of funds allocated for the Components III, IV and V due to the insufficient capacities of the national authorities to absorb IPA funds. The IPA Monitoring Committee drew the attention to the fact that besides the improvement of cooperation between the different actors and the strengthening of capacities of the relevant national authorities, an effort has to be deployed to improve the pipeline of projects, especially under the Transport and Regional Competitiveness Operational Programmes.

Two transition assistance and institutional building (TAIB) sector related monitoring committees were held on 14 February and on 26 July 2012 combined with the meetings concerning the programme financing Turkey's participation in the ENPI Black Sea basin programme under Component II.

Regarding the ENPI Black Sea Basin programme, Turkey participated in two Joint Monitoring Committees organised by the Joint Managing Authority (Romania).

In 2012, two rounds of sector monitoring committees took place including all three operational programmes under IPA component III and one annual technical meeting. The issues discussed concerned the project pipelines and the implementation progress for each of the programmes, including assessments of progress with tendering. Special attention was paid to the Regional Competitiveness Operational Programme, as the project pipeline needs to be reinforced.

The Human Resource Development sector monitoring committees for Turkey were held on 20 and 21 June 2012 in Sanliurfa and on 30 November 2012 in Ankara. During these meetings, the Committee examined the results of implementation of the operational programme on the basis of the 2011 sector-oriented annual report on the implementation. The Committee was also informed about the state of implementation of on-going operations, the identification of new operations and other implementation issues such as audit issues and the revision of the operational programme.

Last but not least, rural development sectorial committees were held on 6 June and 12 December 2012. The main topics for discussion were focused on broad issues related to the absorption of funds, publicity efforts, links with national policies, advisory services, and especially a major programme modification.

PART II - FINANCIAL DATA (EUR million and %)
On implementation of assistance at 31 December 2012

IPA Turkey – IPA I + II

Turkey	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	257.20	257.20	100.00%	182.11	70.80%
IPA 2008	257.13	257.13	100.00%	201.29	78.29%
IPA 2009	205.55	205.55	100.00%	122.11	59.41%
IPA 2010	218.81	217.09	99.21%	112.38	51.36%
IPA 2011	232.97	232.69	99.88%	88.45	37.96%
IPA 2012	225.75	213.95	94.77%	67.73	30.00%
Total	1397.41	1383.61	99.01%	774.07	55.39%

IPA – Component I National Programme Turkey

Turkey	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	256.20	256.20	100.00%	181.34	70.78%
IPA 2008	256.13	256.13	100.00%	200.99	78.47%
IPA 2009	204.55	204.55	100.00%	122.01	59.65%
IPA 2010	217.81	216.09	99.21%	112.28	51.55%
IPA 2011	229.97	229.69	99.88%	88.15	38.33%
IPA 2012	225.75	213.95	94.77%	67.73	30.00%
Total	1390.41	1376.61	99.01%	772.50	55.56%

IPA – Component II (CBC) Programme Turkey

Turkey	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	0.93	0.93	100.00%	0.89	95.00%
IPA 2008	1.00	1.00	100.00%	0.30	30.00%
IPA 2009	1.00	1.00	100.00%	0.10	10.00%
IPA 2010	1.00	1.00	100.00%	0.10	10.00%
IPA 2011	3.00	3.00	100.00%	0.30	10.00%
IPA 2012	0.00	0.00		0.00	
Total	6.93	6.93	100.00%	1.69	24.32%

ICELAND

1. SUMMARY

The ratification of the IPA Framework Agreement was finalised in 2012, following the parliamentary resolution mandating the government of Iceland to approve the Framework Agreement. The parliamentary resolution was adopted on 18 June 2012, paving the way for the implementation of projects planned under IPA National Programmes for Iceland.

Following the entry into force of the IPA Framework Agreement, the implementation of projects under IPA National Programme 2011 started in the second half of 2012. The 2011 Programme supports seven projects. The budget is €12 million and balance between the two priority axes set in the MIPD was taken into consideration (see attached). The 2012 National Programme was adopted on 16 July 2012 and supports three projects for a budget of €12 million. The projects implementation has partially started. Programming for the National Programme 2013 was completed with a unanimous approval by the IPA Committee in November 2012 and adopted on 2 December 2012. Three projects were envisaged in a total value of €10,8 million.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

The global objective of EU financial assistance to Iceland is to support its efforts towards compliance with the EU *acquis*, in order to become fully prepared to take on the obligations of membership of the European Union.

The MIPD 2011-2013 sets out two strategic objectives, to be financed under IPA assistance:

- *to further enhance Iceland's ability to assume the obligations of membership by supporting institutional capacity building for *acquis* transposition and implementation.*
- *to reinforce Iceland's institutional capacity in its preparations for participation in and implementation of Structural Funds and other EU funds.*

As mentioned, the Commission's Opinion on Iceland's application for membership of the European Union of 24 February 2010 constitutes the key reference for identification of IPA programming priorities. On 10 October 2012, the Commission adopted its 2012 enlargement package. The 2012 Progress Report for Iceland reconfirmed and further supported the priorities for pre-accession financial assistance that were identified in the Commission Opinion.

However, further to the parliamentary elections of 27 April 2013, the newly formed government has put the accession negotiations on hold until Parliament assesses the state of the negotiations and the developments in the EU. The consequences for IPA are being examined. The Commission does not envisage proceeding with any further projects under IPA until such time as the Icelandic government has decided whether or not to continue the accession process.

2.2 Programming

2.2.1 Component I

The Programming of the 2012 National Programme was finalised in August 2012 by signing the respective Financing Agreement.

The 2013 National Programme was presented to the IPA management committee in November 2012. The 2013 programme in a total value of €10.8 million was adopted on 2 December 2012. The additional national contribution is €7.7 million. The 2013 Programme covers exclusively the first strategic priority of the MIPD (*To further enhance Iceland's ability to assume the obligations of membership by supporting institutional capacity building for acquis transposition and implementation*).

The programming of National Programmes 2011-2013 was thus completed in 2012 with all three annual programmes adopted. The national programmes 2011-2013 is envisioning in total 13 projects including environment, food safety, increasing employability of low skilled workers, regional development, financial supervision, customs upgrading, statistics and translation of the acquis. Co-financing from the Icelandic side is sizable and stands at 33% overall for the 2011-2013 National Programmes.

Iceland National Programme 2011 under IPA component I (EUR million):

Axis 1 - Building administrative capacity for acquis transposition and implementation	EU contribution	IPA contribution	National contribution	Total amount (EU+National contribution)
Project 1: Institutional and laboratory capacity building to ensure food safety	1.90		0.00	1.90
Project 2: Preparation for Implementing the Habitats and Birds Directives	3.68		0.75	4.43
Project 3: Strengthening National Accounts	0.83		0.24	1.07
Project 4: Translation of the acquis and setting up the conference interpretation programme at the University of Iceland	1.50		1.92	3.42
Total Axis 1	7.91		2.92	10.83
Axis 2 - Preparation for effective use of Structural Funds and other EU funds	EU contribution	IPA contribution	National contribution	Total amount (EU + National contribution)
Project 5: Katla Geopark: Regional development for the Eyjafjallajokull area	0.56		0.18	0.74

Project 6: Increasing employability of low qualified workers with skills recognition system in adult education	1.88	0.62	2,50
Project 7. Technical Assistance and Structural Funds Preparation Facility	1.65	-	1,65
Total Axis 2	4.09	0.81	4.90
Total Axis 1 + Axis 2	12.00	3.74	15.74

Iceland National Programme 2012 under IPA (Transition Assistance and Institution Building Component)

Axis 1 - Building administrative capacity for acquis transposition and implementation	EU contribution	IPA contribution	National contribution	Total amount (EU + National contribution)
Project 1: Preparation for implementing the Water Framework and Floods Directives in Iceland	1.72		0.59	2.31
Project 2: Translation of the acquis	1.00		2.28	3.38
Total Axis 1	2.72		2.97	5.69
Axis 2 - Preparation for effective use of Structural Funds and other EU funds	EU contribution	IPA contribution	National contribution	Total amount (EU + National contribution)
Project 3: Preparations for implementation of Structural Funds in Iceland	9.28		2.59	11.87
Total Axis 2	9.28		2.59	11.87
Total Axis 1 + Axis 2	12.00		5.56	17.56

Iceland National Programme 2013 under IPA (Transition Assistance and Institution Building Component)

Axis 1 - Building administrative capacity for acquis transposition and implementation	EU contribution	IPA contribution	National contribution	Total amount (EU + National contribution)
Project 1: Implementation of a Risk Based Approach in Financial Supervision in Iceland	3.16		0.57	3.73

Project 2: Reforming Icelandic business statistics	1.67	0.30	1.97
Project 3: Implementation of transit and tariff customs systems in Iceland	6.0	6.80	12.80
Total Axis 1	10.84	7.66	18.50

3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2012

Financial support to Iceland is exclusively implemented under IPA Component I "Transition Assistance and Institution Building", through centralized management by the Commission headquarters. Grants constitute a substantial part of the pre-accession assistance in Iceland. Implementation of the national IPA assistance started in 2012. The implementation of the 2011 Programme is well under way with contracting rate of 75%. The contracting rate of the 2012 Programme is 8%. In the reporting period, the implementation of the 2013 Programme had not yet started.

Projects under implementation in the reporting period cover key areas of Iceland's accession process, such as environment, food safety, increasing social development, regional development, statistics and translation of the acquis.

Good progress can be reported as also verified by independent monitoring. Generally, beneficiaries have a good administrative capacity to implement the projects and there is a high projects ownership. The first IPA Monitoring Committee met in November 2012 and concluded that notwithstanding the early stage of the IPA implementation in Iceland, the programme was implemented effectively and there was a sufficient quality and coherence towards meeting the objectives set out in the multi-annual indicative planning document.

As regards technical assistance, support has been provided by means of several consultancy contracts, mainly in the area of regional development. The administrative capacity of the National IPA Coordinator's office has been also reinforced through a technical assistance contract. TAIEX continued to play a key role in providing technical assistance to Iceland in 2012 and constituted a significant component of the overall EU support in relative terms given the size of the country and the national programmes.

PART II - FINANCIAL DATA (EUR million and %)
On implementation of assistance at 31 December 2012

IPA Iceland

Iceland	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2010					
IPA 2011	12.00	9.04	75.32%	3.03	25.27%
IPA 2012	12.00	1.00	8.34%	0.37	3.11%
Total	24.00	10.04	41.83%	3.41	14.19%

IPA – Component I National Programme Iceland

Iceland	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2010					
IPA 2011	12.00	9.04	75.32%	3.03	25.27%
IPA 2012	12.00	1.00	8.34%	0.37	3.11%
Total	24.00	10.04	41.83%	3.41	14.19%

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

1. SUMMARY

The former Yugoslav Republic of Macedonia continued accession-related reforms with the support of IPA but faced serious challenges during 2012 as regards programming and implementation of EU assistance. In general, the capacities of the national institutions managing IPA remained uneven, contributing to recurrent delays in procurement and low contracting and disbursement rates.

The IPA 2012-2013 National Programme represents a total EU contribution to Component I of approximately EUR 28 million per year. It was prepared and adopted by the Commission in November 2012 and consists of five sector fiches and seven linked project fiches supporting the sectors of public administration, justice, home affairs and fundamental rights, private sector development, agriculture, and environment and climate change. The new allocations for the Operational Programmes under Components III, IV and V were also adopted on the same occasion.

Absorption of available funds from all IPA components was an issue to which the Commission paid attention, supporting the authorities' efforts. Temporary interruption of payments took place in March and again at the end of 2012 by the Commission (Regional Policy DG, Employment, Social Affairs and Inclusion DG and Agriculture and Rural Development DG), due to understaffing and insufficient managerial capacities in key institutions, especially in those exercising control functions, such as the Audit Authority and the National Authorising Officer's (NAO) office. Thanks to resolute action taken by the government, the capacities of all these institutions almost reached their full staff targets foreseen in their respective Workload Assessments (WLA) for 2012, although important residual gaps remain in the Ministry of Environment.

Capacity building needs and the accumulated backlog continue to pose serious problems and constant efforts and commitment should be secured at the highest possible political level to accelerate implementation.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

The overall objective of EU financial assistance to the former Yugoslav Republic of Macedonia is to support its efforts regarding reforms and towards compliance with EU *acquis* in order for the country to become fully prepared to take on the obligations of membership to the European Union. The last MIPD 2011-2013 has been a good ground to start introducing Europe 2020 into the national context, by stronger sector focus and implementation according to a sector-based approach, as far as possible, aiming for greater impact on the ground.

The Commission took a number of steps to strengthen ownership by the beneficiary country and to enhance the strategic nature of this process, reinforcing the link between the priorities established in the Progress Reports and the programming of assistance, starting from the IPA 2012-2013 National Programme, preparing the ground for the new IPA II instrument.

Taking into account all previous evaluations, the Commission followed up on all findings and tried to systematically address the lessons learned by improving project design, providing training and capacity building and ensuring a stronger link between existing nationally-owned strategies and EU assistance programming documents.

Table 1: MIFF⁹ allocations per component, in EUR million

IPA Component	2011	2012	2013	Total
I (Transition Assistance and Institution Building)	29.40	28.66	27.06	85.12
II (Cross Border Cooperation)	4.52	3.58	5.09	13.20
III (Regional Development)	39.30	40.95	50.28	130.53
IV (Human Resources Development)	8.80	10.29	10.64	29.72
V (Rural Development)	16.00	17.99	20.16	54.15
Total	98.03	101.47	113.22	312.72

2.2 Programming

2.2.1 Component I

The switch to a sector-based approach and IPA programming proved to be a big challenge for the preparation of the Transition Assistance and Institution-Building (TAIB) 2012-2013 National programme (NP). The programming exercise was done for two years at once, allowing time for the preparations of IPA II documents, the Country Strategy Paper 2014-2020 and the Sector Programmes that would follow in 2013.

The NP 2012-2013 represents a total EU contribution of roughly EUR 28 million per year and consists of five sector fiches and seven linked project fiches supporting the sectors of public administration, justice, home affairs and fundamental rights, private sector development, agriculture, and environment and climate change. The selection of the sectors was agreed with the national authorities, who are fully responsible for the implementation of the assistance, on the basis of the priorities of the Multi-Indicative Planning Document (MIPD) 2011-2013, while coinciding to a large extent with the core priorities of the High Level Accession Dialogue.

The programming started in August 2011 and was finalised in June 2012. The bi-annual NP was approved by the IPA Committee in November 2012. The two Financing Agreements are expected to be signed by end of 2013.

During the 2012-2013 programming exercise for IPA Component I, the Commission insisted on a very participative process, involving all major stakeholders, such as development

⁹ Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Revised MIFF for 2013, COM(2012) 581 final of 10.10.2012.

partners, IFIs and non-state actors. Dialogue was also sought via the organisation of regular discussion meetings between the EU Delegation and civil society representatives as well as 3 rounds of programming consultations held in January and June 2012 in Skopje.

Table 2: Indicative financial allocations for the year under the National Programme, per priority axis and per project, in EUR million

Sector	Sector and Project Fiches	Budget (EUR Total IPA + National Contribution)
Public administration		10.00
Sector fiche	Public administration reform (coordination of horizontal policies, reform of procedures, cooperation with civil society organisations)	7.24
Project fiche	Support to the consolidation of the local self-government system (direct grant to UNDP)	2.34
Justice and Home Affairs		17.00
Sector fiche	Justice and Home Affairs and fundamental rights (fight against financial crime and fraudulent use of EU funds, establishment of home affairs data storage and backup system as basis for future Schengen Information System, protection of personal data, supply of technical equipment and vehicles for law enforcement)	11.46
Project fiche	Strengthening the operational and institutional capacities of the customs administration	2.00
Project Fiche	Upgrading the custom clearance facilities of the road border crossing Tabanovce (with Serbia)	1.88
Project Fiche	Upgrade of the customs clearance and inspection facilities at the road Border Crossing Kafasan (with Albania)	1.49
Private sector development		9.37
Sector fiche	Private sector development (improvements in business environment, IT equipment for the Ministry of Economy, supply of laboratory equipment for the Bureau of Metrology)	9.37
Environment and climate change		6.33
Sector fiche	Environment and climate change	6.33
Agriculture and rural development		11
Sector fiche	:Agriculture and rural development (land consolidation, farm accountancy data network)	6.60
Project fiche	Further alignment of food safety, veterinary and phytosanitary policies with EU requirements (vaccination against rabies)	3.61
Supporting programmes		14.24
Project fiche	Enhanced capacity for effective management and audit of EU funds	4.0
Project fiche	Participation in Union Programmes and Agencies	10.24
Total		67.94

2.2.2 Component II

No programming took place since the cross-border programmes between the former Yugoslav Republic of Macedonia and its neighbours were jointly drafted by the participating countries in early 2007, except for the programme with Kosovo which was prepared in 2009 and approved in 2010. Those multi-annual bilateral programmes are implemented in centralised management (i.e. the Commission acting as contracting authority). Implementation is on-going and new 2011 Financing Agreements on the programmes with Kosovo, Greece and Albania were signed, respectively, in October, November and December 2012.

The IPA CBC Component II also finances the participation of the country in transnational cooperation programmes under the Structural Funds' European Territorial Cooperation objective i.e. Transnational Cooperation Programme - South East Europe (SEE) 2007-2013.

The allocation for 2009 (EUR 560,202) was not contracted and consequently de-committed by the deadline of 28 May 2012. From 2010 onwards, the SEE programme began to be implemented by 'integrated' management, meaning that the Management Authority in Budapest also became financially responsible for the IPA allocations.

2.2.3 Component III

Through Commission Decision C(2012)9308, which modified the Operational Programme (OP) for Regional Development by adding the 2012 and 2013 allocations to its budget and by expanding accordingly the programming, two more major projects (waste-water treatment plants for Bitola and Tetovo) were added to the pre-existing two (Completion of Corridor X motorway and waste-water treatment plant in Prilep).

As for the two new wastewater treatment projects included in the OP through this modification, their realization as well as that of the rest of the proposed pipeline in the environment sector are contingent upon the ability to bring about a manifold acceleration especially of the tendering stage. This will continue to require political commitment and substantial additional resources.

Due to the lopsided progress in favour of the transport sector, at the last Sectorial Monitoring Committee Meeting in Skopje (6 December 2012), the Commission expressed its very strong concern about the national authorities' capacity to implement the OP successfully in the environment sector, i.e. without de-commitments and/or possibly recovery of funds due to non-completion of certain environmental (major or other) projects by the required deadlines.

2.2.4 - Component IV

In 2012, the revision of the Operational Programme for Human Resources Development (OPHRD) took place to add the 2012-2013 financial allocations. This followed a very inclusive consultation process led by the office of the Strategic Coordinator and DG EMPL, with a substantive participation of Line Ministries and the active support of the EU Delegation. The outcome was Commission Decision C(2012)7456 of 18 October 2012 which updated the financial plan of the OPHRD. The new financial plan covers a total of EUR 64 million for the period 2007-2013, out of which the IPA contribution (85%) is EUR 54.4 million.

Following the endorsement by the NIPAC in December 2012 of the updated Financing Agreement, and after assessment of the cash-flow needs submitted by the NAO, it was decided to activate an additional pre-financing (according to article 160.3 of the IPA IR), and this has allowed to avoid de-commitment of funds in 2012.

2.2.5 - Component V

In September 2012 the former Yugoslav Republic of Macedonia submitted a proposal for a fourth modification of the IPARD Programme. The proposal included adaptation of the financial tables in order to take into account the new financial allocation for 2012, as well as a number of technical modifications aiming to increase absorption, clarify various issues and facilitate the implementation of the Programme. The amendments included broadening the scope of eligible expenditure for measure 101 "Investments in agricultural holdings" to encompass farm mechanisation in line with the identified structural needs, as well as extending eligible sectors under measure 302 "Diversification of rural development activities", in order to include provision of rural services and establishment of non-agriculture production activities in rural areas. The amendments were approved with Commission Decision C (2012)9649 of 13 December 2012.

3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2012

3.1 Success stories

TETRA 2 IPA 2008 - Digital Radio Communication System for the Ministry of Interior (EUR 5 million)

EUR 5 million were used for the supply of a digital radio communication system for the Ministry of Interior and related technical assistance. This system, known as TETRA, offers secure and reliable communication between police services and is similar to the communication systems already in use in EU Member States. The new equipment is an upgrade of the already existing system which was provided in the period of 2008-2010, in the framework of the CARDS project TETRA phase 1. TETRA phase 2 started in July 2010 and the provisional acceptance was completed successfully by 15 December 2012.

Through this project, the Ministry of Interior acquired a very sophisticated radio digital communication system which offers possibilities for further extension, as well as the possibility for including additional emergency services, such as ambulances, fire brigades, etc.

IPA 2008 - Support for the Ombudsman twinning project (EUR 0.6 million)

The objective of this 18-month EU-funded twinning project was to enhance the institutional capacity of the Ombudsman as well as to improve citizens' knowledge of the Ombudsman's competences. Activities included assisting the Ombudsman's Office in its task of effectively protecting and promoting human rights, an event on the rights of children and of persons with special needs, along with different activities on fundamental rights, prevention of torture and equitable representation of the minorities. These are all amongst the core values of the European Union.

The project had a budget of EUR 600,000 and lasted from March 2011 to September 2012.

IPA 2008 Capacity building of the veterinary services for implementation of EU acquis (EUR 2 million)

The EU provided support to the Food and Veterinary Agency to improve its overall ability and capacity for the implementation of the *acquis*. The project, worth EUR 2 million, ended in December 2012, and it focused on the Veterinary Agency's inspection services, control of animal diseases, animal waste disposal and an animal identification and registration system, including pigs. Some of the key results are: improvement in the rabies diagnostic capacity of the national laboratory at the Veterinary Faculty; preparation of an animal by-products strategy, and decision on the most suitable system and solution for safe disposal of animal origin waste; work on a system for identification and registration of pigs as well as an electronic system for micro-chipping of pets. Last but not least, an adequate monitoring and reporting system that will provide reliable data about the situation of animal diseases in the country was established.

IPA 2012 - Oral vaccination of foxes against rabies (EUR 1.1million)

This is a multi-annual programme that will continue to be implemented twice a year in the coming years. The European Union is financing the vaccines for the oral vaccination.

The first phases of oral vaccination of foxes, part of the initiative for eliminating rabies, was implemented in the course of 2011. The EU provided EUR 1.1 million covering the 2012 autumn vaccination as well as for the three consecutive vaccination campaigns in the next two years.

The vaccination was performed in the countryside, with 500,000 vaccine baits for aerial distribution per campaign. To improve public information and awareness of the risk of rabies, the vaccination campaign included TV and radio spots, posters, leaflets, trainings and seminars for veterinary practitioners, hunters and medical doctors, with training of over 1000 people.

As a result of the activities for improvement of the rabies surveillance system in the country, the number of rabies suspect animals submitted to the laboratory has increased, with 9 positive cases confirmed (1 cat, 4 foxes and 4 wolves)

The collaboration among institutions involved in rabies control and eradication was crucial, as well as the activities that increased public awareness on rabies and its prevention.

3.2 Overview of IPA implementation in 2012

2012 was a critical year: when DGs REGIO, EMPL and AGRI decided to interrupt payments in March due to serious deficiencies in the management and control systems under DIS, a meeting of all DGs with the Minister of Finance, chaired by DG ELARG, was decisive in resolving some of the problems. It showed that only with the support at the highest possible political level are appropriate measures taken. In concrete terms, a new qualified senior General IPA Auditor was appointed and the budget of the institution increased by 18%, and around 60 new recruitments were completed during the year, mainly for the National Fund, the IPARD Agency and the Central Financing and Contracting Department (CFCD) in the Ministry of Finance.

National institutions responsible for the management and control of IPA funds are under increasing pressure due to delayed procurement under three Operational Programmes, three consecutive NPs (2009, 2010 and 2011), as well as from the ambitious IPA II planning for 2013.

The **twinning** instrument gained more success in the country and actively helped beneficiaries align their standards with the EU and ensure closer cooperation with Member States' administrations. The NP 2012-2013 contained 17 new twinning projects, bringing the total of projects which have been either already implemented or are currently in the process of implementation to 27: 7 projects in the area of Justice and Home Affairs, 6 projects in the area of social affairs and employment, 4 in the area of public finance, 2 in the area of statistics, 2 in the area of competition policy, 2 in environment, 2 in agriculture, 1 on the internal market.

The former Yugoslav Republic of Macedonia is also the main **TAIEX** beneficiary in the IPA region since 2010. TAIEX has become a very appreciated and successful tool for institution building. In the course of 2012, 256 applications were officially submitted by different beneficiaries and processed by the EU Delegation, of which 228 were accepted by DG ELARG.

This was mainly the result of the close cooperation with the EU Delegation and the active involvement and support of the Delegation's Task Managers in all phases (identification of needs, preparation of applications; assessment of the final application; identification of potential participants on TAIEX events; drafting of the agenda of the event and providing suggestions for possible improvement of the entire process; attending TAIEX events in the country).

3.3 Component I: Transition Assistance and Institution Building

In 2012, the EU Delegation contracted EUR 4.7 million and disbursed EUR 11 million, spread over EU programmes, information-communication & evaluation and CBC programmes.

The main part of IPA funds under Component I are currently managed by the national authorities. Implementation figures remained far behind forecasts throughout 2012, and continued to be a matter of concern. Under NP TAIB 2009, the first programme managed by the authorities, even if the contracting rate went up in the second half of 2012, by 31 December only 19 contracts had been contracted for an amount of EUR 11 million and payments amounted to EUR 4.6 million. The types of contracts were 10 framework contracts, 1 direct grant, 4 service contracts and 4 twinning programmes.

Under NP TAIB 2010, only one supply contract was signed for an amount of EUR 885,000 (IPA funds) and pre-financing of EUR 531,000 was paid. Due to the very low level of contracting, the Commission requested a revised Procurement Plan and agreed with the NIPAC on the need to extend the contracting deadline for one year (until December 2014).

The 2011 Financing Agreement was signed in November 2012 but no procurement was initiated by end of the reporting period.

3.4 Component II: Cross-Border Cooperation

Implementation improved in the second half of 2012 and progressed particularly well for the bilateral programme with Greece, whereas the poor track record of the bilateral CBC programme with Albania led to a transfer of the 2012 and 2013 allocations to Component I, where they will serve to support the upgrade of two customs clearance facilities at road border-crossings with Serbia and Albania.

The programme with Kosovo advanced very slowly. With the exception of the concept design study for a joint border crossing, contracted by the EU Office in Pristina in April 2012, very little progress has been made in two years. The Commission did not receive the necessary assurances that the two sides share the same political and economic interests regarding the use of a new international border crossing that was jointly chosen in 2010 to be part of the IPA CBC programme. Therefore, in order to avoid a de-commitment of funds in 2013, the Commission proposed that the programme be implemented through a single joint call for proposals to be launched before summer 2013.

3.5 Component III

Thanks to the major Corridor X project and its disproportionately high weighting in the overall Operational Programme, some progress started to show in financial terms. Despite some last-minute setbacks, this major project has by now clearly moved ahead more than any other under Component III. Following the submission of a valid bank guarantee letter, the contractor received the advance payment of over EUR 20 million, paid out by the National Fund in early December 2012.

The Prilep waste-water treatment plant faced additional delays in the tendering phase in 2012 and the EU Delegation finally had to cancel the evaluation, following serious concerns about breach of the confidentiality of the process.

The accumulation of delays on several fronts means that physical implementation (of infrastructure projects as opposed to studies and services) is still very modest, which makes it difficult to draw lessons with a view to planning the next programming period.

The issue is being followed up and DG REGIO, in consultation with the EU Delegation and the JASPERS experts have proposed: a) technical solutions for speeding up the pipeline; b) drawing the attention of the highest possible political level (Prime Minister) to the bottlenecks experienced by IPA so that appropriate additional national input in supervisory (and possibly financial) efforts can be secured. However, national authorities have not reacted with the necessary sense of urgency.

3.6 Component IV : Social development

In 2012 the implementation of IPA component IV advanced at a slow pace and a huge backlog in terms of procurement was accumulated, which risks having negative consequences in terms of de-commitment risks in the coming years. The amount contracted by end 2012 is only EUR 12.6 million, i.e. 19% of the financial plan 2007-2013. Up to the end of the current programming period, the authorities still need to contract –and pay/declare to DG EMPL-

80% of the funds allocated to IPA component IV, which constitutes a major challenge for their capacities.

Due to deficiencies in the financial management by the ESA (Employment Service Agency), DG EMPL decided to interrupt IPAIV payments again in relation to the last two interim payment applications (November/December 2012) submitted by the NAO. The IPA funds blocked amount to EUR 4.845 million. The decision to interrupt payments once more under this component is a cause of great concern for the Commission.

3.7 Component V Agriculture and rural development

IPARD is the only Component managed in a decentralised way from the very beginning without *ex ante* controls. This means that a robust and demanding system had to be put in place in the beneficiary country. The programme is implemented through numerous small projects selected under six different calls, projects which have to be pre-financed by small beneficiaries. Availability of credits, among other obstacles, also had an impact on the slow absorption of funds.

Most of the efforts of the national authorities in 2012 were targeted at setting up and implementing a very demanding Action Plan to remedy the deficiencies in the management and control system identified by DG AGRI auditors, deficiencies that justified the temporary interruption of payments in March 2012. The audits revealed serious deficiencies in several accreditation criteria, notably in the internal control standards, and in the control procedure on the attribution of investment aid, as well as lack of sufficient administrative capacity with regard to the National Fund, IPARD Agency and the Audit Authority.

In that context, the NAO was requested to perform additional checks and the IPARD Agency had to examine all approved projects under Component V (more than 500) and found irregularities (or suspected irregularities) in 47 projects – related for example to irregular selection processes and authorization of payments.

Programme implementation consequently slowed down during the 4 month interruption of payments and only two of the planned three calls for IPARD applications were organised during the year. Furthermore, it also influenced negatively the amount spent in 2012 under IPARD (only EUR 2 million out of a total envelope of EUR 85 million) and resulted in the de-commitment of a large part of the IPARD funds for 2009 (EUR 7.3 million out of EUR 10.2 million), which according to the n+3 rule have to be returned to the EU budget if not contracted and paid within three years following the year of the budget commitment.

The Commission, together with the national authorities, started working on the accreditation of two additional measures (Rural infrastructure and Technical assistance) which are expected to contribute to better absorption of IPARD funds.

4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES

With the exception of IPA Component II CBC, all other Components are implemented under decentralised mode (DIS) with *ex ante* controls, while IPA Component V is managed only with *ex post* control. On a general note, the implementation of all programmes whether centralised or decentralised implementation, as detailed above, was often faced with problems of weak political commitment and insufficient human and material resources.

Specific problems of projects under DIS are the persistent delays and risks of de-commitment due to several reasons:

- weak inter-institutional cooperation;
- poor and lengthy programming which results in late and less relevant project activities;
- late start in preparing the tender documents by the relevant beneficiary;
- poor quality of procurement documents (thereby being rejected by the EU Delegation in the ex-ante approval process);
- very long evaluation processes;
- cases of possible conflict of interest or unfair advantage;
- during implementation, cases of lack of support by the beneficiaries for unclear or unjustified reasons.

In 2012, de-commitment under IPA Component I was avoided through the extension of the contracting deadline of the NP 2009 by 12 months. Regrettably, de-commitments under Components IV and V could not be completely avoided, with the funds finally de-committed under the latter amounting to EUR 7.3 million.

In 2013 the situation may be worse due to the increasing backlog and continuing weak absorption capacity for IPA funds under decentralised implementation. The Commission recognises the efforts of the Operating Structure at administrative level, however, most of the systemic weaknesses still remain – see above.

To improve the situation, the EU Delegation already took some measures:

- Holding monthly procurement review meetings with the Central Financing and Contracting Department (CFCD) of the Ministry of Finance on Components I, III and IV with the aim to unbundle procurement jams and thus accelerate tendering and adopt corrective actions in particular for the contracts identified as "high risk" for contracting.
- Monthly meetings between the Head of Operations and the National IPA Coordinator.
- An IPA retreat was also organised internally in the EU Delegation, focusing on issues related to programming, procurement and monitoring under DIS. It was followed by a joint workshop with CFCD in December 2012 to address some of the problems.
- Several recommendations have been jointly agreed on by CFCD and the EU Delegation to improve effectiveness and efficiency of the ex-ante control procedures, the sharing of information and communication as well as the simplification of certain procedures.

There have been delays in implementing IPA Component II and obligations by the line ministries to the Joint Technical Secretariat staff were continuously breached last year in respect to regular payment of salaries and follow-up activities. This contributed to a transfer to IPA Component I of EUR 2.9 million from IPA 2012-2013 CBC allocations with Serbia and Albania for the two respective years.

All Sectoral Monitoring Committees (MCS), for all five IPA components, including the IPA Joint Monitoring Committee took place. For the first time, the IPA Joint Monitoring

Committee was held in the summer, as per NIPAC's request, and the Annual Implementation Report was submitted on 30 August 2012.

In addition, some progress in the area of monitoring of the IPA Operational Programmes was reached by a greater involvement of the national structures and finalisation of the National Monitoring and Evaluation Manual by the NIPAC and the CFCD Monitoring Strategy; however, due to the very delayed implementation of DIS projects, no desk monitoring or on the spot checks could be performed in 2012.

Monitoring is also performed by the Delegation:

- Monitoring strategy for projects under centralised management - Operational monitoring allows the checking of aspects of the implementation of projects such as delivery of outputs, according to the contract.
- In case of DIS projects, the EU Delegation is supposed to monitor (i) Operating Structures' implementation of programmes and contracts and (ii) the functioning of the DIS system.

Results Oriented Monitoring (ROM)

In 2012, four missions by the ROM Western Balkan team monitored 21 projects (18 on-going and 3 *ex post*) with a value of EUR 28.4 million. The projects were proposed according to their risk profile and their size – contracts with a higher risk profile (grants, services and supplies), and preferably with a value bigger than EUR 600,000-700,000. In addition, *ex post* monitoring was introduced, focussing specifically on impact and sustainability.

Some lessons can be learnt from 2012 monitored projects: the grades awarded for the projects indicate that overall performance of the projects was satisfactory with some room for improvements in particular, on efficiency and effectiveness; some of the effectiveness issues identified are attributed to the ambitious designs relative to the beneficiary's capacities in the given projects' time frames; it was also noted that a large number of beneficiaries and their unequal level of the commitment to the project objectives may reduce both efficiency and effectiveness. The presence of more relevant and SMART Objectively Verifiable Indicators (OVIs) at the results, project purpose and the overall objective level would ensure more robust effectiveness and impact assessments.

Another 21 projects have already been identified for ROM in 2013. It has also been agreed with the government to include some projects under DIS in the ROM exercise, since the government has not yet established its own ROM system.

PART II - FINANCIAL DATA (EUR million and %)
On implementation of assistance at 31 December 2012

IPA former Yugoslav Republic of Macedonia¹⁰ - IPA I + II

former Republic of Macedonia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	36.67	33.30	90.79%	29.34	79.99%
IPA 2008	40.75	37.06	90.92%	29.01	71.19%
IPA 2009	40.09	36.06	89.95%	17.73	44.23%
IPA 2010	40.01	30.19	75.44%	3.05	7.63%
IPA 2011	32.03	0.00	0.00%	0.00	0.00%
IPA 2012	30.31	0.00	0.00%	0.00	0.00%
Total	219.87	136.59	62.12%	79.13	35.99%

IPA – Component I National Programme former Yugoslav Republic of Macedonia

former Republic of Macedonia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	34.02	31.80	93.48%	31.09	91.39%
IPA 2008	37.12	34.00	91.58%	26.86	72.35%
IPA 2009	37.06	35.32	95.30%	17.73	47.84%
IPA 2010	36.92	30.13	81.63%	3.01	8.16%
IPA 2011	28.90	0.00	0.00%	0.00	0.00%
IPA 2012	28.16	0.00	0.00%	0.00	0.00%
Total	202.18	131.25	64.92%	78.69	38.92%

IPA – Component II (CBC) Programme former Yugoslav Republic of Macedonia

former Republic of Macedonia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	2.65	1.03	38.65%	0.90	34.03%
IPA 2008	3.63	3.06	84.20%	2.15	59.30%
IPA 2009	1.56	0.00	0.00%	0.00	0.00%
IPA 2010	3.10	0.05	1.65%	0.04	1.32%
IPA 2011	3.13	0.00	0.00%	0.00	0.00%
IPA 2012	2.16	0.00	0.00%	0.00	0.00%
Total	16.22	4.13	25.49%	3.10	19.09%

¹⁰Decentralised Management since 2009

MONTENEGRO

1. SUMMARY

In the course of 2012, **Montenegro** successfully finalised the programming of the remaining pre-accession assistance allocated under the last two years of the current Financial Framework. The 2012-2013 National Programmes under Component I – Transition Assistance and Institution Building – continued to remain an important part of the IPA funding (EUR 21.28 million) and continued to support key reform areas in line with previous programmes. The opening of the accession negotiations, decided by the European Council in June 2012, reflected and confirmed the relevance and efficiency of the implementation of the IPA projects by the EU Delegation in Montenegro under Component I.

In comparison with funds under IPA Components I and II, most of the IPA funds in 2012 and 2013 were earmarked for the preparations of the implementation of EU cohesion and agricultural policies in the sectors of environment, transport, social development and agriculture and rural development, i.e. under Components III, IV and V. Indeed, with the granting of the candidate country status since 2010, key investments have been programmed through the adoption of the respective Operational Programmes for 2012-2013 under Component III (EUR 22.24 million) and Component IV (EUR 5.58 million), with the exception of Component V for which the adoption of the Instrument for Pre-Accession in Rural Development (IPARD) programme has been postponed to 2013.

Finally, the Montenegrin authorities have shown good progress all over the year in preparing for conferral of management, especially with the submission of the application package for Components I and II in July 2012.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

The current Multi-Annual Indicative Planning Document (MIPD) for the years 2011-2013 identified the main country priorities: 1) justice and home affairs; 2) public administration, 3) environment and climate change, 4) transport, 5) social development and 6) agriculture and rural development. It entered into force on 1 March 2012¹¹.

The review of the MIPD carried out by the Commission in 2012 reflected the effectiveness of the strategy and priorities outlined and recommended the continuity of this approach. The Council Decision to open accession negotiations with Montenegro followed by the screening process indeed reinforced the need to address the priorities selected in the MIPD 2011-2013. The priorities in the area of rule of law and public administration reform are especially relevant to be tackled given the new approach developed under Chapters 23 and 24, in addition to the need to prepare for the management of funds related to EU cohesion and agricultural policies – Montenegro having access to IPA Components III, IV and V since the granting of the candidate country status. Finally, the support to the country in its ability to

¹¹ This Decision has entered into force on the day on which the Regulation whereby Montenegro is inserted into Annex 1 of Regulation (EC)1085/2006 enters into force.

assume EU membership as well as effectively implement the *acquis* is all the more a critical priority area, given the opening of accession negotiations.

Finally, while the MIPD illustrates Enlargement specific priorities, it also draws from the “Europe 2020” Agenda, by improving regional competitiveness, as well as the management of both human capital and natural resources.

Table 1: MIFF¹² allocations per component, in million EUR

Component	2011	2012	2013	2011-2013
I – Transition Assistance and Institution Building	29.84	16.35	5.07	51.26
II – Cross-border cooperation	4.31	4.59	4.67	13.57
III – Regional Development		7.98	14.75	22.74
IV – Human Resources Development		2.78	2.81	5.58
V – Rural Development		3.26	7.29	10.54
TOTAL	34.15	34.95	34.59	103.69

2.2 Programming exercise

2.2.1 Component I

The 2012-2013 National Programme for Montenegro under the IPA Transition Assistance and Institution Building Component was adopted by the Commission on 11 December 2012¹³. It amounts to EUR 18.02 million (2012: EUR 14.55 million; 2013: EUR 3.47 million). Contrary to previous years, this programme combined the programming of two budget years, given the limited allocation earmarked to Montenegro under this Component in 2013. This can be explained by the fact that Montenegro is entitled to access allocations under further IPA components with no increase of the overall IPA envelope (cf. table 1).

Like the 2011 programme, the 2012-2013 National Programme is focused on the priority sectors identified in the MIPD, in particular the first three sectors: justice and home affairs, public administration reform and environment and climate change. The remaining three sectors of the MIPD: transport, social development and agriculture and rural development are not addressed *per se* in this Programme because the needs in these sectors will be financed respectively under the operational programmes for components III, IV and V adopted in 2012 and to be adopted in 2013 for the programme under Component V. The 2012-2013 National Programme also takes into account the opening of the accession negotiations and the increasing obligations and needs that this decision implies for Montenegro. Therefore it supports the approximation of EU legislation in various fields such as free movement of services, competition, food safety, veterinary and phytosanitary standards. Lastly, it is also worth mentioning that this programme is the last under the current financial perspective and under the above mentioned MIPD, which is translated in practice by the fact that special attention has been paid to the needed follow up on certain IPA projects, such as project 02 on Internally Displaced Persons and residents of Konik camp which is the social component of another 2011 project currently under implementation.

¹² Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', COM(2009) 543 of 14.10.2009

¹³ Commission Implementing Decision of 11 December 2012, C(2012) 9382 final.

A second part to the above mentioned National Programme amounting to EUR 3.26 million had been adopted on 13 December 2012¹⁴. The overall objective of the programme is for the Montenegrin authorities to gain experience in the implementation of rural development measures in accordance with the basic rules of IPA Component V. This Part 2 of the programme directly addresses the last sector of the MIPD: Agriculture and Rural Development. This sector is significantly underdeveloped in Montenegro and needs to be restructured to allow the agricultural producers and processors to become competitive on the EU market.

Table 2: Indicative financial allocations for the year 2012 under the National Programme (part 2 included), per priority axis and per project, in million EUR:

Priority Sector	Project	EU contribution
Sector 1: Justice and Home Affairs		3
	01 – EU Support to the Rule of Law	3
Sector 2: Public Administration Reform		1.3
	03- Strengthening the management of EU funds and general administrative procedures	1.3
Sector 3: Environment and Climate Change		5.6
	05- Strengthening the environmental protection system in Montenegro	2.85
	06 - Optimal use of energy and natural resources and mitigating natural disaster effects	2.75
Sector 6: Agriculture and Rural Development (part 2 of the National Programme)		4.76
	Sole project of part 2 of the programme - Support to Montenegrin agriculture to achieve IPARD requirements	3.26
	07 - Development of the Food Safety, Veterinary and Phytosanitary Services in Montenegro	1.5
Ability to assume the obligations of membership (outside the priority sectors)		1.2
	08 - Approximation of the legislation with EU Acquis	1.2
Supporting programmes		1.94
	09 - Support for participation in Union programmes	0.63
	11 - Technical Assistance and Project Preparation Facility (TA/PPF)	0.82
	13 - Support Measures Facility	0.5
TOTAL		17.81

Table 3: Indicative financial allocations for the year 2013 under the National Programme, per priority axis and per project, in million EUR:

¹⁴ Commission Implementing Decision, of 13 December 2012 C(2012), 9675 final.

Priority Sector	Project	EU contribution
Sector 1: Justice and Home Affairs		1
	02 – Identifying durable solutions for (I)DPs and residents of Konik camp – II phase	1
Sector 2: Public Administration Reform		0.7
	04 - Enhanced statistical capacity and provision of economic and social statistics	0.7
Supporting programmes		1.77
	10 - Support for participation in Union programmes	0.62
	12 - Technical Assistance and Project Preparation Facility (TA/PPF)	0.65
	14 - Support Measures Facility	0.5
TOTAL		3.47

2.3 Component II:

Four Commission Implementing Decisions covering 2012-2013 Cross-border programmes were adopted in 2012. These relate to CBC Programmes between Montenegro and Bosnia and Herzegovina, Croatia, Serbia and Albania. The programmes are the revised versions of the previous 2010-2011 CBC programmes. This revision was made in consultation with the Montenegrin Authorities concluding on a confirmation of their contents. However, the main change lies in the inclusion of the financial provisions for the years 2012 and 2013. The supported actions continue to promote cohesion and competitiveness in the border areas through economic, environmental, cultural and social development. The programmes remain an opportunity to improve the co-operation in the jointly selected sectors and good neighbourly relations in the region. Joint actions to improve physical, business, social and institutional infrastructure and capacity will be promoted. No further Decision was adopted concerning the fifth CBC programme with Kosovo¹⁵. Worth mentioning is that the financial allocations destined to CBC programme 2012-2013 "Croatia – Montenegro", will cover the period until 30 June 2013, in accordance with the date of accession of Croatia to the European Union (1 July 2013). Lastly, Montenegro also participated in 2012, as in previous years, in Structural Funds' transnational programmes under the Territorial Cooperation Objective (i.e. ERDF-SEE & ERDF-MED) and in the sole IPA CBC multilateral programme (i.e. Adriatic) between IPA countries and EU Member States.

2.4 Components III and IV:

In April 2012, the Montenegrin authorities submitted to the Commission's services the Strategic Coherence Framework which establishes the basis for the programming of both components under the instrument for pre-accession assistance, i.e. regional development component and human resources development component. After several rounds of formal and informal exchanges, the Commission considered the final version of this document as meeting

¹⁵ This designation is without prejudice to positions on status, and is in line with UNSCR 1244/99 and the ICJ Opinion on the Kosovo declaration of independence.

the requirements of Article 154 of the Commission Regulation (EC) No 718/2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance and consequently deemed acceptable in December 2012.

In parallel, under component III, the national IPA co-ordinator also submitted in April 2012 the corresponding programming document for the regional development component, i.e. the operational programme "Regional Development 2012-2013". The programme was revised several times by the Montenegrin authorities following the comments of the Commission's services and finally approved by a Commission Decision in December 2012. The overall objective of the programme is to improve the living standards and the state of environment in Montenegro, in accordance with national policies and strategies as well as with EU policies and standards. The programme includes three priority axes: i) the upgrade of the environmental management systems, ii) the improvement of the transport system, promoting environmentally friendly transport modes with special emphasis on improving the rail infrastructure and iii) technical assistance to cover the preparatory, management, monitoring, evaluation, information and control activities related to the implementation of the programme together with activities to reinforce the administrative capacity for its implementation. The total EU contribution to the programme is EUR 22.24 million (EUR 7.98 in 2012 and EUR 14.25 million in 2013) and the national co-financing amounts to EUR 3.92 million. The EU contribution in the programme does not correspond to the overall amount available for Montenegro under component III, since EUR 500 000 are committed for JASPERS technical assistance to the beneficiary country, whose objective is to accelerate the preparations of Montenegro for the absorption of the EU funds by supporting the development of a sound pipeline of infrastructure projects.

Under component IV, The "Human Resources Development" Operational Programme was adopted by the Commission Implementing Decision C(2012)7202 on 18 October 2012. The overall strategic objective of the Programme is to contribute to the creation of more and better jobs through priority goals designed to attract and retain more people in employment, reinforce social inclusion and promote adaptability of enterprises and workers. The programme includes four priority axes: i) Efficient and Inclusive Active Employment Policy Measures; ii) Enhancing skills, knowledge and competences for employability and competitiveness; iii) Enhancing social inclusion and iv) Technical Assistance. This multiannual Operational Programme includes financial allocations for 2012 (EUR 2.77 million) and for 2013 (EUR 2.81 million) with a total amount of EUR 5.58 million.

The implementation of the Operational Programmes under components III and IV will start only following the conferral of management powers for component III and IV and signature of the corresponding financing agreements. The submission of the accreditation package by the Montenegrin authorities is expected during spring 2013.

2.5 Component V

The Montenegrin authorities submitted during the year 2012 a draft IPA Rural Development (IPARD) Programme covering the years 2012-2013 and the document was originally expected to be adopted by the end of 2012. The IPARD programme focuses on supporting the beneficiaries in the milk, meat, fruit, vegetable and fish sectors in order to upgrade them to the EU standards and to improve performance of the enterprises. However, the allocation for Montenegro under component V can only be spent under full decentralised management which requires the prior establishment of the necessary administrative and control structures. In June 2012, it was agreed by the Montenegrin authorities and the Commission services that

the progress made to prepare for decentralised management under component V was not sufficient, thus endangering the 2012 allocation under component V to be spent in a timely manner. For this reason a transfer of appropriations from Component V to I was approved in November 2012 by the budgetary authority, leading to the adoption of Part 2 of the National Programme for Montenegro under Component I, as mentioned in section 2.2.1 Component I. As a consequence, the IPARD Programme now covers the year 2013 and is expected to be adopted in the course of 2013.

Concerning the preparation for conferral of management under Component V, Montenegro developed structures for the implementation of the IPARD Programme with a view to obtain the national accreditation at the end of 2013 and to submit a request for the conferral of management to DG AGRI early 2014.

3. IMPLEMENTATION OF ASSISTANCE

3.1 Success stories

IPA 2008 - Food Safety Services (EUR 2 million)

Through the project **Food Safety Services** Montenegro has moved closer to adopting the rules essential for assuring effective control systems and evaluating compliance with EU standards in the food safety sector. The government objective being to implement and enforce an effective food control system in line with the EU regulations. The latter being able to ensure that food business operators take primary responsibility for food safety by enforcing adequate food safety systems in their establishments. Almost 600 stakeholders in the food industry have been trained by international experts on different food safety thematic areas, study visits were carried out to competent authorities in Italy and Lithuania and official laboratories in Croatia and Italy. The project also supported target laboratories in preparation of procedures to be accredited and in support of inter-laboratory comparison schemes.

CBC Montenegro-Croatia Traditional olive industry as a part of cross border tourism offer (EUR 0.48 million)

This CBC-project was implemented by six local partners including associations of olive producers in Montenegro and Croatia and has been highly successful in developing the agro tourism sector in this cross border region. In both regions *Bar and Boka-Bay* in Montenegro and *Dubrovnik-Neretva County* in Croatia, olive related facilities were improved and made more competitive leading to more economic opportunities and local employment possibilities. Promotion and marketing focused on niche markets for nature and authentic local products (www.olive-tourism.com).

IPA 2010 Gender Equality Programme (EUR 0.7 million)

The latter is a three-year project which mainly targets the promotion of personal integrity, the economic status as well as political representation of women. The latter was designed to support development of gender responsive policies in Montenegro and to boost implementation of national legislation and international standards related to gender equality. The main outcome of this programme successfully led to advocating for the introduction of a 30% quota for women in the Election Law and significantly contributed to political empowerment of women through tailor-made education programs for 167 female politicians.

in addition to supporting the development of a new Action Plan for Gender Equality covering 2013-2017, Further on, the project supported implementation of anti-violence legislation through a Code of Conduct for institutions dealing with violence and training for police officers and social workers in this area. Support was also provided to the development of a centralized database on victims and perpetrators with indicators which will enable institutions to monitor trends related to violence. Economic empowerment of women included development of a study related to barriers, motivation factors and challenges to women entrepreneurship. Results and recommendations of the study will be used for development of the national strategy for women entrepreneurship, boosting the latter at the local level, in 4 pilot municipalities. Awareness raising campaigns also contributed to the national battle against gender stereotypes allowing a better public understanding of gender issues.

Child Care System Reform project (EUR 2.9 million)

Progress continues in the social inclusion sector through 3 related IPA projects in this sector. Thanks to the *Child Care System Reform project* amounting to *EUR 2.9 million* and implemented with UNICEF, the number of children with disabilities benefitting from the social, educational and therapeutic services provided in day care specialised centres had increased four times in 2012 compared to 2010. The reform initiative is also benefitting children in residential child care institutions where personnel have been provided with knowledge and new skills to support children for independent living as the child care system is shifting from institutional care to family- and community-based care. Foster care services are being improved to ensure that children can be cared for in a family environment, rather than an institution. All field level activities will be reflected in the new legislation on social and child protection which is currently being developed within the project. Finally, progress in the reform process will be closely monitored and measured through the recently established electronic child protection database.

3.2 Overview of IPA implementation in 2012

Implementation of IPA projects advanced well in 2012. IPA projects included under the 2007-2010 programmes are close to being fully implemented and preparation for the procurement of IPA 2011 national programme is well on track. Both IPA Components I and II show high rates of implementation (both commitments and disbursements). At the end of 2012, there were 312 on-going contracts for around EUR 100 million. The size of the country, its limited absorption capacity of individual beneficiary institutions and the high number of CBC projects are among others the reasons for a high number of contracts.

The implementation of these funds directly contributed to the readiness of the country to open accession negotiations in June 2012, as most institutions involved in the screening process benefitted to some extent from pre-accession assistance.

TAIEX was among the main players in Montenegro implementing 73 events throughout 2012. The EU Delegation contracted 4 twinning contracts with a total value of EUR 2.6 million and 1 twinning light (EUR 250 000) with Member States. Despite the appreciation of the added value of twinning, their number remain limited, reflecting the limited capacity in the administration which still must resort largely on technical assistance. Also the EU Delegation partially reimbursed the entry ticket to the 5 Union Programmes in which Montenegro participated: Culture 2007-2013; ICT Policy Support Programme under the Competitiveness and Innovation Framework Programme; Entrepreneurship and Innovation specific Programme

under the Competitiveness and Innovation Framework Programme; 7th Framework Programme for Research; Customs 2007-2013.

3.3 Sector I: Justice and Home Affairs and Fundamental Rights

In relation to the **fight against corruption and organised crime**, IPA projects in 2012 supported the establishment of a track record for investigations, prosecutions and convictions cases in this area. The administrative and institutional capacity of the law enforcement, judicial and prosecutorial authorities was strengthened through capacity building and training. IPA support contributed to the preparation of key strategic documents such as the Organised Crime Threat Assessment (OCTA), the anti-corruption strategy and action plan. Public awareness campaigns on anti-corruption were undertaken.

3.4 Sector II: Public Administration Reform

In the internal market area, IPA projects supported progress on a new Law on Protection of Competition, amendments to the Law on Consumer Protection and Law on Consumer Credits and the National Programme on Consumer Protection. Capacity building and training continued in competition protection, state aid, market inspection and accreditation. Manuals/guidelines/instructions were prepared in the area of market surveillance and consumer protection and IT support was provided for the market inspectorate. A public awareness campaign on consumer protection has been particularly successful.

3.5 Sector III: Environment and climate change

Environmental protection is still in its early stages in Montenegro, and the project "Raising Environmental Awareness in Montenegro" (IPA 2010 EUR 485,000) has contributed to an increasing public awareness of the importance of Montenegro's environment in the country's economic development and the need to cooperate among different sectors. The project has also elevated government's capacity in planning sustainable environmental development and environmental protection. The nationwide environmental campaign demonstrated the huge upsurge of interest and concern for the environment across all sectors including the public.

3.6 Sector IV: Transport

In the transport sector, IPA activities mainly focused on railway and maritime transport where a dual approach was implemented. Investments took place in parallel to the relatively successful harmonisation of laws and regulations. With well-coordinated technical assistance through IPA funding, the relatively new Railway Directorate will be transformed into the Regulatory Body and hopefully take over responsibility for essential tasks. The Rolling Business Plan for the next 5 years was developed and is under discussion with the relevant Ministries. Further investments in the rehabilitation of the main railway line successfully continued including the rehabilitation of the station of Trebesica. Following intensive technical assistance provided by IPA 2009, the Civil Aviation Sector advanced considerably and is an example of sustainable institutional development. Meanwhile, Montenegro became full member of all relevant European bodies and agreements in civil aviation area.

3.7 Sector V: Social development

The MIPD 2011-2013 states “The objective of IPA interventions is to improve social inclusion in general, to improve social services as well as education and high quality vocational education and training (VET) system, and to improve access of unemployed people to the labour market.” Several IPA projects have contributed to these objectives during 2012. The Operational Programme Human Resources Development 2012-2013 was adopted by the Commission in October 2012. However, as conferral of management for IPA component IV has not been requested, no actions were implemented under Component IV in 2012 yet.

In support to promoting economic development, the twinning project "Development Strategy of Montenegro (2010-2015) and National Development Plan" (IPA 2009 EUR1 million) has provided expert support to the national administration in its first attempt to prepare a solid National Development Plan. The Plan includes the establishment of financial and political basis, methodology and institutional framework for national and local development strategic planning. Under this project, working groups of civil servants, experts in their respective fields, have been established aiming to contribute to the development of a new culture of political planning and decision making necessary to support social development and economic growth.

3.8 Sector VI: Agriculture and rural development

According to the MIPD 2011-2013, the objective is to support the on-going development of a sustainable agriculture sector and to assist alignment to the common agricultural policy and EU standards.

In the **veterinary, food safety and fisheries** area, the project "Sustainable management of marine fishery" (IPA 2009 EUR 1 million) successfully contributed to the sustainable development and management of the fisheries sector in Montenegro including aligning fisheries legislation with the *acquis*. The project improved fleet and resource management, by providing equipment for establishing the Vessel Monitoring Centre and a research vessel for the Institute of Marine Biology. Finally, the second oral rabies vaccination campaign under the project "Control and eradication of rabies and classical swine fever" (IPA 2008 / EUR 1.36 million) successfully continued the achievements from the 2011 campaign. This is part of an EU wide campaign in the Western Balkans which aims to have the whole region free from these diseases.

3.9. Cross-border Cooperation

2012 was a period of extension and consolidation of the Cross-Border Cooperation programmes with Montenegro. In addition to the transnational programme, Montenegro now manages five bilateral CBC programmes with its neighbours. Following the closure of the second round of calls for proposals launched in 2012 for the CBC programmes, around 40 projects were contracted giving at the end of 2012 a total number of 100 CBC actions in place in Montenegro. In addition, joint preparatory work with Kosovo took place for establishing the management structures and to launch the first call for proposal in 2013.

Cross-Border Cooperation is by now a well-known and appreciated cooperation instrument in Montenegro, providing tangible and visible results at national and local level. CBC has proven to be instrumental for the bottom-up development of the border regions, to bring

people together and thus to pave the way for sustainable, integral local development in the frame of peaceful, tolerant and likeminded relations.

The CBC management structures are well established in Montenegro and have gained substantial experience during the first years of the CBC programmes. IPA assistance supported the national implementing structures in the management, technical advice, monitoring and follow-up of the programmes and the projects. During 2012, the government managed smoothly all Structural Funds' transnational programmes under the Territorial Cooperation Objective.

Many successful CBC projects are to be reported in 2012, including the MARIBU project, the promotion of the joint heritage of two bordering countries, implemented by the *Municipality of Ulcinj* in Montenegro and *Municipality of Shkodra* in Albania; the project "Be Ready", implemented by FORS Montenegro in cooperation with Fire Brigade Nikšić and Territorial Fire Brigade from Trebinje, which raised awareness of local population regarding fire prevention activities in the cross border region and the promotion of the olive oil industry.

4. IMPLEMENTATION MODALITIES AND STRUCTURES

The National authorities continued the preparations for conferral of management powers. In July 2012 the accreditation package for IPA Components I and II was submitted to the Commission. A first audit mission took place in December 2012. Preparations for IPA components III and IV were progressing with the compliance assessment carried out at the end of 2012. The submission of the accreditation package for Components III and IV is expected to take place in spring 2013. The preparation for conferral of management for Component V is progressing more slowly and as a result, funds earmarked of IPA Component V in 2012 were transferred back to Component I to help further capacity building and learning by doing. The Management Authority was established but the establishment of the Paying Agency as an independent body has not been achieved yet. Montenegro originally envisaged a submission of the application package under Component V in the first half of 2013 but there had been delays in the implementation of the Action Plan. An updated timeline indicates that the application package is expected at the beginning of 2014. Overall, staffing, management information system and capacity of the Audit Authority remain key issues to be addressed.

84% of projects monitored under the Result Oriented Monitoring Programme in 2012 were awarded A or B grade for relevance and 89% received an A or B for impact. Nonetheless, efficiency was considered weak, with 50% of projects receiving a C or D grade. Lessons learned included: further support is needed for good governance; sustainability remains a key concern given the high staff turnover and weak administrative capacity; projects should last at least 2 years to increase impact.

The EU Delegation marked a major increase in monitoring of small grants compared to 2011. Of 173 on-going grants on 31 December 2012 (CBC, support to civil society, municipal grants, EIDHR), all CBC and local municipality grants were monitored at least once by the Joint Technical Secretariats for CBC and the Technical Assistance contract for municipalities. In addition, there were 35 monitoring visits to projects by Task Managers and/or external monitoring consultants during 2012. Where projects were considered as high risk, visits were carried out jointly by both financial and operations sections of the EU Delegation.

In addition to this in-depth monitoring of the financial assistance, supervision by the Commission services was done through the participation in two IPA Monitoring Committee

meetings on 12 June and 11 December 2012. These meetings were used to monitor the implementation of IPA funds and to identify jointly with the national authorities mitigating strategies/solutions where problems arose. The meetings were also an opportunity to take stock of the progress in preparing for Conferral of Management for all IPA Components.

PART II - FINANCIAL DATA (EUR million and %)
On implementation of assistance at 31 December 2012

IPA I + II - Montenegro

Montenegro	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	27.05	26.69	98.65%	23.96	88.56%
IPA 2008	30.05	29.44	97.96%	26.76	89.05%
IPA 2009	31.74	30.44	95.88%	25.68	80.89%
IPA 2010	30.94	25.39	82.06%	18.15	58.67%
IPA 2011	29.69	4.13	13.91%	0.99	3.35%
IPA 2012	20.95	0.00	0.00%	0.00	0.00%
Total	170.43	116.08	68.11%	95.54	56.06%

IPA – Component I National Programme Montenegro

Montenegro	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	23.87	23.55	98.65%	23.15	96.96%
IPA 2007	26.80	26.46	98.74%	24.54	91.55%
IPA 2008	28.43	28.24	99.34%	24.50	86.16%
IPA 2009	28.64	24.24	84.65%	17.52	61.19%
IPA 2010	26.49	3.64	13.75%	0.72	2.73%
IPA 2011	17.80	0.00	0.00%	0.00	0.00%
IPA 2012	152.04	106.14	69.81%	90.43	59.48%
Total	23.87	23.55	98.65%	23.15	96.96%

IPA – Component II (CBC) Programme Montenegro

Montenegro	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	3.18	3.03	95.11%	2.81	88.41%
IPA 2008	3.25	2.97	91.57%	2.22	68.41%
IPA 2009	3.31	2.19	66.20%	1.18	35.62%
IPA 2010	2.30	1.15	49.81%	0.63	27.27%
IPA 2011	2.90	0.49	16.81%	0.27	9.34%
IPA 2012	3.15	0.00	0.00%	0.00	0.00%
Total	18.09	9.83	54.32%	7.11	39.32%

ALBANIA

1. SUMMARY

During 2012, EU financial assistance played a strategic role in **Albania**, deploying approximately EUR 95 million on Components I and II, with a view to enhancing administrative capacities of a number of institutions and fostering social, environmental and economic development.

On-going projects in the areas of justice, public administration reform and fight against corruption were further advanced. Law-enforcement agencies acquired increased capacities, as a result of EU strategic support, and are showing concrete results in the fight against organized crime. Technical assistance projects continued supporting different line ministries and state institutions with the effect that many relevant pieces of legislation for the *acquis* alignment have been adopted.

Infrastructure projects, however, encounter implementation problems, mainly due to a lack of coordination among line-ministries and between national and local institutions, with implications for the projects' long-term sustainability. This situation has led the Commission to request an IPA inter-institutional coordination mechanism in order to ensure project sustainability.

Albania has accomplished substantial efforts in relation to the preparation for the decentralised management of IPA funds. Further focused actions are still required to ensure that the decentralised management system in place reflects all the requirements set out in the IPA regulatory framework. However, if conditions are met, conferral of management can be achieved soon. In view of this accreditation, the Albanian authorities are supposed to take all necessary measures to ensure stability as regards the positions of civil servants trained for the management of IPA funds.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

The current Multi-annual Indicative Planning Document (MIPD) for Albania was adopted by the Commission on 8 July 2011. The strategic priorities identified in the 2011-2013 MIPD are:

- Strengthening rule of law, ensuring the independence, efficiency and accountability of judicial institutions and enhancing the fight against organised crime.
- Supporting public administration reform, with a view to enhancing professionalism and de-politicisation of civil servants and to strengthening a transparent and merit-based approach to appointments and promotions, as well as to fighting corruption at all levels.
- Reinforcing the protection of human rights, notably for women, children and Roma minority, and effectively implementing anti-discrimination policies.
- Supporting EU *acquis*-related issues, in particular administrative capacity, adoption and enforcement of legislation and related investments in the transport and social development sectors, as well as in the environment and agriculture sectors.

The 2011-2013 MIPD has identified six priority sectors:

1. Justice and Home Affairs;

2. Public Administration Reform;
3. Transport;
4. Environment and Climate Change;
5. Employment and Social Inclusion;
6. Agriculture and Rural Development.

The planning of EU financial assistance in 2012 was also strictly driven by the priorities identified in the Enlargement strategy documents, i.e. the 2010 Commission Opinion on Albania's application for EU membership and the 2011 Progress Report, both listing 12 key priorities, where Albania needs to deliver before any decision on opening accession negotiations may be considered. Extremely relevant for IPA planning are the key priorities on public administration reform, rule of law, anti-corruption, fight against organized crime, property rights, protection of human rights and improvement of detainees.

IPA planning is overall aligned with national and sector strategies. In Albania, the National Strategy for Development and Integration is the strategic programming framework for the country, which is accompanied by a number of sector strategies and action plans. The Commission is working to introduce the sector approach in IPA programming with the purpose to link EU assistance to national sector policies. However, there are still shortcomings regarding the administrative capacity in some line Ministries to fully implement sector strategies, for which proportional financial resources have not been foreseen in the national budget.

2.2 Programming

2.2.1 Component I

The programming exercise for IPA 2012 started already early in 2011, taking into account the EU recommendations in relation to maturity of project proposals, better links between EU assistance and sectorial strategies, as well as long-term project sustainability. Compared to the IPA programmes 2010 and 2011, which saw a high number of infrastructure projects, the 2012 programme pursues a more balanced approach between capacity building and investment.

The Programme foresees different methods of delivering EU financial assistance. A combination of centralized management, indirect centralized management in cooperation with Member States agencies and joint management with International Organizations, as in recent years, currently appears the best way to deliver IPA funds for Albania. The Programme also includes a number of twinnings, which is resulting to be a successful implementation modality for EU *acquis*-related projects.

The IPA 2012 programme has been developed in close cooperation and consultation with national authorities. The Member States, other donors as well as civil society have been associated in the process as much as possible. Coordination meetings with international financial institutions have been organised on a regular basis. These meetings primarily focused on strategic orientations, regional dimension and coordination with other donor initiatives.

The 2012 programme, amounting to of EUR 81.64 million, is expected to fund 16 projects, which have been designed to sustain the current efforts of the Albanian government to further advance in the EU integration process.

In the area of justice and home affairs, the Commission has foreseen capacity building actions to back the implementation of the government's justice reform strategy and to improve the performance of the Albanian State Police, as well as investments such as the construction of the Justice Palace in Tirana and the restructuring of two border crossing points.

In the area of public administration reform the focus is on public financial management in order to contribute to the effective and transparent use of public funds by the Albanian government. This also refers to the future management of EU funds since actions are envisaged to strengthen the capacities of the Central Finance and Contracting Unit (CFCU) within the Albanian Ministry of Finance, which is supposed to be the entity in charge for procurement, contracting and payments in the frame of decentralized management of EU funds.

Two major infrastructure investments are envisaged in the transport and environment sectors, i.e. the construction of the Rrogozhina bypass and the rehabilitation of the sewerage system in Vlora, which have been conceived as coherent follow-up projects of previous assistance in the two sectors. Indeed, the Commission intends to further develop the road network along the North-South and East-West transport corridors (Rrogozhina is a crossing point for both axes). The Commission has also funded a number of initiatives in the field of water to improve the sanitary conditions of the population living along the Albanian coast and to protect the sea from waste water. The investment in Vlora is going to complement this long-lasting endeavour.

Table 1: Indicative financial allocations for the year 2012 per component (EUR in million)

ALBANIA	2012
I. Transition Assistance and Institution Building	85.14
Of which:	
National Programme	81.64
Tempus Programme*	2.00
Civil Society Facility*	1.50
II. Cross-Border Cooperation	10.48 ¹⁶
Of which:	
CBC Montenegro-Albania	0.85
CBC the former Yugoslav republic of Macedonia-Albania	0.85
CBC Kosovo-Albania	0.60
CBC Greece-Albania	1.66
CBC IPA Adriatic**	6.01
Albania's participation in ERDF transnational programmes "South East Europe" and "Mediterranean"***	0.51
TOTAL	95.62

* The Tempus Programme and the Civil Society Facility are coordinated and implemented under the relevant IPA Multi-beneficiary programme

** Management of the allocations for these programmes was cross-delegated to DG Regional Policy (REGIO).

¹⁶ The difference with Table 1 is explained by the allocation for participation in ERDF transnational programmes (EUR 0.51 million)

Table 2: Indicative financial allocations for the year 2012 under the National Programme, per priority axis and per project (EUR in million):

Sectors/Projects	Budget
Justice and home affairs	23.00
Support to the implementation of the Justice Reform Strategy	2.50
Construction of the Justice Palace in Tirana	12.00
Support to the Albanian State Police	5.50
Reconstruction of Hani I Hotit Border Crossing Point and completion of works at Morine Border Crossing Point	3.00
Public Administration Reform	9.00
Support to Civil Service reform	1.80
Implementation of Modern Financial Management and Control System and Public Financial Inspection in Albania	2.50
Strengthening the capacity of the Central Finance and Contracting Unit (CFCU) for efficient implementation of EU funds	1.20
Modernisation of the Albanian Customs Administration	3.50
Transport	9.30
Technical Assistance to the Albanian Transport Sector	2.30
Construction of the Rrogozhina bypass	7.00
Environment	18.5
Construction of Sewerage System in Vlora, Phase II	18.5
Employment and Social Inclusion	6.20
Improving local public social services and infrastructures for vulnerable groups in the peri-urban areas of Tirana and Durrës	6.20
Agriculture and Rural Development	9.50
Improve Consumer Protection Against Zoonotic Diseases	4.50
Establishment of the Rural Credit Guarantee Fund	5.00
Other horizontal activities	6.140
Project Preparation and Strengthen European Integration Process Facility	3.706
Union Programmes	2.434
TOTAL	81.64

2.2.2 Component II

Albania is participating in three bilateral Cross-border Co-operation (CBC) Programmes with other candidates and potential candidates (Montenegro and the former Yugoslavian Republic of Macedonia since 2007 and Kosovo since 2010) and in one bilateral CBC Programme with one EU Member State (Greece since 2007).

The three CBC Programmes with other EU candidates or potential candidates are mostly focused on specific measures to promote economic development with an emphasis on tourism, to protect environment and to enhance social cohesion through "people-to-people" actions. The CBC Programme with Greece provides measures to promote entrepreneurship, to foster sustainable tourism, to facilitate border accessibility through small scale infrastructure, as well as to protect the environmental and cultural heritage along the border area.

The four CBC programmes have so far been implemented via calls for proposals, which helped funding a number of small-scale projects across the bordering regions of Albania. The projects have been generally successful, thanks to an increase of contacts and cooperation among local stakeholders coming from neighbouring countries. However, the impact *vis-à-vis* the objectives of economic development and environment protection and tourism promotion was lower than expected. Therefore, for the last two years of the programmes' life, i.e. 2012-13, the Commission and the beneficiary countries have decided to switch the implementation modalities from call for proposals to joint bigger scale/strategic projects.

In the frame of the CBC programme between Albania-Montenegro and Albania-Kosovo, the two partner countries are supposed to identify concrete ideas of strategic projects, which will later be implemented via service or supply or works contracts, centrally managed by the two EU Delegations.

In the frame of the CBC programme between Albania-fYRoM, the 2012 and 2013 allocations have been moved from IPA component II (cross-border co-operation) to IPA component I (transition assistance and institution building) for each beneficiary country. Therefore, Albania and fYRoM will autonomously decide with the Commission the type and size of the project/s to be implemented in the bordering areas.

In the frame of the CBC programme between Albania-Greece, the partner countries have decided to launch a call for strategic projects, which will set EUR 2 million as minimum ceiling. With this higher ceiling, the call will fund bigger scale projects.

2.2.3 Component III, IV and V

Not having yet the candidate status, and components III, IV and V not being available in the country yet, during 2012 the Albanian authorities have focused on the definition of the functions, responsibilities and relations among the national IPA structures, which are supposed to manage funds under IPA components III (regional development) and IV (human resources development) in future decentralized implementation. National IPA structures have received support from the IPA 2009 technical assistance project and will continue to receiving support from a follow-up project under IPA 2012.

The IPA 2008 project *Capacity Building for Implementing the Rural Development Strategy* assisted the Ministry of Agriculture in the setting up of the Operating Structure (i.e. Paying Agency and Managing Authority) for future management of EU funds under IPA Component V (agriculture and rural development). Overall, the preparation for IPA V decentralized management is relatively advanced. The IPA 2011 project *Support to Agriculture and Rural Development* is assisting the Operating Structure to implement in practice IPA V-like measures, i.e. grant schemes to fund small and medium investments in the agro food sector. The related call for proposals was launched in December 2012.

3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2012

3.1 Success stories

Restoration of Via Egnatia in Elbasan, an ancient Roman road crossing Albania and part of the programmes related to the preservation and promotion of sites of historical importance (EUR 9 million)

The respect for cultural heritage is vital for developing Albania's European identity and cultural heritage. The European Union is therefore dedicated to the importance of cultural heritage and has committed EUR 9 million to restore priceless treasures in Elbasan, Himara, Kruja, Tirana, Shkodra, Berat and Korça.

In Elbasan, the Commission has financed the restoration works of the urban centre, namely *Via Egnatia*, one of the most ancient roads in Albania. It was constructed by the Romans in the 2nd century BC to cross the Roman provinces of Illyricum, Macedonia, and Thrace, connecting the Adriatic Sea with the Bosphorus. It now runs through a territory that is part of modern Albania, the former Yugoslavian Republic of Macedonia, Greece and the European part of Turkey.

Via Egnatia's segment inside the Elbasan castle was restored with a very prestigious pavement, which reflects the Albanian tradition of paving stone manufacturing. A green area was created, by planting new trees to create a green atmosphere. A special decorative lighting was placed along the road, making it more attractive and visible. Decorative sitting places (park-like benches) were placed along the road. An overall intervention was carried out for utility cables, such as water supply pipelines, power connection, sewerage systems, phone lines etc, in order to protect the site from future interventions.

The rehabilitation of *Via Egnatia* adds value to Elbasan's urban centre, which is now expected to attract more tourists. As a result, it is likely that new local businesses will soon start-up. Tourism flow to cultural sites and increased business are expected to bring economic benefits to the local communities, hence ensuring the economic sustainability of the project. *Via Egnatia* was inaugurated on 16 November 2012 in the presence of the Minister of Tourism and local authorities and national media covered the event. However, the EU support to the rehabilitation of historical sites in Elbasan is continuing with the revitalization of the area around the Basilica.

Different IPA envelopes since 2007 - Border Control and Customs modernization- (EUR 70 million)

EU supports effective border control and customs modernization to fight illegal smuggling and organized crime; Albania is considered to be a transit and storage zone for illicit commodities destined to the EU and a logistical centre for organized crime groups. Therefore, national law enforcement agencies need state-of-the-art technology and equipment to be successful in the fight against crime. The EU considers assistance to police forces as the top priority in its endeavour to support the country's pre-accession agenda in the area of justice, freedom and security. As a result, from 2007 onwards, more than EUR 70 million were channelled into the home affairs sector (police, penitentiary, customs) to increase capacity and upgrade facilities.

Effective surveillance of the Adriatic Sea is strategic in fighting trafficking of human beings and illicit commodities destined to the EU markets. Therefore, the Commission has equipped the Albanian police and customs with eight modern vessels to impose real control of the maritime border. The boats are high speed patrol vessels, provided with all the state-of-the-art technological devices to capture smugglers. This assistance has definitely led to increased patrolling of the Adriatic Sea, thus securing neighbouring countries from criminal activities originating from Albania.

Customs modernization is another essential element of the overall strategy put in place by the Albanian Authorities to fight crime. Indeed, customs are at the forefront in intercepting and disrupting illicit trade. The Commission has helped Albania move to full compliance with EU customs standards and procedures through multiple interventions, including supply of new technological devices. A video monitoring system has been installed in the main border crossing points and inland customs offices, which is centrally supervised by the General Directorate of Customs in Tirana. The new monitoring technology for detection and surveillance across ports of entry has enabled the customs service to maximize its effectiveness.

Different IPA envelopes - Albanian Institute of Statistics – INSTAT (EUR 10 million)

Reliable statistics are crucial for Albania's socio-economic development. Statistics help identify needs and potentials of the society and represent an essential instrument for sound and informed policy-making across sectors. Reliable statistical data are also crucial for business decisions, as well as for the mission of other stakeholders such as NGOs, Universities and Academia.

With the support of the EU (more than EUR 10 million via different IPA envelopes), the Albanian Institute of Statistics - INSTAT - has increased its capacities in the preparation and implementation of censuses and data processing, analysis and dissemination. As a result, INSTAT has recently carried out three key censuses in the area of economics, population and housing, and agriculture.

The economic census provided complete and reliable statistical data on micro, small and medium enterprises, which will contribute to the set-up of a modern statistical business register, which will fulfil the expectations of both the EU and Albanian users.

Through the results of the population and housing census, INSTAT has improved statistical reporting on demography, poverty, labour, education, health, vulnerable groups and ethnic minorities. The increased scope and quality of statistics will, inter alia, help the country and the EU in the identification of tailored interventions to improve the living conditions of the population.

EU support for reliable and comparable statistics has continued with the agriculture census. Since agriculture is the dominant sector of the Albanian economy, contributing to 25-30% of the GDP, the government needed updated information on the structure of agricultural holdings and on the production and distribution of agricultural and livestock products in order to formulate a new sector policy. With this census, INSTAT has also shown excellent ability in terms of logistics, supervising the work of many enumerators and controllers sent in every corner of the country.

TAIEX event "Promoting Environment and Sustainable Development through Participatory Processes"

A very successful TAIEX event which was organized in December 2012; the two days event gathered experts from Albania and from the EU to discuss the place of civil society in the decision making process in general and in the field of environment in particular. The event focused on possible ways to enhance collaboration between civil society and local

government structures to raise public awareness for environment protection and to identify and promote grassroots initiatives for sustainable development and sustainable use of natural resources. More than 100 persons attended the event and a report was prepared to keep memory of the high quality presentations delivered by the speakers.

3.2 Overview of the implementation status of the different instruments and components

In Albania 449 EU-funded projects are on-going for an overall amount of EUR 348 million.

During 2012 and considering IPA annual envelopes from 2007 onwards, the EU Delegation has contracted a total amount of EUR 85,125,000. The disbursements amount to EUR 71,097,000, exceeding the performance of 2011 by more than EUR 6 million.

The EU Delegation started to sign contracts under IPA 2012 in the same year as the Commission Financing Decision of the Programme, as happened in 2011.

3.3 Sector I: Public Administration Reform

IPA support over the period covered by the 2011-13 MIPD is driven by the following priorities: (i) enhancing professionalism and de-politicisation of public administration and strengthening a transparent, merit-based approach to appointments and promotions; (ii) improving coordination of the economic and fiscal policies to assist in the stabilisation of the macroeconomic environment; (iii) ensuring the sustainability of public expenditure, while strengthening the capacity of institutions providing statistical data.

During 2012 the government designed a new Law on Civil Service, which needs the final approval from the Parliament. This comprehensive reform aims at aligning Albania to the best practices of EU Member States in the areas of civil servants recruitment and employment regime and mobility and career development within the public administration. The adoption of this law has been identified in the December 2012 Council conclusions as one of the pre-conditions to grant candidate status to the country as the strengthening of the public administration will lead to positive outcomes across a number of sectors. The new reform has not yet been adopted by the Parliament since it requires 3/5 majority and, therefore, cross-party agreement, which has not been achieved in 2012. The project *Support to Civil Service Reform* (IPA 2012 - EUR 1,8 million) is going to provide technical expertise for the full implementation of the law to the Department of Public Administration (DOPA) within the Ministry of Interiors. The project will start as soon as the law is agreed in the Parliament.

Two new interlinked initiatives started in 2012. On the one hand, with the IPA 2010 project *Support to the EU Integration process* (EUR 2 million) the Commission has provided technical assistance to the Ministry of European Integration to enhance capacity in legal drafting and transposition techniques of EU law into domestic legislation. On the other hand, the IPA 2010 twinning project *Strengthening the Assembly of Albania* (EUR 1.5 million) aims at enhancing the capacities of the Parliament to make the government and the Public Administration more accountable in general terms and in EU-related issues. In practice, the project is revising the parliamentary procedure in order to increase the oversight function over the executive power of all standing Committees, particularly the Committee for European Integration, and to strengthen the legislative process for a more effective transposition and approximation of EU laws. Overall, this combined package of assistance will further enhance Albania's institutional capacities to fulfil the obligations on EU *acquis* compliance arising from the Stabilisation and Association Agreement.

SIGMA continued its support to Albania in the area of public administration reform. In particular the programme provided general support to the Department of Public Administration in developing a new civil service system. SIGMA also provided support to the Ministry of Justice in drafting regulations on administration simplification tools. In the area of financial control and external audit, it also helped the Ministry of Finance on several levels. Finally, it provided assistance in the area of public procurement and concessions, e.g. with the establishment of a new review body (Public Procurement Commission).

In 2012, Albania participated in the following **EU programmes**: 7th Research Framework Programme, Competition and Innovation Framework Programme, Customs and Europe for Citizens.

3.4 Sector II: Justice, Home Affairs and Fundamental Rights

The objectives identified in the 2011-13 MIPD for the sector are: (i) strengthening the professionalism of judges and prosecutors, (ii) increasing the level of execution of court decisions, (iii) reinforcing the capacity of the law-enforcement bodies and coordination between prosecutors and state police and (iv) improving the infrastructure in the judicial sector, i.e. the courts, prison and pre-detention systems. In addition, several on-going projects include the fight against corruption as a cross cutting area of intervention, since the 2010 EC Opinion considers corruption as a key shortfall for the rule of law in Albania.

The IPA 2009 twinning project: *Support to Anti-Money Laundering and Financial Crimes Investigations Structures* (EUR 1.5 million), provided advice and mentoring to the government agencies and Judiciary institutions in charge of prevention, detection, investigation and prosecution of money laundering. The twinning team has organised several trainings and provided technical assistance in practical cases, focusing particularly on seizure, confiscation and subsequent administration and destination of criminal proceeds and illegal assets. The team has also emphasised the importance of cooperation between law-enforcement agencies and prosecutors. Cooperation with neighbouring countries and international and European agencies (Interpol, Europol and Eurojust) has also been strengthened. As a matter of fact, the number of indictments and investigated cases has increased.

In the area of integrated border management, in the course of 2012 two infrastructures have been completed, i.e. the new migration police commissariat in Saranda at the border with Greece and the rehabilitation and extension of the Morine-Vernice crossing point at the border with Kosovo. The police staff in Saranda have benefited from the improved working conditions in their daily tasks of surveillance, patrolling and border control. The commissariat has also better facilities for detainees. The new infrastructure at the Morine-Vernice border crossing point will have positive effects on the performance of the border police and the customs services. Starting from 2013, the Commission will also fund a 2nd investment stage in order to increase impact.

During 2012 the Albanian State Police has also received assistance from the IPA 2009 twinning project: *Enhancement of the operational and logistical capacities of the Directorate of Witness and Special Persons Protection* (EUR 1.5 million). A new law on witness protection has been adopted and the police, as well as other institutions involved, such as the General Prosecutor Office, have received ad hoc training. Finally, the Commission has also planned an upgraded facility for the Albanian State Police Education Centre, whose works started in early 2012 and are expected to finish by 2013.

3.5 Sector III: Transport

A further priority sector is transport, since it has multiplier effects on the overall economy of the country. In this area, the Commission has aligned its interventions to the strategic direction of the Albanian government, which intends to boost mobility via road networks.

With an overall amount of approximately EUR 51.5 million, the EU has financed the rehabilitation of about 250 km of local roads, part of a larger programme developed in coordination with EBRD, EIB and other IFIs for the rehabilitation of more than 1,500 km across the secondary road network. These investments have brought considerable advantages to rural communities, which now benefit from facilitated access to essential services and city markets.

The strategic objective is to establish a unified road network connecting rural communities to the main national and regional transport lines, notably the SEETO (South East European Transport Observatory) Corridor VIII (from Durres to Pogradec) and the north-south axis (from Shkoder to Tepelene-Gjirokastra). In this respect, the Commission has also focused on large-scale strategic investments. Under previous IPA envelopes, the Commission has funded the feasibility studies and designs of the Vlora and Rrogozhina bypasses and, with subsequent envelopes, is now going to fund the works, i.e. EUR 19,365,000 under IPA 2011 for the Vlora bypass and EUR 7,000,000 under IPA 2012 for the Rrogozhina bypass. Both investments will strengthen mobility along the north-south axis.

Under IPA 2012 a general technical assistance (EUR 2.3 million) is foreseen with the Ministry of Transport and Public Works to strengthen administrative, regulatory and technical competences across the air, road, rail and maritime transport modes.

3.6 Sector IV: Environment and Climate Change

Albania is confronted with several and increasing environmental problems, such as deforestation, sea, coast and land degradation, biodiversity loss and unsustainable exploitation of natural resources. The side-effects of the recent rapid economic growth, such as uncontrolled urbanization and limited environment protection, are having an increased impact on public health, which is challenged by unresolved problems in the area of solid waste management, sanitation and waste water treatment, as well as water and air quality. Environment problems affect also rural areas, where illegal landfills are proliferating and protected areas are subject to illegal exploitation. For all these reasons, the MIDP considers environment as a key sector for channelling IPA financial assistance.

During the last years the EU has funded various projects to clean-up environmental hot-spots and to build up waste water treatment plants and sewerage systems in selected municipalities/prefectures, mainly along the Albanian coastal regions (Golem, Durres, Lezha/Shengjin, Velipoje, Shkodra, Kavaja, Lushnje, Berat/Kuçove, Fier, Saranda). The strategic purpose was to improve sanitary and environmental conditions in the coastal cities to protect the seawater quality with a view to increase the tourism industry. This approach has continued under IPA 2012, which foresees the rehabilitation of the entire sewerage system of the Vlora municipality.

The EU environment and climate legislation together are one of the largest parts of the *acquis*. Its transposition and implementation is an enormous challenge for every pre-accession

country. In this respect, throughout 2012 Albania has received continuous technical support to improve law enforcement and fight against environment crime. Indeed, the permit and inspection systems, as well as public awareness and participation of public to environmental decisions, must be considerably strengthened. The IPA technical assistance is also aiming at integrating environmental aspects in all relevant national and sector policies and at expanding the use of environmental impact assessment methodology in the planning of national infrastructures.

3.7 Sector V: Social Development

The 2011-13 MIDP has identified a number of priorities to be tackled in the area of social development: (i) increasing school enrolment rates at secondary level; (ii) improving the education system in order to increase the offer of required skills; (iii) establishing a modern vocational training system in line with the market expectations.

The IPA 2010 project *Human Resources Development* (EUR 3 million) has provided a comprehensive package of technical and financial assistance to the Ministry of Labour, Social Affairs and Equal Opportunities in order to improve its administrative capacity in implementing labour active market measures, designed to improve the vocational training system and to promote employment. In conjunction with the relevant stakeholders, the project is also working, on the definition of two national sector strategies, i.e. for Vocational Education Training and Lifelong Learning (2013-2020) and for Employment (2013-20).

The Commission has invested a considerable amount of funds to upgrade the Vocational Education and Training (VET) system (EUR 7 million from IPA 2008 and EUR 2,8 million from IPA 2011). During 2012 the works for the construction of four VET schools have been completed. The new schools in Bushat, Shkodra, Kamez and Elbasan have been provided with modern equipment for workshops. The Commission has also supported the adaption of VET curricula to labour market demand and the related training of teachers. The Commission has in the pipeline the upgrading of other three schools in Lezha, Fier and Durrës, whose rehabilitation works will start in 2013.

Strongly concerned about vulnerable groups, the Commission has envisaged an intervention to improve local social services and infrastructures for vulnerable groups in the peri-urban areas of Tirana and Durrës (EUR 6.2 million). As a result of rapid urbanization and high flow of internal migration, the two cities have been affected by a considerable change in the density of population. The local services are unable to cope with this situation, which is particularly undermining the social conditions of vulnerable communities. The assistance package under IPA 2012 is going to provide an integrated response, which will upgrade public service delivery, including social, health and education services.

3.8 Sector VI: Agriculture and Rural Development

Agriculture maintains a considerable share of the national GDP, employing almost half of Albania's population. That's why the financial assistance channelled so far into the sector has produced multiplier effects for the living conditions of the population and for the macroeconomic situation of the country, helping Albania to fulfil the enlargement obligations as regards the economic criteria.

The Commission is preparing Albania to manage the funds available under IPA component V (agricultural and rural development), currently administrated by the EU Delegation.

Consequently, IPA technical assistance has been provided to the Albanian Ministry of Agriculture in order to set up the administrative agencies responsible for IPA component V. Capacities are also being consolidated in a learning-by-doing exercise, where national agencies in conjunction with external expertise are launching calls to co-finance small and medium scale investments in the agro-food sector (IPA 2011 - project *Support to Agriculture and Rural Development* – EUR 10 million).

Substantial funding has been allocated to improve consumer protection by adopting the required EU legislation on food safety, setting-up the risk assessment capacity, undertaking official controls to food establishments and upgrading physical infrastructure of the food safety system, including regional laboratories (IPA 2009 – project *Support to the Food Safety Infrastructure* – EUR 4 million and IPA 2011 – project *Improve Consumer Protection Against Zoonotic Diseases* – EUR 4.5 million).

3.9 Cross cutting sector: support to civil society

IPA funds from different yearly envelopes have been focusing on expanding civic initiatives and building civil society organizations' capacities. The annual national civil society facility for Albania has been designed and implemented in coordination with other IPA initiatives in this area, i.e. regional civil society facility and cross-border co-operation programmes, and with the assistance channelled under the European Instrument for Democracy and Human Rights.

During 2012, the projects funded with the 2009 appropriations (approx. EUR 1.2 million) came to a positive conclusion. The projects addressed three main areas: (i) fight against corruption, organised crime and human trafficking; (ii) environment protection and environmental education; (iii) assistance to vulnerable groups (e.g. women, children, minorities and poor people). Three projects specifically targeted Roma communities in Tirana, Fier and Pogradec, providing *ad hoc* support on the occasion of the displacement of a group of Roma families from their location in Tirana.

During the second half of 2012, the Commission launched a new call for proposals, funded with the 2012 appropriations amounting to EUR 1.5 million. This call will finance small scale interventions in the area of a) access to justice, fight against corruption and improvement of detention conditions; b) promotion of social and economic inclusion of the Roma minority and Egyptian community; and c) freedom of expression and media freedom.

3.10 Cross-border Cooperation

Albania is taking part in four bilateral cross-border cooperation (CBC) programmes with (i) Montenegro, (ii) Kosovo, (iii) former Yugoslavian Republic of Macedonia (fYRoM) and (iv) Greece. During 2012 the implementation of the four CBC programmes has overall improved: a number of projects came to a satisfactory conclusion; a number of new grant contracts have been signed; the Joint Technical Secretariats of the various Programmes are more involved in monitoring activities.

(i) Albania-Montenegro CBC Programme

During 2012, 5 out of the 6 projects funded from the 1st call for proposals (EUR 768,000 in Albania, 2007 appropriations) came to their conclusion and submitted the final report: four of them were satisfactory implemented, while one is still under review with the possibility of recovery order.

Some shortcomings have been identified in the implementation of the projects funded under the 2nd call for proposals (EUR 1.44 million in Albania, 2008-09 appropriations), particularly those implemented by local authorities, which suffer from limited capacities.

The 3rd call for proposals (EUR 1.53 million in Albania, 2010-11 appropriations) was launched in September 2012. The evaluation is expected to be finalised within 2013 and project implementation will start in early 2014.

Small scale interventions funded from call for proposals, albeit generally successful, may have relative impact and may not substantially contribute to the achievement of the overall objective set-out in the Programme for entire bordering region, i.e. promotion of regional cohesion and competitiveness through an approach integrating economic, environmental and social development. Therefore, the Commission and the two partner countries have decided to use the Programme appropriations for 2012-13 (EUR 1.53 million for each country) to fund joint bigger scale/strategic projects. The identification and formulation exercise of concrete project ideas has started and is expected to be finalized in the first semester of 2013 while projects implementation will start in the second semester.

The Programme Joint Technical Secretariat is involved in monitoring activities, in close cooperation with the EU Delegations. During 2012, it has carried out a number of monitoring visits of the projects signed under the 1st and 2nd call.

(ii) Albania-Kosovo CBC Programme

During 2012 the 1st call for proposals (EUR 1.08 million in Albania, 2010-11 appropriations) was launched. 78 proposals are under evaluation, with an active role of the Joint Technical Secretariat.

Following the same approach adopted for the Programme with Montenegro, the Commission and the two partner countries have decided to use the Programme appropriations for 2012-13 (EUR 1.08 million for each country) to shift from small-scale projects funded under call for proposals to joint bigger scale/strategic projects. The two countries are expected to identify concrete project ideas after consultation with local stakeholders and potential beneficiaries. Projects implementation will start in the second semester of 2013.

(iii) Albania – fYRoM CBC Programme

During 2012, the first set of 15 projects from the 1st call for proposals (EUR 527,000 in Albania, 2007 appropriations) came to their conclusion. All of them, but one, were satisfactory implemented. The last one is still under review with the possibility of a recovery order.

The 8 projects, contracted in early 2012 from the 2nd call for proposals (EUR 675,000 in Albania, 2008 appropriations), are currently under implementation, monitored by the Joint Technical Secretariat in close coordination with the EU Delegations.

The 3rd call for proposals (EUR 2.30 million in Albania, 2009-10-11 appropriations) was closed in February 2012, having received 123 applications. The final evaluation report was submitted to the EU Delegations in December 2012. 18 applications are pre-selected for contracting, which are expected to start activities in the first quarter of 2013.

The funds for the years 2012/13 (EUR 1.7 million for each country), moved from IPA Component II (cross-border cooperation) to Component I (transition assistance and institution building), are going to be used for strategic projects in the bordering areas. As far as Albania is concerned, the IPA 2013 National Programme is going to fund a project for the protection of the cultural and natural assets of the Lake Ohrid cross-border region, to be implemented by

the UNESCO World Heritage Centre. Currently, the side of the Lake in the FYRoM's territory is already in the UNESCO World Heritage list. The project will *inter alia* facilitate the extension of this prestigious recognition to the entire area.

During 2012, the performance of the Joint Technical Secretariat grew stronger, having eventually its entire staff positions filled. Project monitoring know-how is also improving through on the job learning process.

(iv) Albania – Greece CBC Programme

During 2012, 25 projects selected in the framework of the 1st call for proposals (approx. EUR 3.5 million in Albania, 2007-2008-2009 and part of 2010 appropriations) have been contracted and started activities.

In 2012 the Greek Managing Authority launched the 2nd call for proposals (approx. EUR 2.9 million in Albania, 2010-11 appropriations), as well as a targeted call with funds exclusively allocated to Greece (EUR 3 million, including EU contribution and national co-financing).

A Joint Monitoring Committee (JMC) was organised for the first time in Albania. The JMC has decided to launch a call for strategic projects with the remaining Programme's funds (overall EUR 6 million - approx. EUR 3 million for Albania and EUR 3 million for Greece) and has identified the strategic thematic axes:

Axis 1: Infrastructure for Cross-border accessibility (EUR 2 million)

Axis 2: Fostering of tourism, preferably with the synergy of energy efficiency (EUR 4 million).

Since the minimum budget per project is EUR 2 million, two/three joint strategic projects will be funded. Ministries and Regional Authorities from both sides of the border will present proposals to the Managing Authority.

The selection procedure for the staff of the Joint Technical Secretariat (JTS) has only been partly completed. The lack of a fully staffed JTS may create delays in the monitoring of the on-going projects funded under the 1st call for proposals.

4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES

The Commission and the Albanian Authorities have regular meetings to review the implementation of IPA assistance and, if needed, to take corrective actions for problematic projects. From a general perspective, projects implementation has suffered from problems such as missing or delayed construction permits; missing or delayed utility connections for big infrastructure projects; delays for the national co-financing; limited national funds for operating and maintaining EU-funded investments; lack of coordination among institutions, particularly between central and local governments; missing or delayed re-imburement of VAT to contractors and civil society organisations. These findings are taken into account before tendering or contracting a new IPA project.

The monitoring of the assistance is done through risk analysis, visits on site, results-oriented monitoring (ROM), audit and evaluations.

During 2012, the EU Delegation has monitored through 227 on-site visits 96 on-going projects out of 449 in total. The projects monitored represent in financial terms EUR 141.2 million out of a total of EUR 348 million for all the on-going interventions. Furthermore, through the ROM tool, 28 projects (26 on-going and 2 closed) were monitored, divided in

four missions. The total financial amount of the projects monitored in 2012 reaches EUR 64 million, which represents a slight increase in comparison to EUR 57.8 million in 2011.

With regard to external monitoring, the EU Delegation has hired three external experts under the 2012 ATA (Administrative Technical Appropriations) funds to assist in the monitoring of grants funded under cross-border cooperation (CBC) programmes and civil society facilities. Throughout 2012 they have been monitoring 161 contracts. Indeed, the implementation of CBC programmes and Civil Society activities through grant contracts required close monitoring, as the grant beneficiaries are mostly local government bodies or small civil society organisations, often with a limited administrative capacity. Additional information and communication efforts have been undertaken by the EU Delegation in order to better prepare these organisations for participation in calls for proposals and future project implementation.

The Delegation launched an external evaluation on 32 closed projects in the field of (i) technical assistance, (ii) supplies and (iii) infrastructures. The evaluation, undertaken by the AETS (Application Européenne de Technologies et de Services) consortium under a framework contract, took into account 32 contracts for an overall amount of EUR 26.4 million, namely 8 grants or service contracts for technical assistance, 20 supply contracts and 4 works contracts. The evaluation assessed each project against five main criteria, i.e. relevance, effectiveness, efficiency, impact and sustainability, coming to the conclusion that the results of 27 projects are satisfactory, or higher than satisfactory, with only 5 projects marked as unsatisfactory.

PART II - FINANCIAL DATA (EUR million and %)
On implementation of assistance at 31 December 2012

IPA I + II - Albania

Albania	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	51.92	50.67	97.59%	24.70	47.56%
IPA 2008	68.10	63.89	93.83%	55.71	81.82%
IPA 2009	73.79	70.26	95.22%	42.25	57.26%
IPA 2010	87.16	76.32	87.56%	23.02	26.41%
IPA 2011	85.99	46.39	53.94%	16.87	19.62%
IPA 2012	84.82	0.00	0.00%	0.00	0.00%
Total	451.77	307.54	68.07%	162.55	35.98%

IPA – Component I National Programme Albania

Albania	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	49.27	48.62	98.68%	35.91	72.88%
IPA 2008	64.04	60.02	93.72%	53.14	82.98%
IPA 2009	69.86	68.09	97.47%	40.93	58.58%
IPA 2010	83.20	76.12	91.50%	22.88	27.50%
IPA 2011	82.00	46.39	56.57%	16.87	20.57%
IPA 2012	81.64	0.00	0.00%	0.00	0.00%
Total	430.01	299.24	69.59%	169.72	39.47%

IPA – Component II (CBC) Programme Albania

Albania	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	2.65	1.92	72.40%	1.72	64.82%
IPA 2008	4.06	3.88	95.48%	2.58	63.47%
IPA 2009	3.93	2.17	55.24%	1.32	33.69%
IPA 2010	3.96	0.20	4.97%	0.14	3.52%
IPA 2011	3.99	0.00	0.00%	0.00	0.00%
IPA 2012	3.18	0.00	0.00%	0.00	0.00%
Total	21.77	8.16	37.50%	5.76	26.46%

SERBIA

1. SUMMARY

Serbia received the status of a candidate country in 2012 and continued its intense preparations for the introduction of a decentralised implementation system (DIS) for the management of IPA funds. The EU contribution regarding IPA Component I, allocated in 2012, was EUR 170.60 million.

After a positive compliance assessment done by an independent auditor, the national accreditation was completed and the accreditation packages for all four IPA Components (I, II, III and IV) were sent to the European Commission in 2012.

In the meantime, it was decided not to proceed with opening of components III and IV under the current financial perspective 2007-2013. A first audit mission for Components I and II was conducted by the auditors of the Directorate General for Enlargement in November 2012. The conferral of management for these Components is expected to be granted to Serbia in the course of 2013.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

The government of Serbia, local stakeholders, the EU Member States, and other donors have all been consulted in the design of the Multi-annual Indicative Planning Document (MIPD) for 2012-13. To achieve the priorities selected for EU support in this programming period, IPA support will primarily focus its assistance on the following sectors: Justice and Home affairs and public administration reform as well as social development and private sector development in addition to transport, environment and agriculture.

During 2012, the Delegation continued to play a leading role in donor coordination. The coordination mechanisms that were established at the beginning of 2009 (monthly EU donor meetings and bi-monthly informal donor group meetings with donors and IFIs) continued functioning well, bringing added value to the overall international assistance in Serbia. Sector coordination meetings were held at the initiative of line ministries and/or donors. In most cases they were organised by the EU Delegation. In almost all sectors lead donors are identified. In 2011 a reform of donor coordination has started, led by the Serbian authorities and supported by the donor community, in order to align better donor coordination with Serbia's Needs Assessment for International Assistance. All sector coordination groups are to be gradually taken over by the relevant national authorities under the overall coordination of SEIO. A lead donor will be associated to each group.

Table 1: MIFF^[1] allocations per component, in EUR million:

Component	2010	2011	2012	2013	2010-2013
I – Transition Assistance and Institution Building	190.56	190.60	196.68	577.84	190.56
II – Cross-border cooperation	11.32	11.50	11.63	34.45	11.32
TOTAL	201.88	202.10	208.31	612.29	201.88

2.2 Programming exercise

2.2.1 Component I

The programming of IPA 2012 took into account the various lessons learned from previous CARDS and IPA programming exercises: preparedness and maturity of the selected projects, beneficiary absorption capacity and past achievement records of implementing institutions. Project maturity was assessed against the quality of existing project documentation especially in terms of investment projects involving works and supplies. The ownership of national bodies responsible for the IPA programming process continued to rise, which was particularly evident in the donor coordination aspect.

One example of the progress towards donor coordination is the EU participation to a Multi-donor trust fund on justice sector reform lead by the World Bank with the participation of 8 countries.

The starting of this programming exercise has proven, however, to be more challenging than other IPA national programmes due to the implementation of a new methodology of programming for the introduction of a sectorial approach.

Table 2: Indicative financial allocations for the year 2012 under the National Programme, per sector and per project, in EUR million:

Sectors	IPA support (in EUR million)
Justice and Home Affairs	32.51
1. Support to the Rule of Law System	13.40
2. Police reform and migration management	3.91
3. Support for improvement of the living conditions of forced migrants and closure of Collective Centres	15.2
Public Administration Reform	16.05
4. Support to Public Administration Reform	11.25

^[1] Communication from the Commission to the European Parliament and the Council 'Instrument for Pre-Accession Assistance (IPA) Revised Multi-Annual Indicative Financial Framework for 2011-2013', COM(2010) 640 of 10.11.2010.

5. Strengthening the Serbian Statistical System	4.80
Social Development	24.1
6. Support to Social Development	24.1
Private Sector Development	6.18
7. Support to SME development	6.18
Environment, Climate Change and Energy	57.15
8. Support to Environmental Protection and Climate Change	55.15
9. Support to improvement of energy efficiency	2.0
Agriculture and rural development	15.6
10. Support to agriculture and rural development	15.6
Other EU acquis and horizontal activities	20.01
11. Strengthening the European Integration Process and management of post 2013 IPA	11.84
12. Strengthening Media Freedom	3.0
13. Support for participation in EU programmes	4.17
14. Participation to JASPERS	1.0

2.2.2 Component II

Institutional bodies involved in the programming and implementation of Cross-Border and Transnational Programmes are performing increasingly challenging roles, with a setup which is prefiguring the DIS. Preparation for the full accreditation process is on-going

The EU Delegation to Serbia manages (or Serbia participates in) 3 intra-Western Balkans Cross Border Cooperation (CBC) Programmes (between Serbia and Croatia, Montenegro and Bosnia and Herzegovina respectively) and one transnational interregional programme (South East Europe). The impact of CBC in terms of fostering dialogue and reconciliation is large. The bottom-up approach and joint dialogue at grass-root level which is the essence of the CBC produced direct positive effects on the diplomatic relations between the countries.

A further increase of interest was registered in the field of environmental protection, energy efficiency and rural tourism development. Such trends reflect the early attempt to improve the efficiency and effectiveness of management of CBC Programme in the view of the next Financial Perspective

2.2.3 Component III, IV and V

The country having just been awarded candidate status, these components are not operational yet. Furthermore, the government has decided not to go ahead with the preparation for the management of components III and IV under the present Financial Framework.

Concerning component V, the required structures, i.e. the future paying agency and the future managing authorities, were continued to be established during 2012 with the support of both a twinning project and a technical assistance project.

3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2012

3.1 Success stories

Different IPA envelopes – the Innovation Fund in Serbia (EUR 8.4 million)

On the Internal Market, the Innovation Fund continued promoting programs directly supporting enterprise Research and Development (R&D), encouraging knowledge-based entrepreneurship. With EU financial assistance through IPA, an envelope of EUR 8.4 million was allocated in 2011 to the "Innovation Serbia Project" and administered by the World Bank. The Innovation Fund established an independent review and decision-making process in line with international models of best practice. In 2012, an amount of EUR 2.7 million was awarded financing 25 projects in more than 200 companies, both from hi-tech and traditional industries. Projects selected for financing support over 100 engineers including 24 PhD researchers, and engage 15 academic and public R&D institutions in their effort to bring new products and services to market.

IPA 2008 - "Construction of Elementary School in Ribare, Jagodina Municipality" (EUR 0.4 million)

On September 4, 2012, the first day of the school year, the EU Delegation together with the city of Jagodina marked the opening of the newly rebuilt school "Ljubiša Urošević" in Ribare village near Jagodina. The EU donated EUR 0.4 million for the construction of a new wing of the school, thus helping increase the capacities of the village school and stop the trend of depopulation from the rural regions towards the cities in Serbia. 370 children from Ribare on that day entered a brand new school, with proper facilities such as central heating, which they did not have before.

3.2 Overview of IPA implementation in 2012

In 2012, the EU Delegation committed EUR 157.6 million in new contracts and made payments for EUR 173.1 million, which is above the contracting and payment targets for 2012. The Delegation is confident that the remaining resources to contract for the IPA programme will be committed before the end date for contracting. Indeed, by end of the reporting period, EUR 240 million remain, including the just adopted IPA 2012 programme. The tendering procedures for the remaining contracts to be committed under IPA 2009, 2010 and 2011 have been initiated to ensure that the remaining resources will be committed before the end date for contracting. Savings under IPA 2010 are in the process of reallocation following a change to Commission Decision initiated by the EU Delegation in December 2012.

Serbian institutions submitted 154 TAIEX applications, 125 of which were accepted. The largest number of applications was submitted by the Ministry of Agriculture, Trade, Forestry and Water Management. In 2012, a total of 2,580 representatives of the Republic of Serbia participated in 67 events organised by TAIEX including study visits, seminars and regional seminars.

It should be noted that this particular ministry prepares a training map twice a year illustrating the priority areas for TAIEX events. In the course of the year applications are submitted according to this training map. From the total number of 22 on-going twinning projects, in 2012, the following five were completed: 1) strengthening administrative capacities to implement Air Quality Management System in the Ministry of Environment; 2) strengthening administrative capacities to protect Natural areas; 3) police reform: internal affairs; 4) public procurement office; 5) harmonisation of the Serbian Customs Enforcement Division with the standards, organisation and operational methodology of EU enforcement agencies: Component 3 – Risk Analysis and Risk Management and Post Clearance Audit.

The new version of the twinning Manual was adopted in 2012. Several events were organised with attendance of the EU Delegation to get acquainted with the changes introduced by the new Manual.

Two SIGMA missions took place at the end of 2012 for the new experts' team to explore possibilities of assistance, in particular on Public Administration Reform (implementation of the new Strategy, coordination and monitoring), Public Finance - assistance to the Parliament's Finance Committee.

3.3 Sector I: Public Administration Reform

In 2012, some key projects under implementation in the area of public administration reform should be highlighted .

In 2012, the EUR 6.5 million IPA 2010 project (EUR 9.5 million with co-financing) "Support to Public Administration reform process" continued supporting public administration reform: the general legal and institutional framework for public administration reform, enhancement of the recruitment system and introduction of career development in civil service, and e-government development, both in terms of policy and of technological capacities. The project aims at rationalising administrative resources and making public administration more transparent, effective and accountable; at improving civil service in the sense of a merit-based system; and at making services to the citizens more effective and accessible.

The implementation of the IPA 2008 project "EU integration scholarships" ended in February 2012. It delivered a number of specialised training on EU *acquis* requirements and internships for Serbian civil servants in EU Member States twinning counterparts. These activities showed to be particularly effective in enhancing human capacities in charge of preparation, adoption, implementation and enforcement of EU-related legislation.

3.4 Sector II: Justice, Home Affairs and Fundamental Rights

Important activities have been carried out in 2012 in this sector especially improving capacities of the judiciary system as well as improving implementation of penal sanctions.

In terms of supporting the judiciary system in Serbia, some key projects have been implemented with the aim of enhancing capacities of staff and improving transparency and efficiency of judiciary system. In this field, three projects can be highlighted:

“Improvement of efficiency and transparency of judiciary system” (IPA 2007, EUR 3 million): the key objective of the project is to provide assistance to the Ministry of Justice to

improve the efficiency and transparency of the Serbian Courts through the development of a case management system, including document handling and data collection. The procurement of substantive data handling IT equipment was undertaken successfully.

“Improvement of the penalty system” (IPA 2007, EUR 5 million): the improvement of prison conditions for the inmates successfully progressed through the construction works of a new security fence at the prison of Nis and the construction of housing units in the Juvenile detention facility in Krusevac according to EU standards.

“Further Alignment of Penal system of Republic of Serbia with EU standards and strengthening alternative sanction system,” (IPA 2010, EUR 5 million) comprises of two components: 1 - Strengthening capacities of Ministry of Justice for introduction of efficient practical professional training program for convicts to enable them to be employed once their sentence is finished; and 2 - Establishment of necessary preconditions for an efficient and effective alternative sanctions system in the Republic of Serbia. Both components are currently being successfully implemented.

“Development of strategic planning at the Ministry of Interior” (IPA 2011, EUR 1.5 million) aims at institutionalizing strategic planning, strategic management and evaluation and monitoring in the Ministry of the Interior of the Republic of Serbia. For this purpose to be achieved, the twining partner shall assist in applying all modern analytical technique for a strategic planning process, establishing a functional strategic planning system and ensuring continuous improvement of strategic management and accountability of the institution.

The IPA 2011 project “Strengthening the Capacities of Law Enforcement and judiciary in the Fight against Corruption in Serbia” (EUR 1.0 million) will be technically implemented through a Contribution agreement with the Council of Europe. The Contribution agreement has been signed, and the inception period initiated in December 2012. The project aims to contribute to democracy and the rule of law through the implementation of institutional reforms aimed at preventing and combating corruption. The purpose of the project is to strengthen the capacities of law enforcement agencies and judiciary to detect, investigate, prosecute and adjudicate corruption cases.

The purpose of the IPA 2011 Project “Implementation of Anti-Discrimination Policies in Serbia” including technical assistance (EUR 1.2 million) and supply contract (EUR 0.3 million), is the strengthening of institutional capacity of the Office for Human and Minority Rights and the Office of the Commissioner for the Protection of Equality for more effective and efficient implementation of anti-discrimination policies in line with EU standards and best practice. The project is a continuation of interventions which have been successfully financed from CARDS and IPA funding in the past, most notably the IPA 2007 project: “Implementation of Priorities in the Areas of Human Rights and Protection of National Minority Groups”. It initiated in November 2012.

3.5 Sector III: Social Development

In 2012 IPA support helped improving social inclusion of vulnerable groups as well as supporting education. Important support for social inclusion of refugees and IDPs has been provided in 2011 through projects financed under IPA 2007 (EUR 10 million), 2008 (EUR 6 million) and 2009 (EUR 12.65 million). These projects aimed at providing refugees and IDPs with a comprehensive set of measures to facilitate and encourage their social inclusion into Serbian society. Measures included mainly housing solutions but also legal assistance as well as self-employment and income generation support

"Education for All - Increasing the Availability and Quality of Education for Children from Marginalised Groups" (IPA 2008, EUR 3 million): the project contributed to the social inclusion and poverty reduction by enabling greater access to the regular public education system in Serbia for children from marginalised and special needs groups. The project ended in April 2012.

"Support to Human Capital Development and Research" (IPA 2011, EUR 8 million): the overall objective of the project is to contribute to human capital development through strengthening the "knowledge triangle": education – research – innovation, as well as to enhance the effectiveness of the educational system in Serbia, thus contributing to a better overall level of knowledge, skills and competences in the society, through the following results: National Curriculum Framework development, teachers' training, research in education and development of practice schools. The project started in July 2012.

Employment

"Preparation of Serbian Labour market Institutions for European Employment Strategy" (IPA 2011, EUR 2 million): implementation started in May 2012, with the aim to improve the impact of Serbian employment policy and contribute to the labour market reforms in line with EU standards. The expected results are: 1) Strengthened capacity of National Employment Service and The Ministry of Economy, Labour and Social Policy (MoELSP) Department for Employment officials and staff in European Employment Strategy; 2) Recommendation provided on the harmonisation of the employment regulations in line with EU laws; 3) MoELSP staff capacity built for drafting of the Serbian Joint Assessment Paper; 4) Local Employment Councils capable of interpreting data on labour market needs and developing coordinated responses to unemployment; and 5) Local Employment Councils capable of developing and steering the implementation of Local Employment Action Plans in line with local LM situation.

"Further integration of forecasting, monitoring and evaluation in the design and implementation of active labour market policies and adjustment of National Classification of Occupations to The International Standard Classification of Occupations (ISCO) 08 standards"(IPA 2011, EUR 1.5 million): project started in September 2012. The overall objective of the project is to improve the impact of Serbian employment policy. The project purpose is to embed forecasting, monitoring and evaluation in the design and implementation of active labour market policies. The expected project results include: 1) Methodologies for monitoring and evaluation of active labour market policies and forecasting labour market trends disseminated throughout the National Employment Service; 2) Evidence based employment policy creation concept introduced in practice; 3) Annual NEAPs designed, implemented and evaluated; and 4) National Classification of Occupations adjusted to ISCO standards.

3.6 Sector IV: Private Sector Development

Worth mentioning is the following project which started in August 2011; "Strengthening consumer protection in Serbia" (IPA 2009, EUR 2.5 million). The contract aims to contribute to the protection of consumer rights and interests in Serbia in accordance with the EU *acquis*. In the course of 2012, the project provided valuable support for the establishment of the National Council for Consumer Protection, drafting of the Consumer protection Strategy 2013-2018 and proposing amendments to the Law on Consumer Protection. The project also worked on mapping all the actors on the consumer protection scene and finding the ways to improve the cooperation among them as well as to increase the competencies of the different

institutions. It provided a software platform for registering and administering of Consumer Complaints and organized various events that raise the overall public awareness on consumer issues (e.g. open days for consumer organizations, media breakfasts).

“Delivery and installation of forensic software for the Commission for Protection of Competition” (IPA 2011, EUR 0.2 million): the contract comprises supply, delivery, installation and commissioning of software/hardware and trainings. Provisional acceptance was signed in October 2012.

“Strengthening the institutional capacity of the Commission for Protection of Competition (CPC) in Republic of Serbia” (IPA 2011, EUR 2.8 million): project implementation started in September 2012. The overall objective of the contract is to increase the ability of Serbia to assume the obligations stemming from the SAA in the field of competition. Its project purpose is to strengthen the institutional capacity of the Commission for Protection of Competition (CPC) for more effective enforcement of competition policy with expected economic benefits for consumers and market participants. The contract has to contribute to the achievement of enhanced CPC enforcement capacities, improved capacities of market regulators on protection of competition and enhanced competition culture.

"Improved SME Competitiveness and Innovation Project – ICIP" (IPA 2008, EUR 3 million) contributed to the development of the Serbian SME sector by providing a new model of business support services with assurance of a high standard and to improving capacities of business and innovation support organisations. The contribution of the Project to the development of the Serbian SME sector is positively evaluated. The following main results are achieved:

- Mapping and assessment of needs and capabilities of Business Service Providers was undertaken as well as an evaluation of business service needs of SMEs. Based on the results of the surveys, a comprehensive manual of business support services was produced and capacity-building modules for SME support institutions (Regional Agencies/Centres) were developed. In total 17 capacity-building workshops were held (557 trainee-days) and 11 Business Service Manuals were developed.
- Quality standards and certification systems were established – for the first time in Serbia – both for organisations and individuals involved in support to SMEs. A system for evaluating quality standards of service provision by RDAs was developed and tested. A certification for the first 50 individual business service providers (BSP) was developed and implemented on a pilot basis. In addition, a mechanism for registration of consulting companies and an accreditation of training providers were developed. A nationwide network of business support organisations and consultants has been established (RDA Net). ICIP has developed a database of about 500 business service providers who will be invited to register at the NARD portal.
- In line with the government’s innovation policy and strategy, all existing competitiveness and innovation programmes were evaluated and capacities of key Business Innovation Support Organisations (BISOs) are assessed. Innovation scan is organised with involvement of 3,000 enterprises, including 50 qualitative interviews to identify gaps in provision of support. Also, qualification needs of civil servants managing competitiveness and innovation measures are assessed. ICIP contributed to the improvement of two grant-scheme programmes in line with EU requirements; strengthening of innovation-based Business Incubators is performed; key BISOs are trained on 10 newly-developed subjects on innovation management (414 trainee-days); an Innovation Management Diagnostic tool for Serbian enterprises is developed and Business Plan guidelines for innovation-based business are produced.

Furthermore, 12 additional BISOs / research institutions have joined the European cooperation networks and 13 organisations / companies have successfully applied to EU or international innovation funding. All of the implemented activities will further enhance local competitiveness and preparation of the private sector in Serbia for the European single market.

3.7 Sector V: Transport

In 2012, important achievements in this sector have been achieved, namely through "Harmonization with the *"acquis communautaire"* in the transport sector – phase II" (IPA 2008, EUR 1.5 million) which aims to harmonize Serbian transport legislation with the EU *acquis*.

Moreover, "River Information Services" (IPA 2007, EUR 11 million) are under implementation to improve the inland waterway transport system on Euro Corridor VII (Danube) in Serbia, enhancing the traffic safety by monitoring and managing the traffic on the Danube waterway. The project has been extended to the Sava River. The implementation is on-going until April 2013. Attention has to be paid to allocation of national funds after the end of the project in order to secure its sustainability.

"Facilitating Intermodal Transport in Serbia" (IPA 2008, EUR 2 million) helps increasing Serbian economic competitiveness and reduces environmental burdens due to transport, by establishing the institutional framework for development of intermodal transport and logistics centres in the Republic of Serbia. The project finalized the project documentation for the construction of the first modern intermodal logistic centre in Serbia. Financing for the construction is requested by Serbian Authorities through IPA 2013.

"Technical Assistance to Serbian Railways in restructuring of selected fields" (IPA 2008, EUR 0.5 million) assists in the implementation of the organisational reform of Serbian Railways in line with European Directives. Implementation of separation of accounts with implications regarding full knowledge of costs, Public Service Obligation (PSO) contracts, Serbian asset evaluation and other specific technical issues. The implementation of the project was suspended due to delayed adoption of establishing acts for new subsidiaries (infrastructure manager, freight operator, passenger operator, asset management) in JSC Serbian Railways¹⁷ and may be cancelled.

"Preparation of Documentation for River Training and Dredging Works on selected locations along the river Danube" (IPA 2010, EUR 2.2 million) will contribute to the restoration and creation of safe and swift navigation on the Danube River (Corridor VII) in full accordance with the Danube Commission requirements, EU standards and legislation of the Republic of Serbia. The service contract is preparing the project documentation for dredging and river training works on selected critical navigational sections of the Danube River identified in Inland Water Transport (IWT) Master Plan. The implementation is on-going until April 2013.

"Modernization of Railways" (IPA 2011, EUR 8.3 million) will prepare the project documentation for the upgrade and modernization of the railway line between Novi Sad–Subotica-Hungarian Border and preparation of project documentation for the construction of a railway bypass around the City of Niš. One service contract is in final stage of evaluation, and the other service contract Invitation to Tender is launched with submission deadline on 19 April 2013. Both contracts are to be signed before contracting deadline in June 2013.

¹⁷ Joint Stock Company Serbian Railways

3.8 Sector VI: Environment, Climate change and Energy

"Law Enforcement in the Field of Control of Industrial Pollution, Prevention of Chemical Accident and EMAS in Serbia Service Contract" (IPA 2011; EUR 2.5 million): the project commenced in September 2012 with a planned duration of 24 months. It is to complete the alignment of Serbian legislation with the EU *acquis* in the thematic areas concerned. It is moreover to deliver hand on assistance with the development of a structure and system that will allow the competent authority to treat applications for integrated permits for Serbia's estimated 160 installations falling under the IPPC (Integrated Pollution Prevention Control) legislation. The project shall provide similar assistance with regard to the evaluation of safety reports and internal emergency plans submitted by Serbia's upper tier Seveso installations in compliance with EU legislation on the prevention of chemical accidents. It will finally evaluate interest and scope in Global EMAS (the European Eco-Management and Audit Scheme) in Serbia and prepare three pilot companies to be certified under this voluntary environmental management scheme.

"Strengthening the Serbian Environmental Inspectorate and Relevant Stakeholders" (IPA 2010 EUR 2.5 million): this project helps create an enabling legislative framework with appropriate provisions for effective environmental inspection and strengthen the necessary inter-institutional cooperation with a view to enhance environmental law enforcement in Serbia. The project commenced in February 2011 and is scheduled to end in November 2013.

"Strengthening Administrative Capacities for Protected Areas in Serbia" (IPA 2007, EUR 1 million): supports the beneficiary (Ministry of Environment & Spatial Planning) in development of a system for Nature Protection in Serbia in line with the EU environmental *acquis*. The project was extended in time by 6 months and closed in June 2012. As a result (i) Serbian legislation has been substantially harmonized with the EU nature conservation directives; the (ii) designation of Natura 2000 sites has been prepared. Proposals for specially protected areas under the EU Birds Directive are already available.

"Study of flood prone areas in Serbia, Phase 1" (IPA 2007; EUR 2 million): the project supported the development of an integrated flood management framework and introduction of land use planning, zoning and risk assessment including development of early warning systems and upgrading of contingency planning and emergency measures, as well as the preparation and integration of pollution prevention measures. It also worked to prepare flood hazard and flood risk maps, which will be the basis for the future preparation of the Flood Risk management Plan. It covered significant parts of the flood prone areas on the Danube between Belgrade and Zemun (1,175 km) and the upstream end of the Iron Gate Gorge (1,040 km) as well as the flood prone areas on the larger rivers in the Velika Morava river basin. The project was successfully concluded in November 2012.

In 2012, the IPA 2008 project (EUR 7.8 million) titled "Emission Reduction from Nikola Tesla Thermal Power Plant in Obrenovac, Unit B1" was completed. Reduction of the emissions from the thermal power plant was achieved as a result of this project. It provides the fulfilment of legal obligations related to dust emission into the atmosphere in accordance with the legal regulations and EU directives (Directive 2001/80/EC for large combustion plants).

The finalisation of IPA 2010 project (EUR 1.5 million) "Promotion of renewable energy sources and energy efficiency" assisted the line ministry to build the capacity in the energy sector which will lead to the increased use of renewable energy sources in Serbia and the more efficient use of energy from combined heat and power (CHP) production.

As a continuation of the CARDS 2006 project “Construction of a high voltage electricity transmission line between Niš and FYROM border (toward Skopje)” a follow up IPA 2010 project (EUR 13.6 million) on the procurement and construction of the Substations 400/110 kV Vranje 4 & Leskovac 2 started. The project will increase security of the supply in south Serbia and will together with a new transmission line provide development of the regional electricity market.

“Follow-up technical assistance to Srbijagas” (IPA 2010, EUR 1.5 million) provides critical assistance to the Serbian gas transmission company which needs to fulfil the requirements of the Energy Community Treaty regarding unbundling of different activities and establishment of liberalised gas market.

3.9 Sector VII: Agriculture and rural development

The first five campaigns of oral vaccination of foxes (which are the main reservoir and vector for spreading of rabies virus to other animals) against rabies in autumn 2010, spring and autumn of 2011 and 2012 yielded further results: the number of registered cases of rabies identified annually continued to substantially reduce.

Support was also provided through “Strengthening the capacities of the Republic of Serbia for the absorption of EU Rural Development funds in pre-accession period” (IPA 2007, EUR 2 million) provides critical assistance to the Serbian Agrarian Payments Directorate which needs to fulfil the conditions for accreditation by the Commission for utilisation of the IPARD funds. The project also includes delivery of IT equipment whose value is EUR 0.7 million.

“Capacity Building and Technical Support for the Renewal of Viticulture Zoning and for the *System of Designation for Wine with Geographical Indications*” (IPA 2008, EUR 1.2 million) is a project that supports a sector with significant rural development potential. This measure includes a twinning and two supply contracts, which support the small and medium wine producers in different areas of Serbia mainly through the harmonization of the Serbian legal context towards the EU standards. The twinning component strengthens the capacities of the ministry and decentralised governmental bodies through specialist trainings, study tours to the north Italian wine producing region and specific technical assistance from member states. The obligatory vineyard register has been established successfully to follow up adequately European harmonised PDO (Protected Denomination of Origin).

3.10 Sector VIII: EU *acquis* - other horizontal activities

The newest *Project Preparation Facility (PPF 5)* (IPA 2012, EUR 5.2 million) started in November 2012. The most important purpose of this project is to support the Serbian administration in programming of the new IPA financial perspective starting in 2014. The importance lies in the fact that the sector approach that was introduced with IPA 2011, more comprehensively applied in IPA 2012 and IPA 2013, needs to be fully implemented as of 2014. Moreover, the PPF 5 will continue the work of its precursors on development of the project pipeline. A comprehensive set of criteria will be agreed for project selection using as a starting point the policy relevance, institutional set up and a range of factors of maturity.

The Project, “*Preparation and Technical Assistance Facility to Reinforce Administrative Capacity in Serbia I*” (IPA 2007, EUR 6.9 million) aimed to enhance and reinforce the Serbian capacities in the context of the EU pre-accession process and IPA management. The purpose of the project was to assist the relevant Serbian authorities in preparing strategic and programming documents for IPA III and IPA IV in accordance with the EU requirements and procedures, to assist the NIPAC Secretariat and the relevant Serbian authorities in ensuring

that selected projects proposed for funding under IPA - including a pipeline of mature infrastructure projects for funding under IPA III Environment and Transport - are developed and documented under the highest standards of quality in order to be submitted to the ultimate approval of the Commission and implemented to assist the development of the capacities of the Serbian administration in order to fulfil its responsibilities over the whole project cycle in relation to the management of the IPA

The project entitled *Project Preparation Facility* (IPA 2008, EUR 4.6 million) ended in May 2012. It supported the Serbian Administration in the preparation and delivery of effective EU projects in accordance with EC procedures for IPA programming and contracting, in order to enhance and reinforce the Serbian capacities in the context of the EU pre-accession process and the IPA management. The purpose of the project was to increase the quality of project implementation under the IPA programmes through the provision of support to respective line ministries and other agencies in the identification, screening and preparation of project documentation and tendering documentation.

3.11: Cross-border Cooperation

As mentioned before, the implementation of Component II (Cross-Border Cooperation, or 'CBC') is done mainly through a bottom-up approach, favoured by grant schemes based on joint calls for proposals fully involving local communities

“Strengthening of Economic Development through Sustainable Management of Water Resources”, Serbia-Montenegro Programme: this project is the result of the cooperation between the Public Utility Companies of Bijelo Polje, Montenegro, and Novi Pazar, Serbia, one of the poorest areas of the country. It started in September 2012 and will last for 24 months. After a few months, it could be already presented as a positive example of cooperation between the two countries. The project is tackling the weaknesses of the water infrastructure in Novi Pazar, using transfer of knowledge and experience provided by the team from Bijelo Polje. Water leakages are being identified and water pumps installed to facilitate the transfer of water to more remote locations. On the long run, the project is expected to improve the quality of water management in line with EU standards, both for private consumptions and as a precondition for sustainable development of agriculture and economy in cross border area.

4. IMPLEMENTATION AND MONITORING MOSALITIES AND STRUCTURES

Monitoring of EU-funded projects is a core element of the assurance strategy of the EU Delegation. The monitoring of on-going contracts is carried out through 3 essential channels: regular monitoring, external (ROM) monitoring and internal monitoring through specific on the spot visits. To further prepare the national authorities for their role under DIS, findings from the external ROM monitor are communicated to the Serbia European Integration Office (SEIO) as central counterpart, which can then follow up with beneficiaries and report on corrective actions taken where necessary.

Regular monitoring:

- Monthly project meetings of the task managers are held with the team leaders of their projects, beneficiary organisations and other stakeholders. Moreover, quarterly Steering Committees are held for all institution building projects. In the case of small grants, meetings are held on an *ad-hoc* basis depending on possible problems or complexity in the implementation of the projects. The EU Delegation’s Heads of Sections have regular meetings with their task managers to discuss problematic issues.

- *Ad hoc* sector meetings between task managers, beneficiary institutions and other stakeholders (such as other donors, contractors, project implementation units or NAO) are organized to discuss relevant developments concerning both tendering and implementation from the sector point of view. In the context of moving to sector approach and DIS, SMSC (Sector Monitoring Sub Committees) are now being introduced.
- Bi-monthly bottleneck meetings are organised between the EU Delegation and SEIO to discuss problematic issues that cannot be resolved at the level of monthly meetings and Steering Committees.
- IPA/Joint Monitoring Committees: twice a year, programme level monitoring committees are held with the participation of headquarters at high level to discuss key issues related to programme implementation. Corrective actions are agreed at these meetings where problems are identified at lower level monitoring activities.

Results Oriented Monitoring

In the course of 2012, five ROM missions were carried out to Serbia and 56 projects with a value of EUR 120.7 million were monitored by the ROM service contract. The higher number of ex-post ROM assessments compared to the previous year aimed at feeding lessons learned back into future programming. 22% of the projects monitored had a budget below EUR 1 million, hence the lower value of total projects monitored compared to the previous year.

Internal Monitoring

For 2012, the selection of monitoring visits to be performed is linked more firmly to contract risk analysis. Apart from the risk-based selection of projects, to ensure sound implementation task managers visit on-going projects at least once during contract lifetime (this excludes small contracts, e.g. framework contracts). In the case of grant schemes involving a large number of grant contracts, visits are conducted on a sample basis. Monitoring visits are performed for on-going and completed contracts. The checklists used for monitoring visits were updated in 2012 based on lessons learnt from monitoring carried out in 2011.

SEIO organised Sector Monitoring Sub Committees meetings (SMSCs) in November 2012 where SMSC reports per sectors were examined as well as national co-financing of IPA projects in the sector, bottleneck projects in the sector, status of development of NAD indicators (link with the development of indicators within IPA 2013 programming) and status of the Donor Coordination Groups per sector. This exercise should play a key role in sector based monitoring, agreeing on corrective actions and also linking monitoring to programming, donor coordination and evaluation.

PART II - FINANCIAL DATA (EUR million and %)
On implementation of assistance at 31 December 2012

IPA I + II - Serbia

Serbia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	174.01	172.44	99.10%	137.66	79.11%
IPA 2008	172.23	166.84	96.87%	123.37	71.63%
IPA 2009	174.42	169.93	97.43%	142.05	81.44%
IPA 2010	177.41	152.40	85.90%	79.67	44.91%
IPA 2011	181.16	112.82	62.28%	45.01	24.85%
IPA 2012	174.20	4.17	2.39%	4.17	2.39%
Total	1053.42	778.59	73.91%	531.92	50.49%

IPA – Component I National Programme Serbia

Serbia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	164.84	162.38	98.51%	152.71	92.65%
IPA 2008	168.64	163.47	96.93%	120.81	71.63%
IPA 2009	170.55	166.29	97.50%	139.92	82.04%
IPA 2010	174.81	151.44	86.63%	79.03	45.21%
IPA 2011	178.56	112.31	62.90%	44.68	25.02%
IPA 2012	171.60	4.17	2.43%	4.17	2.43%
Total	1028.99	760.06	73.86%	541.33	52.61%

IPA – Component II (CBC) Programme Serbia

Serbia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	3.71	3.64	97.88%	3.35	90.22%
IPA 2008	3.59	3.37	93.84%	2.56	71.33%
IPA 2009	3.86	3.63	94.04%	2.12	54.89%
IPA 2010	2.60	0.95	36.69%	0.63	24.41%
IPA 2011	2.60	0.52	19.99%	0.33	12.75%
IPA 2012	2.60	0.00	0.00%	0.00	0.00%
Total	18.97	12.11	63.85%	9.00	47.44%

BOSNIA AND HERZEGOVINA

1. SUMMARY

In 2012, the Commission programmed for **Bosnia and Herzegovina** the IPA 2012 and IPA 2013 allocations under Component I together in a single exercise allocating EUR 84.77 million within the National Programme of 2012. This was different than in previous years when the Commission programmed one programme per year. The advantage of the new approach was that the planned interventions followed a longer-term plan, thus ensuring continuity and economies of scale.

Despite the thorough preparation of the programming process, which started with meetings at the political level, the programming, as in previous years, witnessed significant delays due to Bosnia and Herzegovina's internal difficulties to reach agreement on the identification and formulation of projects. The Commission has urged the authorities to adopt an efficient coordination mechanism between the state and the two entities to overcome these persistent difficulties.

Notwithstanding the problems in the programming and implementation of IPA assistance, a number of projects delivered good results and a perceptible impact, in particular in the home affairs sector and in the support for the economic development. The Integrated Border Management System improved considerably, and the support for the development of the tourism sector and the support for small and medium sized enterprises created and secured employment.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

The 2011 – 2013 MIPD identified three strategic priorities with the corresponding specific objectives:

- I. Strengthening of the rule of law by supporting the country to reform its justice sector and to fight against organised crime and corruption;
- II. Improving the capacity and efficiency of the public administration and setting a professional civil service, so as to support the country's efforts to improve the functioning of the institutions at all levels of governance.
- III. Supporting social and economic development, in particular assisting the country in its efforts to develop the SME sector, to alleviate unemployment and to reform the education system to help adapting the qualification framework with the requirements of the labour market, and to invest in transport and environment infrastructure.

To achieve the priorities, the MIPD focused primarily on the sectors Justice and Home Affairs, Public Administration Reform, Private Sector Development, Transport, Environment and Climate Change, and Social Development.

Overcoming the economic crisis, social inclusion and strengthening the rule of law and public administration were identified as key challenges in the Enlargement Strategy. Bosnia and Herzegovina had to step-up its efforts in the areas of justice and public administration reform. Despite a moderate economic recovery, unemployment remains at very high levels and fiscal adjustment measures, as well as economic reforms have to be pursued with determination to enable the country to recover, and, over the long term, to cope with the competitive pressure and market forces of the Union.

In most sectors, no country-wide strategies existed, with the exception of a public administration reform strategy, a justice sector reform strategy, and a war crimes strategy. Where strategies existed, they were not underpinned by long term budgets. The assistance to Bosnia and Herzegovina, in particular the support for social sector reform, and the environment and transport sectors, addressed the principles of the Europe 2020 strategy of smart, sustainable and inclusive growth.

During the preparatory phase of the MIPD, a constant dialogue between DG Enlargement and the other line DGs ensured a joint selection of priority sectors and formulation of sector objectives.

Considering the delays in programming and implementation, the current three-year planning period proved to be unsuitable for achieving the expected results. The absence of sustainable reform strategies at State and entity level calls for IPA support to prepare the strategic framework before investments in the respective sectors can start, thus extending the lead times for interventions. The longer time span for planning, as provided by the new multi-annual financial framework, should facilitate planning and increase the likelihood that expected results could effectively be achieved within that time span.

For the preparation of the 2011 - 2013 MIPD the Commission applied an innovative approach to increase beneficiary ownership and to plan in a more strategic way. The Commission, the Directorate for European Integration and the Donor Coordination Unit in the BiH Ministry of Finance and Treasury held a series of consultation workshops in June 2011, to which representatives from the line ministries, other relevant institutions, selected donors and civil society organisations were invited to participate. Workshops were held in the areas of social inclusion, small and medium-sized enterprises (SME), education and employment, civil society, judiciary, law enforcement, public administration reform, environment, transport and energy. The objective of these workshops was to identify strategic objectives, expected results, benchmarks and indicators for financial assistance in the period 2011-2013. The workshops helped to identify areas where IPA or other donors support can be better aligned with the existing strategies and action plans to gradually move towards a sector approach.

A number of assistance projects in Bosnia and Herzegovina did not achieve the expected results because of an insufficient sense of ownership on the part of the beneficiaries. The lesson learned was that EU assistance must not only reflect European Partnership priorities but, in the broader sense of the Paris Declaration, must also be interlocked with Bosnia and Herzegovina's own development and action plans. Future EU assistance will therefore gradually shift to sector support; will promote ownership by ensuring that projects are in line with Bosnia and Herzegovina's own reform strategies and by enhanced participation of beneficiaries in the programming process.

Table 1: Indicative financial allocations for the year per component, in million EUR

Bosnia and Herzegovina	2012
I. Transition Assistance and Institution Building	<i>102,67</i>
Of which:	
National Programme	84,77
Tempus Programme*	2,40
Sarajevo Process on Refugee Return*	12,00
Civil Society Facility*	3,50
II. Cross-Border Cooperation	<i>5,20</i>
Of which:	
CBC BiH - MNE	0,60
CBC BiH - HRV	1,00
CBC BiH - SRB	1,00
CBC IPA Adriatic	
BiH's participation in ERDF transnational programmes "South East Europe" and "Mediterranean"	
TOTAL	<i>107,87</i>

*The support for Bosnia and Herzegovina in the Sarajevo Process on Refugee Return, the Civil Society Facility and the Tempus programme are coordinated and implemented under the relevant Multi-beneficiary programme.

2.2 Programming exercise

Bosnia and Herzegovina signed the financing agreement for IPA 2011 in July 2012. The first contracts under the 2011 programme were signed in December 2012.

2.2.1 Component I

The Commission programmed IPA 2012 and 2013 together in a single exercise in 2012. This was to round off the programming of the current IPA instrument and to concentrate in 2013 on the preparation of the strategy for the new financial instrument, IPA II and the programming of the first programme under the new financial instrument, IPA 2014.

The 2012 and the 2013 programmes pursued almost identical objectives, in particular reforming the public administration, setting up a professional civil service, strengthening the rule of law and fighting against organised crime and corruption, supporting the socio-economic development, in particular through assisting SMEs, alleviating unemployment, reforming the education system and investing in transport and environment infrastructure.

The programmes followed the priorities of precedent programmes and considered the existing project pipeline. By this approach it was ensured that the interventions followed a longer-term plan, thus ensuring a continuity and economy of scale. A good example is the support for law enforcement which follows a sequenced support for law enforcement institutions, starting with a law enforcement project under IPA 2010. The aim was to ensure the continuous EU support for the law enforcement institutions after the expiration of the European Union Police Mission (EUPM) mandate in June 2012.

Regular meetings with the Member States, and also Croatia, Norway and Switzerland, the Civil Society, as well with the International Finance Institutions throughout the programming process ensured coordination, coherence and complementarity.

Some examples of coordination, coherence and complementarity: Judicial Efficiency support – IPA supported with its 2009 and 2010 programmes the High Judicial and Prosecutorial Council of BiH to reduce the backlog of first instance court cases, and to further advance the new electronic case management system. These activities were co-financed by Sweden and Norway, where the United Kingdom provided complementary support in drafting court rulebooks.

The support for the International Registry for the Court and Prosecutors Office of BiH is a joint effort, co-financed by the EU, Sweden, the United Kingdom, Italy, the Netherlands, Germany, Norway, Switzerland, USA and Turkey. The total donor support for a six year period amounts to EUR 56 million.

For the construction of a High Security Prison, the EU and Sweden pooled the funds for the construction works of the prison building (EU contribution EUR 10.8 million, Sweden EUR 2 million, while the USA provided EUR 0.8 million for the training of the prison personnel).

IPA supported the work of the forensic and science department of the International Commission for Missing Persons (ICMP) with EUR 1.2 million, while Sweden, the United Kingdom and Switzerland contributed to the operational costs (EUR 2.3 million) of the organisation and the Netherlands provided assistance (EUR 1.3 million) for the exhumation of victims in Srebrenica.

To support BiH institutions in the EU integration coordination process, IPA provided capacity building assistance mainly to the Directorate of European Integration (EUR 0.8 million), while the United Kingdom provided capacity building support to entity government structures, reaching out the cantonal level of administration as well (EUR 150,000).

In the High Level Meeting, the Commission formulated recommendations for Bosnia and Herzegovina on how to improve the EU coordination process, and in particular the IPA coordination process. On IPA, the Commission proposed to examine the legal feasibility to accelerate the adoption procedure for Financing Agreements with the Commission, the creation of working groups for the drafting of sector and project fiches, and an improved coordination with the Bosnia and Herzegovina IPA Coordination Board.

In the kick-off meeting of 17 November 2011, the Commission defined the priorities for the IPA programming for the years 2012 and 2013 and asked Bosnia and Herzegovina to prepare corresponding sector and project fiches.

Despite the thorough preparation of the programming exercise, the programming process for IPA 2012 and 2013, as in the precedent year, has witnessed significant delays due to political difficulties to reach agreement between different levels of government on the identification and formulation of projects.

The implementation of assistance became more difficult in 2012. The Republika Srpska took a systematic approach to using programming and implementation of EU financial assistance as a forum in which to "defend" the perceived constitutional rights of the Republika Srpska. It challenged previously agreed projects; some of them were already on-going. In consequence, the Commission had to halt projects and started to negotiate possible ways out.

It became obvious that the weak internal coordination capacity on EU matters, including IPA, was the main hurdle for a successful and smooth cooperation between the Commission and the BiH authorities. In consequence, the Commission defined the existence of a functional coordination mechanism as a condition for IPA II assistance for BiH to avoid the problems encountered during the programming and implementation of IPA assistance in the last years and to ensure that programming is not based on ad-hoc, last minute compromises but strategic and leading to the desired impact.

In the 2012 and 2013 programmes, the Commission used for the first time targeted sector budget support as a tool to support the proceeding of war crimes in BiH. There is a huge backlog on the proceeding of war crimes because of a lack of judges, prosecutors and judicial support staff. With a contribution of EUR 7.4 million in the two respective years, IPA will support the employment of additional staff to accelerate the proceeding.

Table 2: Indicative financial allocations for the year under the National Programme, per priority axis and per project, in million EUR

Priority Axis	Projects	Budget
Political Criteria		40.038
	01.23.04 Justice Sub sector	21.253
	01.24.05 Support to the Area of Law Enforcement	7.095
	01.36.01 Enhancing capacity of parliaments in Bosnia and Herzegovina in the context of EU accession	4.69
	01.63.09 Support to durable solutions of Revised Annex VII DPA Implementation Strategy	7.0
Economic Criteria		21.0
	02.21.07 Support to Bosnia and Herzegovina in implementation of the commitments in Transport Sector under the SAA	21.0
Ability to assume the obligations of membership		23.733
	03.05.02 Strengthening Public Procurement system in Bosnia and Herzegovina	1.5
	03.08.06 Establishment of the State Aid System	2.5
	03.12.10 Improvement of animal health and animal by-products control in BiH	6.578
	03.12.11 Further strengthening of capacities of phytosanitary sector in the fields of plant protection products, plant health and seeds and seedlings, including phytosanitary laboratories and phytosanitary	1.5
	03.18.03 Support to the State and Entity Statistical Institutions, phase VI	2.0
	03.26.08 Development of Qualification Framework in all forms of Education	3.5
	03.40.12 European Integration Facility	6.156
TOTAL		84.77

3. IMPLEMENTATION OF ASSISTANCE

3.1 Success stories

IPA 2008 - Integrated Border Management (IBM) (EUR 1.4 million)

Through twinning assistance to the BiH encouraging progress was made towards the implementation of an efficient border management system in Bosnia and Herzegovina. In 2012 the relevant BiH IBM legislation was harmonised with EU standards, the monitoring structure for the implementation of the IBM Strategy was enhanced, the work of the border agencies harmonised, the common risk analysis and the support of data and information exchange between the border management agencies was developed. An improved border management system supports Bosnia and Herzegovina tackling effectively customs fraud, trafficking and illegal migration. EU citizens benefit from improved security at non-EU borders, in particular along the Trans-European Transport network..

IPA 2008 - Indirect Taxation Authority (ITA) (, EUR 2.4 million)

With twinning support for the BiH the indirect taxation system in Bosnia and Herzegovina was reformed. In particular, the customs, tax and information systems were brought in line with EU standards and ensured a more effective, efficient and transparent collection of revenue. ITA is one of the most important revenue generating agencies in BiH and the well-functioning of the ITA shall contribute to the economic recovery of the country.

IPA 2008 - Support to the development of ecotourism in the National Park Sutjeska" (EUR 0.4 million)

Thanks to its unique and diverse natural and cultural beauty, Bosnia and Herzegovina has huge potential for tourism growth, particularly in niche sectors. This project which was concluded in September 2012 helped to advance this potential. It strengthened the competitiveness of tourism in BiH through developing new eco-tourist products, developing tourist infrastructure, strengthening the human capacities and introducing a new marketing approach for eco-tourism in the Sutjeska National Park. The park has a huge potential to attract tourism. It is the oldest and the biggest national park in BiH, established in 1962, mainly involved in tourist development and bio-diversity protection. It covers one of two oldest and the biggest wildlife forests still remaining in Europe named "Perucica" (1434 acres) as a protected area, parts of Maglic Mountain with the highest peak in BiH – 2,386 meters of height and represents the most various complex of eco-systems in BiH and South East Europe. There are also national monuments of historic importance within the Park, especially those from the World War II. In 2000, it was included into category II of IUNC (UN unit for natural heritage protection).

IPA 2009 - "Development of New Accreditation Schemes in Bosnia and Herzegovina"(EUR 0.7 million)

The latter supported the Institute for Accreditation of Bosnia and Herzegovina (BATA) to develop new credible and international recognised accreditation schemes for medical laboratories, product certification, quality and environment management systems certification, personnel certification, and lift inspection bodies. In addition the project provided training for BATA staff and improved BATA's information systems. With the help of the project, BATA

was recognised by the European Co-operation for Accreditation as an official accrediting body. The project contributed to the strengthening of the BiH quality infrastructure. Credible accreditation schemes are the basis for export oriented international trade and contribute to the competitiveness of BiH industries and manufacturers.

To support the economic development, the EU provided international advisory services (*IPA 2007, EUR 2.5 million*) to 250 small and medium size enterprises in the metal, textile, dairy and wood processing sectors to improve energy efficiency, to implement quality management standards, and to improve marketing and financial management. With the help of the assistance, 50 municipal economic development projects were implemented, which provided an extensive training programme for about 900 employees in all 144 BiH municipalities. With these measures, the EU assistance improved the sustainability of small and medium enterprises, and secured and created jobs.

3.2 Overview of IPA implementation on 2012

In 2012, EUR 100.5 million were committed, and EUR 61.3 million were disbursed. This was a substantial increase compared with the previous reporting year, where EUR 68 million were committed and EUR 44.6 million were disbursed. The increase of the commitments is mainly caused by among other reasons the ratification of large scale contracts with IFIs on infrastructure projects and grants for the preservation of the cultural heritage and grants to support the demining of contaminated areas.

In 2012, BiH was an active user of the Commission's TAIEX programme. 125 TAIEX applications were submitted, whereof 100 applications were approved. BiH participated with more than 2200 participants in 102 single-country TAIEX events (expert missions, study visits and workshops) and with almost 1000 participants in TAIEX multi-country events. The number of twinning activities registered a slower pace throughout 2012, with five projects amounting to EUR 5.8 million implemented and three projects with a total budget of EUR 3.2 million prepared. Current support to statistics includes, for instance, a twinning for supporting the State and Entities statistical institution, with focus on developing business statistics. Further support to statistics is planned on business statistics and national accounts.

SIGMA carried out a number of activities in BiH. A study on civil service professionalization in the Western Balkans served as a baseline for the further assessment of the reform progress. Assessment and comments on the draft civil service law of the Federation of BiH and the District of Brcko were provided. An assessment was made of proposed amendments to the state level civil service law. Work with focus groups (70 participants from all levels) on Human Resource Management (HRM) was conducted in order to evaluate HRM policies and practices and led to practical recommendations. A cost of government scoping mission produced terms of reference for a project that produced a study on governmental spending.

SIGMA worked with the public procurement institutions on reviewing the draft law on public procurement, prepared a rationale and reviewed the comments raised during the public consultation process. The draft law was submitted to the BiH Council of Ministers in October 2012. SIGMA conducted a peer review of the Supreme Audit Institutions in BiH, which resulted in a very good rating of the institutions legislation and practice.

IPA supported in 2012 the participation of BiH in EU programmes. The 2012 entry tickets for the Seventh Framework Programme (FP7), and the Culture and the Europe for Citizens programme were co-financed with nearly EUR 2.5 million, allowing the citizens of BiH to

benefit from the activities and opportunities offered by these programmes, including increased involvement in international cooperation in the different sectors covered by these.

3.3 Component II: Cross-border Cooperation

The implementation of the Cross-border co-operation programmes between Bosnia and Herzegovina and its neighbours Montenegro, Croatia and Serbia continued. The evaluations for the three bilateral programmes implemented under shared management (Transnational Programmes South East Europe and Mediterranean and IPA Adriatic CBC Programme) were finalised in 2012.

Information, co-ordination and sharing proved to be valuable for enhancing the capacities of the national Operating Structure. In 2012, in the absence of the EU Delegation Technical Working Group meetings the coordination mechanism was limited to bilateral co-ordination. The contract for the technical assistance project CBIB+ was signed in December 2012 and it is expected that with its assistance the coordination will boost in 2013.

Regarding DIS, some progress could be reported. The Head of the Operating Structure was appointed in early 2012. The decision on the establishment of the Audit Authority was not yet taken. The Central, Finance and Contracting Unit of the BiH Ministry of Finance of Bosnia and Herzegovina (CFCU), assumed the role of the First Level Controller in the three IPA Component II programmes implemented under shared management (Transnational Programmes South East Europe and Mediterranean and IPA Adriatic CBC Programme). In 2012, the assistance focused on enhancing the capacities and developing methodology of the CFCU to perform the functions of the First Level Controller.

The Operating Structure developed the action plan to adopt a BiH system for recovery procedures for grants to public bodies which is expected to be in place as of 2013.

4. IMPLEMENTATION MODALITIES AND STRUCTURES

Bosnia and Herzegovina has made no progress towards the establishment of a decentralised implementation system.

In mid-May 2012, the BiH Parliament's House of People adopted a conclusion to set up the functions and structures for DIS. However, by December 2012 there has been no follow up to this decision. The only new appointment to a DIS function in 2012 has been the nomination of the Minister of Finance, Mr Nikola Spiric, as the Competent Accrediting Officer (CAO). The National IPA Coordinator (NIPAC) and the National Authorising Officer (NAO) are nominated. The Programme Authorising Officer (PAO) has not been appointed and the Audit Authority is as of yet unidentified.

The CFCU (Central Finance and Contracting Unit) and the National Fund (NF) have maintained their staff levels but – in the absence of progress towards DIS - without being able to play a role in the implementation of IPA programmes.

Politically it does not appear realistic to achieve progress towards DIS prior to the establishment of a functioning EU coordination mechanism.

Regular project monitoring and implementation reviews

During 2012, regular project monitoring of on-going contracts was undertaken by EU Delegation Programme Managers in the form of participation to Steering Committees, specific project activities and visibility events (conferences, seminars, training sessions, open

days), field visits, including on the spot checks and verification of progress of construction works and delivery of supplies.

In 2012 the monitoring visits by Joint Technical Secretariats (JTS) of the CBC Programmes continued for on-going projects from the 1st Call, with a total of 23 projects monitored (5 in Serbia-BiH, 12 in Croatia-BiH and 6 in BiH-Montenegro programme). EU Delegation Programme Managers accompanied JTS in 2 monitoring visits. In addition, EU Delegation Programme Managers accompanied the assigned Financial Officers in on-the-spot check visits to 3 projects.

As the evaluation processes of the 2nd Call in all three bilateral CBC programmes were completed in the summer and autumn 2012 and the implementation of 45 selected projects has started in Q4 2012 or is expected to start in Q1 and Q2 of 2013, external monitoring expertise was contracted through the technical and administrative assistance facility (ATA) 2012 funds, to be implemented in the second half of 2013 for the 2nd Call projects.

Implementation reviews

Four Implementation Review rounds (per each Operations section) took place with EU Delegation management in 2012 on a quarterly basis on which occasions both projects in implementation and in pipeline were discussed with the focus on those with problematic issues.

IPA Monitoring Committee

The bi-annual regular monitoring of IPA projects' implementation together with NIPAC - IPA Monitoring Committee - took place in July and its follow-up meeting in December. The projects that had faced problems in implementation as well as those where the project start is conditional upon the fulfilment of project preconditions were discussed in both meetings (twenty four projects in July, nineteen projects in December). Conclusions were drawn on further actions to be undertaken.

Reinforced monitoring

Reinforced monitoring measures were applied to the following projects that were identified in the Early Warning System (EWS) at level W1a and W3b respectively: " Strengthening institutional capacities to combat corruption", "Support to Reform of Higher Education in BiH", "Support to the BiH government for the European Integration process and Co-ordination of Community Assistance, Phase III - extension of services", "Support to IPA Component I Programming 2012-2013 for BiH"; "Preparation of twinning fiche, assessment needs of ICT equipment for all Parliament in BiH and preparation of detailed TS and ToR for required equipment - IPA 2012".

Reinforced monitoring consisted of additional visits and meetings with project team and beneficiaries through which both project implementation and financial documents were examined and which resulted in specific monitoring reports.

Fourteen projects (12 supplies and 2 works contracts) were proposed by EU Delegation management mid-2012 to be subject of ex-post control. The objective of the ex-post control was to verify if the purchased equipment had been properly installed, was in function and maintained and also if the related infrastructure had been properly maintained. The EU Delegation Programme Managers undertook the ex-post control missions for all 14 projects by the end of November 2012, and no particular issues were reported.

Result Oriented Monitoring of BiH Projects

Thirty seven Result-oriented Monitoring (RoM) missions were undertaken for thirty seven national projects for a total value of approximately EUR 91 million. Out of 37 projects, 33 were under on-going implementation, while 4 projects had been finished and were monitored ex-post. The average score of the on-going projects' performance was 2.72 on a scale from 1 (serious deficiencies) to 4 (very good), while the average score of the ex-post monitored projects' performance was 2.75.

CARDS and PHARE

The implementation of CARDS in Bosnia and Herzegovina was completed in the year 2011. In 2012, a final payment in the amount of EUR 151,391 was made.

The interim evaluation (PHARE 1999-2002) and the ex-post evaluation (PHARE 1999-2001) of EU pre-accession assistance also highlighted a number of lessons for future assistance. Especially the latter's recommendations on better balancing the three Copenhagen criteria and support for a broader, multi-pronged approach to address political criteria, have led to a strong focus in the MIPD on the political criteria, in particular to the reform of the justice sector and the public administration reform. The 2008 ad hoc evaluation of the CARDS programme confirmed that political consent is a pre-requisite to establish or reform institutions or to re-balance State and Entity responsibilities.

An audit by the European Court of Auditors in 2007 on EU support for the judicial sector noted shortcomings on the side of the beneficiaries in ensuring the maintenance of buildings, infrastructure and equipment financed by the Commission. Future EU investments will be conditional on strategic planning and capacity by Bosnia and Herzegovina to ensure follow-up maintenance.

PART II - FINANCIAL DATA (EUR million and %)
On implementation of assistance at the end of December 2012

IPA I + II - Bosnia and Herzegovina

Bosnia & Herzegovina	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	57.80	55.90	96.72%	48.02	83.07%
IPA 2008	75.46	71.21	94.37%	51.39	68.10%
IPA 2009	89.19	76.10	85.33%	49.00	54.94%
IPA 2010	107.46	69.43	64.61%	29.70	27.64%
IPA 2011	99.98	11.00	11.00%	7.74	7.74%
IPA 2012	91.63	4.26	4.65%	2.13	2.33%
Total	521.51	287.91	55.21%	187.97	36.04%

IPA – Component I National Programme Bosnia and Herzegovina

BiH	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	49.74	47.45	95.41%	45.93	92.35%
IPA 2008	66.75	62.92	94.26%	43.52	65.19%
IPA 2009	80.50	68.50	85.09%	42.06	52.25%
IPA 2010	99.95	64.01	64.04%	24.51	24.52%
IPA 2011	92.89	6.11	6.58%	3.34	3.59%
IPA 2012	84.77	0.00	0.00%	0.00	0.00%
Total	474.60	248.99	52.46%	159.35	33.58%

IPA – Component II (CBC) Programme Bosnia and Herzegovina

BiH	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	2.65	2.54	95.91%	2.24	84.43%
IPA 2008	2.71	2.59	95.88%	2.17	80.34%
IPA 2009	2.76	1.97	71.40%	1.31	47.47%
IPA 2010	2.20	0.39	17.70%	0.15	6.93%
IPA 2011	2.20	0.00	0.00%	0.00	0.00%
IPA 2012	2.60	0.00	0.00%	0.00	0.00%
Total	15.12	7.50	49.60%	5.88	38.87%

KOSOVO

1. SUMMARY

The implementation of EU assistance to **Kosovo** exceeded its financial targets, both in terms of contracts and payments. The preparation of the IPA 2012 Annual Programme for Kosovo has been completed, allocating EUR 63.2 million. The 2013 Annual Programme was prepared and approved by the IPA Committee in November 2012, aiming for adoption in early 2013.

Kosovo's participation in the IPA Cross-Border Cooperation (CBC) programme proceeded well in 2012 and the Financing Agreements for 2011 were signed for all three CBC programmes (with Albania, the former Yugoslav Republic of Macedonia, and Montenegro respectively). The first call for proposals in the CBC Kosovo-Albania was launched in June 2012.

In March 2012, a consultation meeting was organised with civil society during which the government presented the proposed projects to civil society organizations and allowed for a discussion. It was the first time in Kosovo that such a consultation took place in an early stage of the IPA programming process.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

The overall objective of EU financial assistance to Kosovo is to support its efforts for reform and towards compliance with EU standards and progress in the implementation of its European reform agenda. The purpose of the Multi-annual Indicative Planning Document (MIPD) is to set out the EU's priorities for assistance to Kosovo for the programming period 2011-2013.

The MIPD is shaped around the needs identified in the European Partnership of Kosovo as well as the annual progress reports and Kosovo's own strategies. The government of Kosovo, local stakeholders, EU Member States and other donors have all been consulted in the design of the MIPD.

In its Communication 'Kosovo - Fulfilling its European Perspective' of October 2009, the Commission identified the key priorities for Kosovo to focus on in its EU reform agenda. The Communication confirmed that IPA resources would be targeted to support the rule of law, public administration reform and efforts to improve Kosovo's business environment. It confirmed that support for infrastructure will also be considered. It specified that the Commission will support the initiatives included in the Communication's recommendations through financial and technical assistance. Through these initiatives, Kosovo can move forward in the areas of visas, trade, economic and fiscal surveillance, EU programmes, the Stabilisation and Association Process (SAP) Dialogue and cross-border co-operation. These areas reflect Kosovo's own European Agenda.

To achieve the priorities selected for support in the programming period 2011-2013, the Commission focuses its assistance primarily on the following sectors:

- justice and home affairs (focus on visa liberalisation and the judiciary)
- private sector development (focus on trade and business environment)
- Public Administration Reform (focus on the functional review)

Table 1: MIFF¹⁸ allocations per component, in EUR million

IPA Component	2011	2012	2013	Total
I (Transition Assistance and Institution Building)	66.90	67.00	68.48	202.38
II (Cross Border Cooperation)	1.80	1.80	2.99	6.59
Total	68.70	68.80	71.47	208.97

2.2 Programming

2.2.1 Component I

The 2012 IPA Annual Programme (AP) was presented to the IPA Committee in October 2012 and the Financing Agreement was signed in November 2012. This Annual Programme had been prepared by the EU Office in close coordination with the Ministry for European Integration and all beneficiaries.

IPA 2012 continues to support the rule of law, good governance, public administration reform, communities and education. It also addresses socio-economic issues, such as employment creation, labour market reforms and regional economic development (including infrastructure, agriculture and rural development). Lastly, the programme addresses the approximation of the legislation to European standards, including on veterinary and food safety and free movement of goods.

The Annual Programme includes a flexible allocation that will help the Commission to respond to urgent political priorities that need financial support for their implementation, such as the Belgrade-Pristina dialogue, the strategic review of EULEX (European Union Rule of Law Mission) and the visa dialogue.

The government has increased its overall efforts in terms of donor coordination. A detailed donor coordination structure with sector working groups and sub-sector working groups started functioning in 2012. In June 2012, the Ministry of European Integration organised the third High-Level Forum for donor coordination. The Aid Management Platform continued to support the government in improving aid management and donor coordination.

In June 2012, a joint seminar with the World Bank was organised as a follow-up to the Commission-World Bank Western Balkans Country Days 2012 Conference held in Brussels in January 2012. The meeting brought together the EU Office, the World Bank and the government and helped mapping ongoing and planned activities.

¹⁸Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Revised MIFF for 2013, COM(2012) 581 final of 10.10.2012.

A concrete example of functioning donor coordination are the contributions of the Swedish government (around EUR 2 million) and of the Grand Duchy of Luxembourg (EUR1.5 million) to the EU-funded "Improvement of District Heating in Pristina" project.

In March 2012, a consultation meeting was organised with civil society during which the government presented the proposed projects to civil society organizations and allowed for a discussion. It was the first time that such a consultation took place in an early stage of the IPA programming process.

Table 2: Indicative financial allocations for the year 2012 under the Annual Programme, per priority measure identified in the MIPD 2011-2013, in EUR million

Priority Measures	Projects	Budget
Public Administration Reform		
	01-2012/1: Support to Public Administration Reform (Public Finance and Statistics)	3.5
	02-2012/1: Improvement of social services, labour conditions and social dialogue	3.6
Justice and Home Affairs		
	03-2012/2: Return and Reintegration in Kosovo	4.0
	04-2012/2: Strengthening the rule of law in accordance with EU standards	6.6
	05-2012/2: Strengthening criminal investigation capacities against organised crime and corruption	2.0
	06-2012/2: Support to Dialogue and EU approximation	8.3
Private Sector Development		
	07-2012/3: Support to the free movement of goods	2.5
	08-2012/3: Support to Education and Employment	5.8
	09-2012/3: Upgrade of Kosovo's Transmission System Infrastructure	3.5
	10-2012/3: Support to Agriculture and Rural Development	7.4
	11-2012/3: Construction of a processing plant for the disposal of animal by-products	2.0
	12-2012/3: Balanced Regional Development	12.0
Support and Other Activities		
	13-2012/4: Support measures and technical assistance facility	2.0
TOTAL		63.2

The 2013 Annual Programme was prepared in parallel with the 2012 AP. It was approved by the IPA Committee in November 2012 to be adopted in early 2013. The preparation of the Country Strategy Paper for 2014-2020 started in December 2012.

2.2.2 Component II

During 2012, the Financing Agreements for 2011 were signed for all three Cross-Border Cooperation Programmes with Albania, the former Yugoslav Republic of Macedonia and Montenegro. The programme with Albania will be implemented through a call for proposals. The first call for proposals in the CBC Kosovo-Albania was launched in June 2012.

3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2012

3.1 Success stories

IPA 2009 – "Reform of juvenile justice system" (EUR 1.65 million)

The EU support for this sector in Kosovo aims to ensure that children in contact and conflict with the law are treated in line with European standards and the Child Rights Convention. The second phase of the project has helped to increase the awareness of the available mechanisms for the treatment and service provision for juveniles in conflict with the law. As a result, the use of alternative measures and educational measures has increased by around 50% in comparison with 2010 and 2011. On the law enforcement side, seven child-friendly interview rooms have been established in regional police centres and guidelines on the usage of these rooms and on child- friendly interviewing techniques have been delivered to Kosovo Police.

IPA 2007 - Enterprise Growth Project and Business Advisory Support (EUR 2.5 million)

SME support through Enterprise Growth Project (EGP) and Business Advisory Support (BAS); the objective of the project was to promote enterprise growth, modernisation and employment through support to selected small- and medium-sized enterprises (SMEs), including enterprises in the agri-business sector and enterprises in economically underdeveloped areas. Target groups included women in business, minorities, young entrepreneurs and people with disabilities. The project brought industry-specific management expertise directly to individual companies with more than 25 employees (EGP projects) and assisted enterprises with less than 25 employees to operate successfully and develop new business skills at the senior management level (BAS projects). Some of the results achieved by this project are:

- 29 EGP projects implemented;
- 86 BAS projects implemented;
- 10 sector and market development activities (SDAs/MDAs) implemented;
- 49 local professional consultants of which 12 are youth-owned and 12 are women-owned consulting companies were engaged for completion of BAS Projects.
- 47 female entrepreneurs were supported (target was 20);
- 30 rural projects were supported (target was 15);
- 6 projects supporting minorities were implemented.
- 3 companies were certified with ISO Standards.
- At least 8 of the companies have received further financial investments from banks or other donors.

IPA 2009 - Rural Grant Scheme (EUR 5 million)

The multi-annual Rural Grant Scheme supports the development and modernisation of three sub-sectors of agriculture namely dairy, meat, fruits and vegetables processing. The programme supports the improvement of by-products' utilization, the introduction of products with higher value added, the creation of cold storage facilities, the introduction of appropriate food safety management systems (HACCP), improved marketing and labelling of processed food products, upgrading production lines and facilities to meet EU standards, including quality control equipment modernization. The first round of the Rural Grant Scheme has supported 13 agro-food processing companies and created approximately 240 seasonal and 64

long-term jobs. About 400 farmers concluded contracts with processors to supply them with raw material (milk, meat, fruits, and vegetables).

IPA 2008 - EU Support to establish the Qualifications Authority of Kosovo (EUR 2 million)

The EU has supported the establishment of the Qualifications Authority and the creation of the qualifications system of Kosovo in respect of vocational education and training qualifications. The Qualifications Authority is tasked to develop and maintain the National Qualifications Framework (NQF) in Kosovo and to regulate the awarding of VET qualifications in the Qualifications Framework of Kosovo. So far, it has approved and registered 6 qualifications in the NQF and accredited 12 providers. In 2013, the Qualifications Authority will build on qualification validation and providers' accreditation and implementation of processes of validation of occupational standards, the drafting of secondary legislation for the validation of informal and non-formal learning and work with the University of Pristina to build a connection between vocational education and university level education in technical subjects.

IPA 2007 EU – Mitrovicë/a RAE Support Initiative (EUR 5 million)

In December 2012, the lead-contaminated Osterode camp in north Mitrovica, which had housed many Roma, Ashkali and Egyptian families for the last 13 years, was finally closed. Fourteen remaining families moved to newly constructed houses and one social apartment block, bringing the total number of families resettled from the lead-contaminated camps in north Mitrovica to 148. The other camp, Cesmin Lug, was closed in October 2010.

The EU-funded project provided housing and infrastructure construction and repairs, medical screening and treatment for elevated blood lead levels, income generation, community development initiatives, interethnic dialogue, education, civil registration, legal assistance, and capacity building support for municipal authorities.

IPA 2009 – "Culture for All" (EUR 0.5 million),

Through the "Culture for All" programme the EU supported around 30 small-scale cultural projects across Kosovo, including the international documentary and short film festival Dokufest, Jazz Festival, PrifilmFest, Skena up Festival and Remusica. The project initiated two new cultural activities in public squares such as an event marking the 'World Book and Copyright Day' held on 23 April 2012, and the first Open Air Pristina Culture Festival. It also helped to finalise an assessment report on creative industries and provided advice and financial support to a number of small-scale events to promote intercultural exchange in all regions in Kosovo.

Young Cell Scheme

An external evaluation of the EU scholarships for future civil servants (Young Cell Scheme) carried out in 2012 confirmed that the YCS is highly relevant as it clearly responds to the need for higher professional capacity of Kosovo public administration and support to EU integration process for Kosovo. The YCS grantees have brought a positive impact and improved professional capacity of Kosovo institutions to deal particularly with processes related to European Integration and strategic planning, which represent the areas of specialisation where around 70% of YCS grantees have been employed.

After two years of stagnation and difficulties in ensuring appropriate employment for the YCS participants after their graduation, the government decided in 2012, thanks to great efforts of the Ministry of European Integration, that no governmental institution should employ staff without considering the list of YCS students. Also as a result, 24 out of 27 students that returned after completing their studies were instantly employed.

3.2 Overview of the implementation status of the different instruments and components

Component 1 advanced substantially compared to the previous reporting year in terms of contracting (see e.g. data for IPA 2009, 2010, 2011). The allocations for 2008 and 2009 - both closed for contracting during 2012 – have been fully contracted (99.8 % for 2008, both envelopes; 99.7% for 2009). During 2012, the main challenges were experienced in relation to infrastructure projects. The key risk relates to essential preconditions not being in place at the start of the project (example: permits and licenses in works contracts). This is mitigated by: (1) being diligent in selecting projects (to avoid problems), and (2) maintaining close cooperation with project beneficiaries (MEI, line ministries, etc.) (to solve remaining problems during implementation).

For Component II the contracting has not started yet (apart from technical assistance contracts). Implementation has started and is progressing well for the programme with Albania (an open Call for Proposals which combined the financial allocations for 2010 and 2011 was launched in June 2012), whereas the programmes with FYRoM and Montenegro have been progressing slowly.

Components 3, 4 and 5 are not applicable in Kosovo, which has no candidate status.

3.3 Sector I: Justice and Home Affairs (focus on visa liberalisation and the judiciary)

Project implementation in the area of judiciary and home affairs continued to strengthen the rule of law institutions in Kosovo, with the aim of contributing to a transparent, independent judiciary system which respects human rights.

During 2012, a three-year twinning project was completed which focused on improving the professional capacities of the Ministry of Justice, enhancing alternative dispute resolution and supporting the reduction of backlogs in civil court cases. The project has increased the organisational and administrative performance of the Ministry of Justice. It has been heavily involved in the training of future and already certified mediators. To support the correctional and probation services of Kosovo, workshops have been conducted and materials for day-to-day performance of duties have been drafted. Finally, judges have been trained with a view to reducing the number of backlog cases at the civil courts.

The main results of the project include:

- more than 280 participants from the Ministry of Justice, the probation and correction services, the prosecution service and the judiciary took part in trainings ranging from organisational and human resources issues, the application of existing instruments in mutual legal assistance, law approximation, risk assessment of sentenced persons and the treatment of high risk and of drug addicted prisoners and the reduction of backlogs;
- more than (future) 60 mediators have been trained,

- assistance to more than 10 pieces of legislation has been provided (amongst them the laws on mutual legal assistance and on confiscation of assets as well as the criminal procedure code),
- a roadmap for the reduction of backlogs has been elaborated.

The EU will continue its support to the Ministry of Justice with a new twinning project to be launched in 2013 focussing on international legal co-operation.

In November 2012, the EU Office in Kosovo together with the Ministry of Health and Ministry of Justice, marked the end of the first part of training for forensic psychiatry professionals. On this occasion, the EU also presented the designs of the Kosovo Forensic Psychiatry Institute that will be constructed within the University Centre Clinic in Pristina.

In the area of legal education a twinning project was concluded resulting in the development of three new master programmes developed at the Law Faculty, University of Pristina, in Criminal Law, in Constitutional and Administrative Law and in Financial Law. Another positive output of the project was the support to a series of legal publications, for example on applicable laws and court decisions. Finally, the project established a publishing company to ensure the sustainability of further publication of relevant legal materials.

In the field of document security and proper functioning of civil status procedures as one of the key criteria in the visa liberalisation process, the EU supported Kosovo in implementing an agreement reached in the EU-mediated Pristina-Belgrade dialogue which provides for the certification of copies of civil registry books by EULEX and their handover to the Civil Registration Agency. The project, which started in June 2012, will help Kosovo to establish a reliable and efficient record keeping of personal data of citizens and protection of their rights and freedoms. It concerns those civil registry books which had been transferred to Serbia during the 1990s.

Other areas supported by IPA are the fight against organised crime and corruption, fundamental rights; legal education reform; support to juvenile justice reform.

Worth mentioning is that IPA supported part of the population census via a trust fund and the remaining funds from the Population and housing census have been transferred to support the agriculture census for Kosovo.

3.4 Sector II: Private Sector Development (focus on trade and business environment)

Private sector development continued to be supported through IPA at the central and local level.

During 2012, 9 municipalities benefited from the Beautiful Kosovo Programme, which helped them to realise a total of 12 small and medium-scale infrastructure projects, such as the creation or renovation of parks, river banks and school yards and protection of cultural heritage. The total value of the initiated projects was around EUR 1 million, whereas municipalities contributed around EUR 140,000. Through these 12 projects, over 450 short-term jobs and some 30 long-term employments were created. Special attention was given to vulnerable groups such as people with disabilities and women.

In the area of support to trade, a technical assistance project has assisted the Ministry of Trade and Industry in developing its institutional capacity to prepare negotiating positions for a free trade agreement and to implement agreed policy initiatives in line with international trade

requirements and EU practices.

3.5 Sector III: Public Administration Reform

In 2012, the assistance in this priority area mainly focused on the development of administrative capacity of Kosovo's civil service, local government and the wider decentralisation process, public finance management, public procurement, statistics and design of a trade policy.

In the field of public finance management, the EU supported the Office of the Auditor General, the financial control framework and internal audit systems, and the improvement of the quality of public investment allocation decisions, through further development of the Public Investment Programme.

The EU Office continued to use the twinning instrument as implementing modality for capacity building projects. An example is the twinning which helped to improve the capacity of the Office of the Auditor General to provide quality information on the use of public funds and to further develop good governance across the public sector in Kosovo. In addition, SIGMA provided continued support in the area of public administration reform.

Another project implemented through the twinning instrument has supported the Kosovo Assembly in strengthening its position within the constitutional framework of Kosovo and its role in the process of approximation to EU legislation, norms and standards.

3.6 Cross-border cooperation

Kosovo's Operating Structure for cross-border cooperation, the Ministry of Local government Administration, continued to receive technical assistance to implement the three cross-border programmes with Albania, the former Yugoslav Republic of Macedonia, and Montenegro.

Out of the three CBC programmes, the cooperation between Kosovo and Albania has progressed furthest. An open Call for Proposals combining the allocations of 2010 and 2011 was launched in June 2012 and the first steps of the evaluation procedure were finalised in December 2012. The two Operating Structures have initiated the procedures for the identification of strategic project ideas for the 2012-13 allocations which should result in a joint application containing all the supporting documentation including Project Fiches, feasibility study, environmental impact assessment, etc.

In the CBC programme Kosovo-Montenegro, the preparation for establishing Joint structures have started. The first Call for Proposals which will include three years allocations, is expected to be launched in mid-2013.

Progress under the CBC programme Kosovo and the former Yugoslav Republic of Macedonia has been slow. During 2012, a study and technical design for a joint border crossing point was carried out, but a decision on the character of the border crossing is pending. Alternatively, the programme may be implemented through a Call for Proposals. As of the second semester 2012, Joint structures have been established.

4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES

In 2012 Kosovo was included in the target area of the Result-Oriented Monitoring (ROM) project managed by DG Enlargement's Regional and Horizontal Programmes unit. Accordingly, most of the on-going IPA projects were monitored by an independent team of experts.

44 national projects with a total value of approximately EUR 128 million were covered by ROM assessments carried out through four missions. The 44 ROM assessments included three ex-post ROM reports. The average score of the 41 ongoing projects' performance is 2.91 on the scale from 4 - very good to 1 - serious deficiencies, which is a slight improvement compared to 2011 (average score 2.89). The average score of the three projects monitored ex-post is 3.3. The consolidated ROM report for projects monitored in 2012 highlights that the vast majority of on-going projects are relevant, with roughly 85 % having A and B ratings. Positive impact is reflected through A and B grades awarded to 80% of the projects.

Internal monitoring is systematically carried out by the EUO through different mechanisms:

- approx. 2,437 project monitoring meetings between task manager, contractor and/or beneficiaries aiming at coordinating particular contracts related issues have been held in 2012. Such meetings have as main purpose to ensure proper follow up and to discuss particular issues to be solved.
- 222 Project Steering Committee Meetings involving the task managers, the team leader, contractors, beneficiaries and stakeholders to analyse the implementation of the project and find common solutions to difficulties encountered.
- on the spot checks are carried out by the task manager. By the end of December 2012, more than 738 on the spot checks were carried out.

PART II - FINANCIAL DATA (EUR million and %)
On implementation of assistance at 31 December 2012

IPA I + II - Kosovo

Kosovo	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	82.70	82.58	99.86%	73.24	88.56%
IPA 2008	183.32	182.66	99.64%	139.22	75.94%
IPA 2009	103.60	103.32	99.73%	57.73	55.73%
IPA 2010	72.10	63.19	87.64%	30.02	41.63%
IPA 2011	68.90	30.69	44.54%	12.91	18.74%
IPA 2012	67.50	2.50	3.70%	2.38	3.52%
Total	578.12	464.94	80.42%	315.50	54.57%

IPA – Component I National Programme Kosovo

Kosovo	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	62.00	61.75	99.60%	56.62	91.32%
IPA 2008	182.70	182.34	99.80%	138.90	76.03%
IPA 2009	103.60	103.32	99.73%	57.73	55.73%
IPA 2010	63.90	56.02	87.67%	22.92	35.87%
IPA 2011	62.90	26.49	42.11%	8.92	14.19%
IPA 2012	63.20	0.00	0.00%	0.00	0.00%
Total	538.30	429.91	79.87%	285.09	52.96%

IPA – Component II (CBC) Programme Kosovo

Kosovo	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007					
IPA 2008					
IPA 2009					
IPA 2010	1.20	0.17	13.89%	0.09	7.85%
IPA 2011	1.80	0.00	0.00%	0.00	0.00%
IPA 2012	1.80	0.00	0.00%	0.00	0.00%
Total	4.80	0.17	3.47%	0.09	1.96%

Status of Implementation of IPA financial assistance per country at 31st December 2012 of total committed funds (2007 – 2012):

The following tables provide the amount of all IPA allocations between 2007 and 2012 in EUR million by beneficiary and by component for Candidate Countries and Potential Candidates. The figures take into account transfers made between components I and II during the course of 2012.

At 31 December 2012 IPA Component I managed by Enlargement DG¹⁹:

EUR Million	Committed	Contracted	Percentage	Paid	Percentage
<i>Croatia</i>	242.08	205.93	85.07%	137.85	56.94%
<i>the former Yugoslav Republic of Macedonia</i>	202.18	131.25	64.92%	78.69	38.92%
<i>Iceland</i>	24.00	10.04	41.83%	3.41	14.19%
<i>Montenegro</i>	152.04	106.14	69.81%	90.43	59.48%
<i>Turkey</i>	1,390.41	1,376.61	99.01%	772.50	55.56%
<i>Albania</i>	430.01	299.24	69.59%	169.72	39.47%
<i>Bosnia and Herzegovina</i>	474.60	248.99	52.46%	159.35	33.58%
<i>Kosovo</i>	538.30	429.91	79.87%	285.09	52.96%
<i>Serbia</i>	1028.99	760.06	73.86%	541.33	52.61%
Total	4482.61	3568.17	79.60%	2238.37	49.93%

At 31 December 2012 IPA Component II managed by Enlargement DG:

EUR Million	Committed	Contracted	Percentage	Paid	Percentage
<i>Croatia</i>	15.02	10.32	68.71%	6.75	44.94%
<i>the former Yugoslav Republic of Macedonia</i>	16.22	4.13	25.46%	3.10	19.11%
<i>Montenegro</i>	18.10	9.83	54.31%	7.11	39.28%
<i>Turkey</i>	6.93	6.93	100%	1.69	24.39%
<i>Albania</i>	21.77	8.16	37.48%	5.76	26.46%
<i>Bosnia and Herzegovina</i>	15.12	7.50	49.60%	5.88	38.87%
<i>Kosovo</i>	4.80	0.17	3.47%	0.09	1.96%
<i>Serbia</i>	18.97	12.11	63.85%	9.00	47.44%
Total	116.93	59.15	50.59%	39.38	33.68%

¹⁹ Croatia, the former Republic of Macedonia, Turkey benefit from Decentralised Management, which consists in transferring the allocated EU-funds to the Ministry of Finance of the beneficiary country who will be responsible for managing the effective contracts and payments.

At 31 December 2012 IPA Component II, implemented by Regional Policy DG:

EUR Million	Committed	Paid	Percentage
<i>Adriatic</i>	205.66	59.45	28.9%
<i>Slovenia-Croatia</i>	35.75	16.24	45.4%
<i>Hungary-Croatia</i>	43.90	19.85	45.2%
<i>Hungary-Serbia</i>	41.96	22.96	54.7%
<i>Romania-Serbia</i>	44.47	18.43	41.4%
<i>Bulgaria-Serbia</i>	26.26	9.15	34.8%
<i>Bulgaria-the former Yugoslav Republic of Macedonia</i>	14.99	5.64	37.6%
<i>Bulgaria-Turkey</i>	22.83	7.85	34.4%
<i>Greece-the former Yugoslav Republic of Macedonia</i>	12.60	6.08	48.3%
<i>Greece-Albania</i>	9.47	4.62	48.8%
Total	457.89	170.27	37.19%

At 31 December 2012, IPA Component III, implemented by Regional Policy DG:

EUR Million	Committed	Paid	Percentage
<i>Croatia</i>	329,68	88,64	26,9%
<i>the former Yugoslav Republic of Macedonia</i>	199,93	48,15	24,1%
<i>Turkey</i>	1747,58	519,29	29,7%
<i>Montenegro</i>	22,24	0	0%
Total	2299,43	656,08	28,5%

At 31 December 2012 IPA Component IV, implemented by Employment, Social Affairs and Inclusion DG:

EUR Million	Committed	Paid	Percentage
<i>Croatia</i>	85.88	35.02	41%
<i>the former Yugoslav Republic of Macedonia</i>	33.50	10.33	31%
<i>Turkey</i>	473.66	109.48	23%
<i>Montenegro</i>	2.77	0	0%
Total	403.18	96.32	23.9%

At 31 December 2011 IPA Component V, implemented by Agriculture and Rural Development DG:

EUR Million	Committed	Paid	Percentage
<i>Croatia</i>	129.90	30.08	23.16%
<i>the former Yugoslav Republic of Macedonia</i>	63.49	11.33	17.8%
<i>Turkey</i>	650.38	81.25	12.5%
Total	843.77	122.66	14.5%

B. MULTI - BENEFICIARY

1. SUMMARY

Regional cooperation in South East Europe has made important progress in recent years, in particular in the areas of trade, statistics, energy and transport, cooperation in public administration reform and civil protection. The bulk of IPA support to the beneficiaries is delivered through the national programmes. However, around 9% of available funds are allocated through the Multi-Beneficiary programmes (MB). They complement national programmes and strengthen multi-lateral relations in the Western Balkans and Turkey in areas identified as crucial for European integration and stability in the region.

Areas of intervention are only addressed through MB assistance where there is a clear need for regional cooperation or horizontal action, for instance through tackling cross-border problems or in increasing efficiency through establishing harmonised approaches, leveraging existing instruments or facilitating networks of experts. In the period 2012, the indicative allocation available for this totalled around EUR 222.06 million for Component I.

A regional project promoting inclusive education has been selected as one of the priorities in the sector Justice and Home Affairs, including fundamental rights and vulnerable groups while a regional project to strengthen witness protection enhances the fight against organised crime and corruption. Refugee return and provision of durable housing solutions is addressed through the Regional Housing Programme under the umbrella of the Sarajevo Process, for which the EU is the biggest donor.

Particular attention has been given to projects that help the beneficiaries to overcome the economic and financial crisis and to sustain the emerging economic recovery by continuing financial support for priority investments in infrastructure, in close coordination with International Financial Institutions (IFIs). Investments in energy efficiency are geared towards achieving sustainable economic growth and embracing the Europe 2020 strategy.

In the sector of Environment and Climate Change, a regional project has been selected to enhance civil protection cooperation in the Western Balkans and Turkey. With a view to foster reforms and regional cooperation in education, the IPA 2012 Multi Beneficiary programme will continue previous practice and support the Erasmus Mundus Action 1 and 2 as well as the Youth in Action programme in the sector Social Development. Regarding the support to civil society, 18 framework partnership agreements were signed in 2012 with more than 170 organisations from the region and Europe in various priority sectors like anti-corruption, energy, human rights and security, environment and natural resources.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

The purpose of the Multi-Annual Indicative Planning Document (MIPD) is to set out the EU's priorities for Multi-Beneficiary assistance for the programming period 2011-2013. MB programme assistance is provided through component I of IPA. Subject to annual reviews, the areas of intervention set out in the MB MIPD served as a basis for the annual programming of IPA assistance in 2011, 2012 and 2013.

The bulk of IPA support to the beneficiaries is delivered through the national programmes. However, around 9 % of available funds are allocated through the MB programmes to complement national programmes and strengthen multi-lateral relations in the Western Balkans and Turkey in areas identified as crucial for European integration and stability in the region. Areas of intervention are only addressed through MB assistance where there is a clear need for regional cooperation or horizontal action, for instance through tackling cross-border problems or in obtaining efficiencies through establishing harmonised approaches, leveraging established instruments or facilitating networks of experts. In the period 2011-2013, the indicative allocation available for this totalled around EUR 526 million for component I.

The MB MIPD 2011-2013 was adopted by Commission Decision C(2011)4179 of 20 June 2011. The overall objective of the MB MIPD 2011-2013 is to support the candidate countries and potential candidates in the accession process by creating favourable conditions for political and economic reforms and promoting regional cooperation that support reconciliation and political dialogue in order to achieve political stability, security and economic prosperity in the region.

As foreseen in the IPA regulation, the MIPD 2011-2013 was subject to a review carried out in the second half of 2012. The review concluded that the strategy outlined in the MB MIPD 2011-2013 is still in line with the Strategy Paper and Progress Reports, so there is no need for the revision of the current MIPD. The scope, overall objectives and strategic choices of the MIPD remain valid as they have been based on the agreed principles of assistance under IPA, guidance provided in the EU strategic documents, lessons learned from the programming and implementation of previous EU assistance and findings from consultations with amongst others, the IPA beneficiaries, International Financial Institutions, the Regional Cooperation Council, and other regional initiatives, Civil Society organisations, EU Member States and Commission services. It was therefore recommended that the MIPD 2011-2013 is not undergoing a revision.

Table 1: MIFF²⁰ allocations per component, in million EUR

Component	2011	2012	2013	2011-2013
I – Transition Assistance and Institution Building	173.46	168.86	183.84	526.16
II – Cross-border cooperation	5.29	5.67	6.06	17.02
TOTAL	178.75	174.53	189.90	543.18

2.2 Programming exercise

2.2.1 Component I

For the 2012 programmes:

²⁰ Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', COM(2009) 543 of 14.10.2009.

The MB 2012 programmes address all priorities of the MIPD either directly or indirectly, while particular attention is paid to public administration reform, the fight against organised crime and corruption and to support recovery from the recent economic crisis.

Energy efficiency and higher education as well as support to Civil Society and refugee return also figure high on the agenda. With a view to facilitate programming, the projects have been consolidated into separate Programmes:

- Multi-Beneficiary Programme 2012, adopted on 31/05/2012;
- Tempus Programme 2012, adopted on 30/05/2012;
- Civil Society Facility 2011-2012, adopted on 5/12/2011, amended to include an allocation for 2013 on 9/08/2012;
- Monitoring Programme 2012, adopted on 20/07/2012;
- Regional Housing Programme (Sarajevo process) phase 2: 2012-2013, adopted on 17/12/2012.

Table 2: Indicative financial allocations for the year per component, in million EUR

COUNTRY/MULTI-BENEFICIARY	2012
I. Transition Assistance and Institution Building	250.24
Of which:	
Multi-Beneficiary programme 2012	108.65
Amendment to MBP 2010 allocation SIGMA 2012	3.00
Tempus Programme*	14.90
Civil Society Facility allocation 2012	8.50
Regional Housing Programme (Sarajevo process) allocation 2012	74.70
Support to the operation budget of the office of the High Representative (OHR) in Bosnia and Herzegovina	4.58
Support to the Interim Civilian Office Kosovo	2.50
Contribution to the Energy Community secretariat	3.00
TAIEX	12.00
Information and Communication	10.00
ERDF	1.34
Monitoring Programme	3.48
Evaluation and audit	3.59
TOTAL	250.24

*Management of the allocations for this programme was cross-delegated to DG Education and Culture (EAC)

The selection process of projects that form part of these annual programmes has been based on sector plans and discussions in sector working groups that were set up for the purpose to define the priorities for the MIPD 2011–2013 and hence in full coordination with the IPA beneficiaries, other donors, the RCC, civil society and other stakeholders, taking also into account lessons learnt of past and on-going programmes.

Only projects that have achieved sufficient readiness for implementation have been accepted.

With a view to maintain the momentum of **public administration reform** and improve public governance, projects include continuous support to the Regional School of Public

Administration (ReSPA) and Support for Improvement in Governance and Management (SIGMA).

Horizontal support to statistics will also continue, as it is not only an essential basis for the development of democratic and market-oriented societies, but also a precondition for successful accession negotiations. Parliamentary Cooperation in the Western Balkans has been singled out as being a powerful tool to enhance public governance and hold governments accountable.

A regional project promoting inclusive education has been selected as one of the priorities in the sector **Justice and Home Affairs**, including fundamental rights and vulnerable groups while a regional project to strengthen witness protection enhances the fight against organised crime and corruption. Refugee return and provision of durable housing solutions is addressed by a separate programme.

Particular attention has been given to projects that support the beneficiaries to overcome the economic and financial crisis and support the nascent economic recovery by continuing financial support for priority investments in **infrastructure**, in close coordination with IFIs. Investments in energy efficiency are deemed to hold the key for achieving sustainable economic growth and embracing the Europe 2020 strategy. Technical assistance for project preparation will also be provided.

In the sector of **Environment and climate change**, a regional project has been selected to enhance civil protection cooperation in the Western Balkans and Turkey.

With a view to foster reforms and regional cooperation in education, the IPA 2012 MB programme will continue previous practice and support the Erasmus Mundus Action 1 and 2 as well as the Youth in Action programme in the sector **Social Development**.

Support to **Civil Society** is provided by a separate multi-annual programme.

Coordination and coherence of assistance and activities is particularly important, given the large number of players involved in multi-beneficiary IPA assistance programming. The need for improved coordination and coherence has been highlighted to the Commission during consultations as a continuing concern by the authorities of the region.

Efforts are being made by the Commission to ensure good coordination in the programming as well as the implementation process by organising regular meetings throughout the year with beneficiaries, EU Delegations, EU Member States, IFIs, the RCC and other stakeholders. This process is aimed at ensuring complementarities, avoiding overlaps and enhancing, as far as possible, local ownership of the choices, content and design of the programmes.

The Commission organises on a regular basis donor coordination meetings where the Commission and Member States, together with the IFIs and non-EU donors, discuss those projects that were selected to form the MB programmes. The discussions proved to be a key tool to determine areas of common interest and possibilities for sector coordination and division of labour.

Throughout the programming process the Commission has also worked very closely with international organisations, public sector bodies and IFIs to prepare smooth implementation in particular where this is foreseen to be carried in joint management or by delegating implementation tasks.

Prominent examples are the Western Balkans Investment Framework (WBIF) as well as the Refugee Housing Programme.

Table 3: Indicative financial allocations for the year 2012 under the Multi-beneficiary Programme, per sector and per project, in million EUR

MIPD sector	Projects	Budget
Public Administration Reform		<i>20.00</i>
	Support to the Regional School of Public Administration	6.00
	Parliamentary Cooperation	1.00
	SIGMA	3.00
	Statistics	10.00
Justice and Home Affairs		<i>86.35</i>
	Regional support for inclusive education	4.65
	Witness protection II	7.00
	Refugee Housing Programme allocation 2012	74.70
Private Sector Development		<i>2.00</i>
	WBIF	2.00
Transport and energy infrastructure		<i>50.00</i>
	WBIF	50.00
Environment and Climate Change		<i>2.00</i>
	Civil protection	2.00
Social Development		<i>37.90</i>
	Erasmus Mundus Action 1	8.00
	Erasmus Mundus Action 2	12.00
	Youth in Action	3.00
	Tempus	14.90
Other		<i>3.00</i>
	Strengthening European Integration	3.00
Civil Society Support		<i>8.50</i>
	Civil Society Facility allocation 2012	8.50
Supporting programmes		<i>40.49</i>
	Support to the operation budget of the office of the High Representative (OHR) in Bosnia and Herzegovina	4.58
	Support to the Interim Civilian Office Kosovo	2.50
	Contribution to the Energy Community secretariat	3.00
	TAIEX	12.00
	Information and Communication	10.00
	ERDF	1.34
	Monitoring Programme	3.48
	Evaluation and audit	3.59
TOTAL		250.24

For the 2013 programme:

At the end of 2012, the preparations for the 2013 Multi-beneficiary programme and Tempus have been concluded. The MB programme 2013 was presented at the IPA Committee meeting of 5 December and received a unanimous positive opinion.

The Tempus 2013 programme was submitted at the end of December in written procedure to the IPA Committee.

3. IMPLEMENTATION OF ASSISTANCE

3.1 Success stories

IPA 2010 "Fight against organised crime and corruption: Strengthening the Prosecutors' Network (CN 271-284)", (EUR 5.0 million)

The project strengthens the operational capacity and capabilities of the General/State Prosecutors' Offices in the Western Balkan countries to prosecute and investigate cross-border organised crime and linked cases of economic and financial crime and corruption. It institutionalises the Western Balkan Prosecutor Network and increases cooperation with international and European networks. The overall objective of the project is to contribute to improved cross-border and international judicial cooperation in the Balkan countries.

Through the support of the project in 2012, Joint Investigation Teams (JITs) with various EU Member States have been formally set up, focussing especially on human trafficking and forgery of documents. Furthermore the project assisted in coordination meetings of prosecutors and police officers, witness hearings in neighbouring countries and asset recovery measures.

IPA 2011 - "Regional reporting on transitional justice issues" (CN 275-110) (EUR 0.46 million)

Since its launch with EU support in 2012, the "Regional reporting on transitional justice issues project" of the Balkan Investigative Reporting Network (BIRN) has already had a significant impact on the perception of transitional justice across the Balkans. It has raised awareness of transitional justice issues among local citizens - a first step in the process of reconciliation. It has ensured that facts remain at the forefront of any debate on transitional justice and provided a sense of assurance to victims that the process will not be terminated, regardless of political changes in the Balkans.

The unique multi-language, multimedia programme which involves daily updated news reports and analysis for the Transitional Justice section on BIRN's flagship publication "Balkan Insight", plus radio and television productions, fills a crucial gap in a region where media is to a certain extent biased, ethnically divided and subject to political and economic pressure.

The Balkan Transitional Justice (BTJ) online publication is the only media outlet in the region giving constant, impartial, in-depth coverage of war crimes trials, political news related to transitional justice and its impact on ordinary people. A recent UNDP Kosovo Report, 'Perceptions on Transitional Justice', praised the programme for successfully researching and reporting on war crimes.

BTJ's high journalistic quality is based on solid, perceptive and sensitive reporting from its pool of journalists in Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro and Serbia, who were all specially trained by the Balkan Investigative Reporting Network.

Since the project started, more than 1,160 articles (news, analysis and interviews) were published, providing a unique insight into the issue and creating a crucial source of information for researchers, analysts, academics, judicial experts, students and media. There were at least 4,000 republications of BTJ articles by local media outlets across the region.

The project will also have a long-term impact, through the creation of a dedicated trials' and analysis archive for the public, allowing free access to the most comprehensive archive material on these topics for people in the Balkans and elsewhere.

The programme also includes the production of documentary series and a film that will be distributed to media networks across the region for broadcast and also to film festivals. The film follows young people from six Balkan countries as they travel across the region witnessing the impact of the 1990s conflicts.

The Transitional Justice team is regularly contacted by ordinary people from the region seeking help, such as war veterans, families looking for missing persons and people left without personal documents who have lost their property.

It has also become a trustworthy source of information for local, regional and international media as well as for judiciary members, students and numerous other stakeholders and opinion-formers. Some of the most prominent international media outlets have conducted interviews with BTJ journalists, including the BBC, Time, The Guardian and Al Jazeera.

IPA 2010 – "Strengthening the South East European Joint History Project as a Tool for Reconciliation South East Europe"(CN 260-676) (EUR 0.98 million)

The Joint History Project (JHP) is an on-going, social, political and educational initiative that begun under the auspices of the CDRSEE in 1999, a non-governmental organisation in Thessaloniki, aiming at an informed, significant and realistic change in historical research and education in all countries of South East Europe. The objectives are to encourage debate, celebrate diversity and recognise common achievements through a participative approach to history teaching, in order for students and teachers to develop the understanding and skills needed for sustainable peace and a democratic future. In the long term, the JHP aims to revise ethnocentric school history teaching.

The project assists in the production of a set of alternative history-teaching education materials. Four joint history books are currently available in ten languages on four topics relevant in all South East European Curricula: The Ottoman Empire, Nations and States, the Balkan Wars, and World War II. These are designed and written by prominent experts from all over the region – supplemented with continuous teacher training, outreach and media work. The four joint history books have been disseminated to teachers, distributed to schools, universities and libraries in South East Europe. Over 1000 teachers have participated in workshops and have been trained in using the workbooks. Some 4,250 copies of the workbooks have already been disseminated to teachers and 2,600 more will be distributed by 2014.

The JHP is funded by around 20 donors – both public and private institutions.

In 2012 the project was subject to a Result Oriented Monitoring (ROM) assessment which gave a very positive assessment in terms of performance and expected impact.

Education Ministers or their deputies have participated in the launches of all language editions so far and have publicly praised the project. However, it should be recognised that the material has not been included in the formal national curricula in any of the countries. On the other hand, in some countries, the materials and teacher training component has been certified and is on offer as part of the national supplementary teacher training development programmes.

IPA 2011 - EASA – IPA II Project (CN 279-348) (EUR 0.7 million)

The European Aviation Safety Agency (EASA) - IPA II project is helping to improve air safety by bringing together Civil Aviation Authorities in the Western Balkans to meet and exchange views on safety procedures, to promote compatibility among safety management systems and discuss ways to cooperate with each other. This will contribute to the overall objective of the IPA project to support the Western Balkan countries to become part of the EU Single Aviation Area.

PART II - FINANCIAL DATA

On implementation of assistance at 31 December 2012

IPA Multi-Beneficiary

Multi Beneficiary	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	98.56	97.60	99.02%	88.42	89.71%
IPA 2008	147.25	144.75	98.30%	126.77	86.09%
IPA 2009	204.51	197.79	96.71%	186.52	91.20%
IPA 2010	110.51	103.36	93.53%	78.17	70.74%
IPA 2011	168.21	148.51	88.29%	68.92	40.97%
IPA 2012	222.06	56.76	25.56%	6.68	3.01%
Total	951.10	748.77	78.73%	555.47	58.40%

**C. TOWARDS A MORE EFFICIENT AND EFFECTIVE DELIVERY OF ASSISTANCE:
LINKING ASSISTANCE MORE CLOSELY TO THE ENLARGEMENT POLICY PRIORITIES
AND THE SECTOR APPROACH**

1. Towards a new Instrument for Pre-accession for 2014-2020

After an extensive stakeholder consultation and *an* ex-ante evaluation on the future pre-accession assistance instrument which contributed significantly to shape the future instrument, the Commission adopted a proposal for the IPA II Regulation on 7 December 2011, as part of a package of external action instruments. The Commission proposal aims at linking the pre-accession assistance more closely to the enlargement policy priorities and to move towards a sector approach.

In the course of 2012, the proposal for the IPA II Regulation was subject to discussion and negotiation in Parliament and Council, and the negotiations were still ongoing as this report was written.

In parallel, the Commission started to prepare the draft IPA-specific Rules of Application and the strategic planning documents, in view of completing the framework for programming and delivering IPA II assistance. It launched a study on the implementation of the sector approach and initiated duly dedicated working groups addressing different dimensions of the implementation modalities of the new instrument.

2. Cooperation with the donor community on aid effectiveness

In 2012, the Commission continued to pursue the donor coordination agenda including efforts to maximise aid effectiveness and transparency in line with the commitments made at the 4th High Level Forum on Aid Effectiveness in Busan in November 2011, where the Commission agreed on the importance of shared principles such as ownership of priorities, importance of results, transparency and accountability. In addition, the donor community, including the Commission, committed to improving the quality and effectiveness of development co-operation also through the transparency of its aid.

In the course of 2012, the Commission took further steps to ensure alignment of funding under the Instrument for Pre-accession (IPA) with the international standards on aid transparency. In accordance with the commitments made during the 2012 Busan Conference on Partnership for Effective Development Co-operation, relevant information on Official Development Assistance (ODA) will be made available to the public in standard format at the latest by the end of 2015. Through the publication of datasets with information at the organisation and activity levels as well as on current and future expenditure, the Commission will provide Member State authorities, their citizens and third countries with timely, comprehensive and forward-looking information on resources provided through development cooperation.

In line with the recommendations of the Organization for Economic Co-operation and Development (OECD) in the framework of its *DAC²¹ Peer Review of the EU 2012*, the Commission has reviewed its programme design approach. The implementation of the sector approach envisaged under IPA II is aiming at managing external aid in a more effective way and making pre-accession assistance more effective, efficient and results-oriented.

Further developments in line with a more results-oriented approach are expected from IPA in the future. In this respect, a working group was established in 2012 with the purpose of developing a framework for indicators to be used at the level of the country strategies for monitoring, evaluation and review of progress and performance.

The Commission is coordinating these processes to make sure that pre-accession assistance is in line with the various initiatives within the Commission, as well as by EU Member States, International Financial Institutions and the wider donor community, to improve donor coordination and aid effectiveness and to ensure achieving expected results.

3. Sector approach

Throughout 2012 the Commission continued the gradual implementation of the sector approach in the programming of the next financial instrument for pre-accession assistance (IPA II) for the period 2014-2020.

The gradual move towards a sector approach was decided as a follow-up of the IPA Conference of October 2009, with the purpose to better achieve results, impact and added value through the assistance. These principles have become key for all new external action instruments for the period 2014-2020.

The shift towards a sector approach is particularly relevant at a time when budget constraints faced by Member States and International Financial Institutions call for an even more efficient and sustainable pre-accession assistance: a strategy-based approach to programming built upon the countries' needs and strengths will contribute to a more effective and results oriented pre-accession process. Moreover, while ensuring greater ownership of national authorities over the programmes, since the sector approach is based on national strategies, such an approach maximises the potential for complementarity. It increases the leverage between different modes of support and helps to rationalise the support through an appropriate division of labour. The relevance of this new approach was confirmed in the IPA stakeholder conference in Zagreb in April 2011 and the conclusions of the evaluation on the current IPA implementation.

The IPA Multi-annual Indicative Planning Documents (MIPDs) covering the years 2011-2013 were drafted to reflect this approach, resulting in more focused documents and aiming at achieving an enhanced prioritization and more targeted assistance. A new programming method including new programming templates and guidance, was already introduced at the end of 2011 for the programming of the budget years 2012 and 2013. In the course of 2012, all national authorities made a sustained effort to analyse the readiness of the sectors identified in their respective MIPD to move towards a sector approach. As such, 2012 saw the first genuine attempt to implement a sector approach in enlargement countries and served as a pilot test for the more substantial changes that will take place under IPA II.

²¹ Development Assistance Committee, Development Co-operation Directorate (DCD-DAC), OECD

Meanwhile, draft guidelines on the application of a sector approach to pre-accession assistance were produced by the Commission in the course of 2012, to be finalised in 2013, to serve the programming of IPA II. In 2013, the Commission has also held workshops on the sector approach in all IPA beneficiary countries to allow for a thorough understanding of the application of the sector approach for the programming of IPA II funds.

4. Lessons learned from Evaluation

The role of evaluation is attracting increasing attention from governments and development agencies, and reflects a cornerstone related to the aid effectiveness agenda. Different actors are presently engaged in enhancing the policy making role of evaluation, disseminating a "performance culture" and actually strengthening the departments dedicated to evaluation.

The interest in evaluation originates from Member States, EU Parliament, Court of Auditors, the civil society but also, increasingly, from within the Commission. In particular, the March 2012 Directorate General for Enlargement Internal Audit Capability report on IPA programming is also mentioning a "confusion of strategic and operational objectives" and recommends to "develop comprehensive methodology of setting and distinguishing three levels of objectives (strategic, operational and intervention) in the intervention logic, ensuring appropriate logical links between them and elaborating how to define SMART indicators". As a follow-up to the DG seminar held on 25 January 2013, a Working group on "performance culture" was set up.

Progress towards the overall objective of enlargement policy is assessed against the policy's impact on enlargement countries meeting the political, economic and EU *acquis* criteria for accession and coming closer to the standards of the EU, as well as meeting the Stabilisation and Association conditions in the EU's policy framework for the Western Balkan countries.

The implementation of the policy is supported by the Instrument for Pre-Accession Assistance (IPA) financial instrument 2007-2013. The added value of the IPA program lies in its characteristic to act as a main driver for the preparation of the candidate countries and potential candidates for future EU membership. IPA is designed to give countries a 'test run' of the obligations of membership before accession (such as putting in place institutions for managing post-accession EU funds, and/or adopting the *acquis* and EU standards). It provides a comprehensive toolbox, linked to the EU global field presence, wide-ranging expertise and economies of scale.

An emphasis on a move towards policy evaluation, in order to better apprehend the link between implementation of financial cooperation and achievement of the policy goals set out, is presently pursued. Based on the recommendations of an IAC audit on programming, an internal working group has been set up and is active elaborating guidelines and more relevant performance indicators to be used in the 2014-2020 programming exercise. A joint project on capacity development on Monitoring and Evaluation has been launched in 2012 with the World Bank and is under implementation.

The move towards result oriented sector approaches has been confirmed in the present draft IPA Regulation, also taking on board results of past evaluations, the recommendations of the IPA Conference of 2009 and the Special report on Turkey issued by the Court of Auditors in 2010.

In the context of the main challenges and objectives for the EU's enlargement policy in 2012, a thematic evaluation on the EU's support to strengthening Governance, Rule of Law, Judiciary Reform and Fight against Corruption and Organised Crime in the Western Balkans was finalized in 2012. The evaluation confirms the importance of the issue, raised by the Council and European Parliament, which both underlined that strengthening the rule of law and democratic governance in candidate and potential candidate countries remains crucial. The evaluation on the Rule of Law found out that in all seven Western Balkan countries, the actions bring a clear added value to national authorities, as there have been major improvements to the fundamental institutional and organisational frameworks in the rule of law sector. Nevertheless, the challenges ahead are stronger political will, increase in the ownership of the program and local administrative capacity which remain crucial conditions for a sustainable judicial reform.

In terms of efficiency and effectiveness, the evaluation supports the simplification of IPA II programming to fewer instruments, more sector programming with longer time-horizons. On the beneficiary side, it was recommended that judicial reform programmes should have clear priorities reflected in national policy and budget propositions, ensuring stable planning parameters and financing. On the EU side, the evaluator recommended that the EU shall elaborate overall and programme objectives with regard to Governance and Rule of Law and shall re-assess/increase the IPA funding following the evidence based programming. Priority programmes could have a four-to-seven year horizon with clear 'stoppage points' for review and adjustment.

Taking into account the results of the current evaluation, a notion for introduction of multi-annual planning in IPA II assistance, covering the duration of the next multi-annual financial framework, with a mid-term review, was proposed. Regarding the performance measurement and management of financial assistance in the areas Governance, Rule of Law, Judiciary Reform and Fight against Corruption and Organised Crime, the evaluation pointed out the importance of coming up with the elaboration of SMART (Smart, Measurable, Achievable, Realistic, Time-bounded) objectives and indicators of measurement to support programming and monitoring of performance of financial assistance and reforms. Some of the proposed indicators are currently used to develop an indicator framework for the programming exercise for IPA II assistance.

Another thematic evaluation on judiciary and fundamental rights in Turkey recommended using a sectoral programming approach in programming new IPA II. Moreover it concluded that a Judiciary and Human Rights field is appropriate for a programme sector-based approach for IPA II assistance, while considering agreed political priorities and a streamlined programming process. Based on the evaluation, the EU assistance in judiciary and fundamental rights in Turkey was considered as supportive, adding value in enhancing human rights reforms to meet the political criteria for EU accession, strengthening the effectiveness of the court system to take into account European human rights standards and demonstrating an adequate level of delivery of results in view of the available resources. However, the evaluation pointed out weaknesses in the programming and implementation of assistance, which deprive the assistance of some of its added value. Following the evaluation's recommendations to streamline the programming process while strengthening the ownership by relevant institutions and enhance its transparency to beneficiaries, some amendments in programming IPA II are foreseen. Elements of flexibility, improved governance and growing ownership by the beneficiary countries will be introduced in new IPA II programming to cater for emerging needs and give incentives to improve performance.

The thematic Evaluation of EU's Support to Civil Society in the Western Balkans and Turkey recommended greater involvement of civil society and stakeholders in the programming and project selection mechanisms. In addition, it proposed better synergy between EU and non-EU interventions, in the programming and implementation of IPA assistance. The evaluation contributes to proposing some modifications in the management of the new IPA program in terms of increasing cooperation with other donors and International financial institutions at strategic level. In addition it supports enhancing stakeholder's participation in programming through working groups, Sectoral Monitoring Sub-Committee and Transition Assistance and Institution Building meetings.

The strategic/interim evaluation of the SIGMA (Support for Improvement in Governance and Management) programme assessed the relevance, effectiveness and potential impact and sustainability of SIGMA collaboration, support and advice. The evaluation reported that SIGMA's input is considered indispensable and effective, but it also acknowledged that the process is driven by mutual demand as institutional and legislative developments. A structured and traceable hierarchy of general and specific objectives and integrated (political) risks is currently lacking, which hampers the positive impact of SIGMA's input. To overcome the bottleneck, the evaluation proposed establishing a SIGMA's intervention logic, representing the programme as a whole. Both the Commission services and SIGMA were advised to search for a new agreement, which could be useful to provide a real time overview of SIGMA's implementation context. Also in line with the evaluation recommendations, the purpose of the SIGMA assessment will be broadened. Starting in 2013, in three countries, the assessment will become the basis for a more effective policy dialogue, a tool for informing IPA national and regional funding, and a tool for SIGMA to develop country reform plans.

Conclusions

Drawing on these findings, lessons learnt and recommendations in evaluations, the Commission's proposal for the new IPA II programme seeks to make the necessary adaptations to meet the challenges currently faced. Hence, during 2012 a number of important milestones were achieved related to the establishment of the regulatory and strategic framework of pre-accession assistance post 2013 (IPA II) and the development of the sector approach. IPA II was designed so as to ensure continuity and transition from the current IPA, to operate under simplified and harmonised rules across all Commission departments, and to facilitate access to funding for beneficiaries. For better effectiveness and efficiency, the assistance will be made more result-oriented, flexible and tailored to specific needs.

5. TAIEX, a demand driven instrument aligned with EU policy priorities

TAIEX (Technical Assistance and Information Exchange) was set up in 1996 to share EU Member State public administrations' technical expertise in all fields of EU legislation with those countries that are about to join the European Union. In particular, TAIEX facilitates the delivery of tailor-made expertise to address issues at short notice. In 2006 the instrument was extended to neighbourhood countries, both South and East. TAIEX is mainly driven by incoming demand. Nevertheless, in 2012 requests submitted by beneficiary public administrations largely matched the policy priorities set by the European Union.

In recent years Enlargement Strategy and ENPI policy documents have attached increased importance to strengthening the rule of law and countering corruption and organised crime. Assistance requests submitted by TAIEX beneficiaries have increasingly focused on this policy area – Freedom, Security and Justice. A record level of operations, 475 out of a total 1,879 of TAIEX activities, took place in 2012.

TAIEX assistance also covered traditionally highly requested areas of the internal market (IM), as well as agriculture and food safety (AGRI), and environment, transport and telecommunications (ETT).

- **A flexible instrument**

Outside classic TAIEX events, the Local Administration Facility (LAF) aims to increase awareness among Western Balkan local and regional authorities on how the EU works and what accession means for their responsibilities. In total 14 LAF events were organised, to the benefit of almost 400 representatives from local and regional administrations.

In 2012, the TAIEX instrument's flexibility was demonstrated by a broad set of other activities. Increasing use is being made of medium-term technical assistance, a sequence of agreed short-term interventions. This approach has been used in the agriculture and food safety sectors as well as, generally, in assistance to the Turkish Cypriot community, Iceland, and Kosovo.

TAIEX further supported the assessment of Montenegro's compliance with the EU acquis, the so-called screening, a key part of the EU accession process. Finally, TAIEX organised several assessment missions chiefly aimed at providing feedback on the legislative, institutional and administrative “state of play” in defined sectors of a beneficiary country.

- **TAIEX outreach**

In line with the trend registered since 2005, in 2012 TAIEX reached around 30,000 public officials from beneficiary countries. Turkey, the former Yugoslav Republic of Macedonia, Croatia and Bosnia and Herzegovina benefited the most from TAIEX assistance with almost five thousand Turkish participants (4,767) and more than 3,000 from the other three countries (3,431, 3,232 and 3,223).

- **TAIEX experts, the instrument's driving force**

TAIEX operations rely on the expertise provided by public administration officials from the EU Member States. The knowledge and competence of the experts mobilised by TAIEX has been rated as excellent by more than half of the participants and in general the level of appreciation is noticeably high. In 2012 almost 5,000 experts were mobilised.

- **Tracking TAIEX performance and impact**

The overall goal of TAIEX operations is transferring expertise in EU legislation from experts to events' participants. In 2012, this objective was met for the large majority of events; 99% of participants who provided feedback reported that the attended TAIEX event had enabled them to improve their knowledge.

The transfer of knowledge and expertise can and should lead to more tangible and meaningful effects for the beneficiary administration. With the aim of measuring both the effectiveness and the final impact of TAIEX assistance, a new evaluation system has been put in place. Six months after the implementation of an event, applicants are asked to provide a synthetic, online feedback on the specific assistance delivered.

- **Logistics**

Organising almost 2000 operations per year represents a considerable challenge not only in matching assistance requests with tailored expertise, but also logistically. For the practical implementation of events, TAIEX relies on the external support of a service provider that in 2012 procured and provided highly appreciated interpretation, accommodation, transportation, and conference venue support services.

D. PHARE, CARDS, TURKEY PRE-ACCESSION AND TRANSITION FACILITY FINANCIAL DATA AT 31ST DECEMBER 2012 :

1. EU 12 – PHARE and Transition Facility - Decentralised Management

PHARE together with the Transition Facility proved to be a complex and efficient instrument responding to most of the pre-accession needs and *acquis* related post-accession issues.

The project implementation phase was successfully completed in 2011 for PHARE and the Transition Facility. All payments were therefore finalised before 2012. There was however, throughout 2012, some remaining work to be done. Significant developments were made concerning the clearing of the accounts and the closure of programmes including 56 programmes that were closed, 40 programmes that were subject to the Clearance of Accounts 'Final Decision' and 28 that were subject to the Clearance of Accounts 'Opening Positions'. The total amount cleared in 2012 was approximately EUR 0.58 billion.

The last Joint Monitoring Committees on EU-10 took place in 2010 and for Bulgaria and Romania the last ones took place in 2011 for the supervision of the remaining few programmes, via written procedure. No supervision of implementation was necessary since 2011.

Total commitments, contracts and payments:

CARDS Total	Allocated	Contracted	Percentage	Paid	% Paid
CARDS 2001	951,941,764	951,941,764	100.00%	951,941,764	100.00%
CARDS 2002	526,714,315	526,129,157	99.89%	525,615,185	99.79%
CARDS 2003	485,017,422	484,821,558	99.96%	484,000,541	99.79%
CARDS 2004	545,815,353	541,386,249	99.19%	537,831,820	98.54%
CARDS 2005	411,760,483	408,857,507	99.29%	402,863,483	97.84%
CARDS 2006	376,224,823	372,270,702	98.95%	354,431,683	94.21%
Total	3,297.474,162	3,285.406,938	99.63%	3,256,684,475	98.76%

2. Candidates and Potential Candidates - CARDS (and PHARE for HR) or Turkey Pre-accession Assistance - FINANCIAL DATA

The main objectives of CARDS programmes were: (i) support to good governance, institution building and the rule of law; (ii) continued support to the development of a market economy

while investing further in vital physical infrastructure and environmental actions and (iii) support to democratic stabilisation, social development and strengthening of civil society. These objectives contributed to the all-encompassing goal of CARDS annual Action Programmes which aimed at helping Candidates and Potential Candidates prepare for EU accession. Therefore, the main lesson learned along the way concerned increasing ownership of the EU programming process encouraged by the beneficiary together with proper coordination and cooperation must be ensured also from other donors when trying to deliver an important message to the government.

In order to ensure that EU funds implemented under decentralised management are used in accordance with the applicable rules, and in line with the Financial Regulation, the Commission applies 'clearance-of-accounts' procedures or financial correction mechanisms which enable it to assume final responsibility for the implementation of the EU budget.

This process is essential to, *inter alia*, assess whether EU-funded projects achieved the foreseen results and met specific objectives.

During 2012, the Commission performed on-the-spot checks on the contents of the accounts and on the underlying transactions presented in the aforementioned final declaration of expenditure, including checks made jointly with the Croatian institutions.

The next steps will be for the Commission to establish the amount of expenditure recognised as chargeable to the budget, recover the balance and close the programmes. This process includes an "adversarial procedure" during which the national authorities are expected to respond to the Commission's observations on the final declarations.

In this regard, an ex-post evaluation of CARDS has been launched in 2012 and another ex-post evaluation of PHARE has been planned in the evaluation work plan for 2013.

A Success story among others

In Serbia, the "Rehabilitation and extension of the waste water treatment plant of Subotica" (total budget: EUR 18 million; EU Contribution - CARDS 2004: EUR 4.92 million - (works EUR 4.72 million and TA EUR 0.2 million). Other project partners were: PUC "Vodovod i kanalizacija" Subotica/EBRD Loan: EUR 9 million, funds allocated by the Municipality of Subotica: EUR 3 million; Italian government Grant: EUR 0.59 million; Public Water Management Company Vode Vojvodine: EUR 0.45 million; Kingdom of the Netherlands Grant: EUR 0.15 million.

In March 2012, citizens of Subotica and the region saw the opening of a new waste water treatment plant. Through the Medically Indigent Services Program (MISP), the EU financed the construction of a EUR 5 million sludge line, thus solving the problem of poorly treated waste water full of phosphate and nitrate which was heavily polluting the lake and the region's soil. The sludge line will now help to restore the ecological balance and natural habitat of Palić Lake by pumping filtered, clean water into the lake. In addition, the new treatment plant saves energy as the treatment of waste water produces biogas which in turn is used to generate electricity.

Management performance : Status of financial assistance at the end of December 2012 (in million EUR) – CARDS /PHARE annual programmes

CROATIA:

	Allocated	Contracted	% Contracted	Paid	% Paid
CARDS 2001	58.00	56.06	96.66%	52.69	90.84%
CARDS 2002	59.00	56.78	96.24%	54.43	92.25%
CARDS 2003	62.00	61.08	98.52%	58.25	93.95%
CARDS 2004	81.00	77.92	96.20%	74.13	91.52%
Phare 2005	78.14	67.79	86.75%	62.35	79.79%
Phare 2006	68.71	59.16	86.10%	56.12	81.68%
Total	406.85	378.79	93.10%	357.97	87.99%

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

	Allocated	Contracted	% Contracted	Paid	% Paid
CARDS 2001	56.64	56.64	100.00%	56.64	100.00%
CARDS 2002	33.033	33.033	100.00%	33.033	100.00%
CARDS 2003	36.005	36.005	100.00%	36.005	100.00%
CARDS 2004	53.175	53.175	100.00%	51.351	96.57%
CARDS 2005	34.044	33.498	98.40%	32.364	95.07%
CARDS 2006	33.399	30.577	91.55%	29.65	88.78%
TOTAL	246.296	242.928	98.63%	239.043	97.06%

SERBIA

	Allocated	Contracted	% Contracted	Paid	% Paid
CARDS 2001	193.61	193.61	100.00%	193.61	100.00%
CARDS 2002	165.79	165.79	100.00%	165.12	99.60%
CARDS 2003	211.76	211.76	100.00%	209.14	98.76%
CARDS 2004	200.64	199.19	99.28%	200.18	99.77%
CARDS 2005	147.17	146.99	99.87%	146.22	99.35%
CARDS 2006	157.47	155.96	99.04%	155.13	98.51%
Total	1076.44	1073.29	99.71%	1069.41	99.35%

BOSNIA AND HERZEGOVINA

	Allocated	Contracted	% Contracted	Paid	%Paid
CARDS 2001	105.23	98.12	93%	98.12	93%
CARDS 2002	60.50	56.53	93%	56.53	93%
CARDS 2003	50.60	46.08	91%	46.07	91%
CARDS 2004	62.10	60.09	97%	60.8	97%
CARDS 2005	44.00	42.78	97%	42.27	96%
CARDS 2006	43.80	42.23	96%	41.70	95%
Total	366.23	345.83	94%	344.77	94%

ALBANIA

	Allocated	Contracted	% Contracted	Paid	%Paid
CARDS 2001	43.39	40.09	94,26%	40.09	100%
CARDS 2002	31.69	31.69	100%	31.69	100%
CARDS 2003	37.83	37.40	98,85%	37.40	100%
CARDS 2004	58.03	56.15	96,76%	53.34	95,00%
CARDS 2005	38.07	37.64	98,89%	35.80	95,11%
CARDS 2006	40.85	40.36	98,79%	35.70	88,47%
Total	249.86	244.14	97,71%	234.84	96,19%

TURKEY

	Allocated by EU	Contracted by PAO Turkey	% Contracted	Paid by PAO Turkey	%Paid
TPA 2001	57.45	56.42	98.21%	54.51	94.88%
TPA 2002	126.00	112.18	89.03%	104.94	83.29%
TPA 2003	144.00	122.03	84.74%	117.11	81.33%
TPA 2004	235.60	194.38	82.50%	186.16	79.02%
TPA 2005	269.25	228.30	84.79%	221.46	82.25%
TPA 2006	450.00	387.50	86.11%	374.19	83.15%
Total	1,282.30	1,100.81	85.85%	1,058.38	82.54%

TPA = Transition Period Assistance. EU allocated funds to Turkey under MEDA and PHARE programmes.

ACRONYMS AND ABBREVIATIONS:

AFD

Agence Française de Développement

ARPA	Agency for the Audit of EU Programmes' Implementation System
BIRN	Balkan Investigative Reporting Network
BISO	Business Innovation Support Organisations
BSP	Business Service Providers
BTJ	Balkan Transitional Justice
CAP	Common Agricultural Policy
CBC	Cross Border Cooperation
CDRSEE	Center for Democracy and Reconciliation in Southeast Europe
CFCF	Central Financing and Contracting Department
CFCU	Central Finance and Contracts Unit
CIP	Competitiveness and Innovation Framework Programme
CoE	Council of Europe
CPC	Commission for Protection of Competition
CPiE	Country Programme interim Evaluation
DOPA	Department of Public Administration
EASA	European Aviation and Safety Agency
EBRD	European Bank for Reconstruction and Development
EFQM	The European Foundation for Quality Management
EIB	European Investment Bank
EMAS	European Eco-Management and Audit Scheme
ENTSO-E	European Network of Transmission System Operators for Electricity
ESF	European Social Fund
EUPM	European Union Police Mission
FWC	Framework Contract
GAGF	Greater Anatolia Guarantee Facility
HACCP	Hazard analysis and critical control points
IAC	Internal Audit Capability
ICMP	International Commission for Missing Persons
IDPs	Internally Displaced Persons
IFIs	International Financial Institutions
ILO	International Labour Organisation
IMO	International Maritime Organization
IPA	The Instrument of Pre-Accession
IPARD	Instrument for Pre-Accession in Rural Development
IPPC	Integrated Pollution Prevention Control
IPRs	Industrial Property Rights
ISA Programme	Interoperability Solutions for European Public Administrations
ISCO	International Standards Classification of Occupations
ISKUR	Turkish Public Employment Service
ISTAT	Albanian Institute of Statistics
JHP	Joint History Project
JIT	Joint Investigation Teams
JMC	Joint Monitoring Committee
JTS	Joint Technical Secretariat
KFW	Kreditanstalt für Wiederaufbau
LAGs	Local Action Groups

LLP	Life Learning Programme
MIFF	Multi Annual Indicative Financial Framework
MIPD	Multi-Annual Indicative Planning Document
MoELSP	Ministry of Economy, Labour and Social Inclusion
NAO	National Authorising Officer
NIPAC	National IPA Coordinator
NOF	National Qualifications Framework
OCTA	Organised Crime Threat Assessment
ODA	Official Development Assistance
OPHRD	Operational Programme for Human Resources Development
OVI	Objectively Verifiable Indicators
PAR	Public Administration Reform
PPP	Public-Private Partnership
PPR	Peste des petits ruminants
PSO	Public Service Obligation
RDA	Research and Data Analysis
ROM	Result Oriented Monitoring
SAA	Stabilisation and Association Agreement
SI	Structural Instruments
SIGMA	Support for Improvement in Governance and Management
SMCS	Sectoral Monitoring Sub-Committees
SMEs	Small and Medium-Size Enterprises
TAIB	Transition Assistance and Institution Building
TCA	Turkish Customs Administration
TEIAS	Turkish Electricity Transmission Corporation
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
VET	Vocational Education and Training
WB	World Bank
WHO	World Health Organisation
WLA	Workload Assessment
YCS	Young Cell Scheme