



Council of the  
European Union

Brussels, 30 September 2014  
(OR. en)

13769/14  
ADD 1

ELARG 108  
COWEB 105  
FSTR 58

## COVER NOTE

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From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	30 September 2014
To:	Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union

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No. Cion doc.:	SWD(2014) 287 final
Subject:	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 2013 Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS, Turkey Pre-Accession Instrument, Transition Facility)

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Delegations will find attached document SWD(2014) 287 final.

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Encl.: SWD(2014) 287 final



Brussels, 30.9.2014  
SWD(2014) 287 final

**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**

**2013 Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS,  
Turkey Pre-Accession Instrument, Transition Facility)**

{COM(2014) 610 final}

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## INTRODUCTION

The Instrument for Pre-accession Assistance (IPA) is the means by which the EU supports reforms in the 'enlargement countries' with financial and technical help. It accompanies the accession policy, as set out by the European Union, with a view to implementing Article 49 of the Treaty on European Union which offers the prospect of EU membership to all European countries that respect the fundamental values of the EU and are committed to promoting them. The IPA funds build up the capacities of the countries throughout the accession process, resulting in progressive, positive developments in the region. For the period 2007-2013 IPA had a budget of some EUR 11.5 billion; its successor, IPA II, will build on the results already achieved by dedicating EUR 11.7 billion for the period 2014-2020. Beneficiaries for this period were: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Iceland, Kosovo\*, Montenegro, Serbia, and Turkey. Since its entry into the EU, in July 2013, Croatia is no longer an IPA beneficiary, but still benefits from the Transition Facility.

In 2013, the enlargement countries further advanced on their path towards the European Union. There were a number of positive developments in the candidate countries<sup>1</sup> and potential candidates<sup>2</sup>, including progress made on EU-related reforms. Accession negotiations with Iceland were put on hold by the Icelandic government in May 2013 and will only be resumed by the Icelandic side if the government decides to continue on the path towards EU membership.

The policy objectives of the Commission in the field of enlargement are supported by the Instrument for Pre-Accession Assistance (IPA)<sup>3</sup>. The instrument is the means by which the EU supports reforms towards alignment to EU standards and *acquis* in the enlargement countries through both financial and technical help. IPA funds build up the capacities of the countries throughout the accession process, thus resulting in progressive, positive developments in the region.

IPA replaced the previous instruments for pre-accession: PHARE, ISPA, SAPARD, the pre-accession instrument for Turkey, and the financial instrument for the Western Balkans, CARDS. Since 2007, the enlargement countries have received EU funding and support through this single channel.

IPA is divided into five components:

- I (Transition Assistance and Institution Building)
- II (Cross-Border Cooperation)
- III (Regional Development)
- IV (Human Resource Development)
- V (Rural Development)

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<sup>1</sup> Croatia (until June 2013), Iceland, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey.

<sup>2</sup> Albania, Bosnia and Herzegovina, Kosovo\*

<sup>3</sup> Regulation 1085/2006 establishing an Instrument for Pre-Accession Assistance (IPA)

Components I and II are under the responsibility of the Directorate-General for Enlargement (DG ELARG) and open to all beneficiary countries. The other components, aimed at preparing the beneficiaries for the implementation of structural funds after joining the EU, and were only accessible to candidate countries and are managed under the responsibility, respectively, of the Directorate-General for Regional Policy (DG REGIO), the Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) and the Directorate-General for Agriculture and Rural Development (DG AGRI).

EU pre-accession funds are a sound investment into the future of both the enlargement countries and the EU itself. They help the beneficiaries make political and economic reforms, preparing them for the rights and obligations that come with EU membership. Those reforms should provide their citizens with better opportunities and allow for development of standards equal to the ones enjoyed by the citizens of the EU. The pre-accession funds also help the EU reach its own objectives regarding a sustainable economic recovery, energy supply, transport, the environment and climate change, etc.

The 2013 Annual Report is an occasion to look back at success stories and lessons learnt from IPA which can help shape future assistance under the new IPA II for 2014-2020 .

The present Staff Working Document accompanies the Communication presenting an overview of the achievements of IPA in 2013.

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

### **CROATIA**

#### **1. SUMMARY**

Throughout 2013 Croatia continued to actively implement measures to further strengthen its capacity to meet the obligations of membership to the European Union (EU). Since 1 July 2013, Croatia has been an EU Member State.

Under the National Programme for IPA Component I, the first six months allocation for 2013 was adopted in 2012 together with the IPA 2012 Transition Assistance and Institution Building allocation. The total amount of the 2012 and 2013 National Programmes was EUR 46.80 million (2012: EUR 35.22 million; 2013: EUR 11.58 million).

Furthermore, Croatia continued to report on a quarterly basis to the Commission on the achievements in meeting the requirements and benchmarks as regards transactions, system and its supervision, which were agreed with the Commission in the “Roadmap to waive ex-

ante controls". After a steady decrease of rejection rates<sup>4</sup>, the Commission waived ex- ante controls on procurement and grant award procedures for IPA component III on 24 January 2013, IPA components I and II on 12 February 2013 and IPA component IV on 19 February 2013. Since IPA component V was implemented from the outset without ex-ante controls, as of 19 February 2013, the whole instrument was implemented in Croatia without prior controls by the Commission.

As far as the National Programme for IPA Transition Assistance and Institution Building (TAIB) 2012 is concerned, the Financial Agreement was signed on 9 May 2013 with final date for contracting 29 November 2016. Concerning the National Programme for IPA TAIB 2013, the Financial Agreement was signed on 26 July 2013 with a contracting deadline set at 14 January 2017.

Under IPA component I and II, an adequate institutional set up for decentralised management of IPA funds has been fully established. A system with internal rules of procedure and personal responsibilities was developed. Implementing and operational agreements have been signed, defining the roles and responsibilities within the system: between the National Authorising Officer (NAO) and the Head of the Operating Structure and among bodies and responsible persons within the Operating Structure. Manuals of procedures were developed for each body within the system, with a clear description of all processes and procedures and with audit trails developed.

The multi-annual Human Resources Development Operational Programme (HRDOP) under IPA Component IV for the period 2007-2013 aimed at supporting Croatia in policy development as well as preparation for the implementation and management of the Union's cohesion policy; in particular regarding the European Social Fund. In line with the Multi-annual Indicative Planning Document (MIPD), it focused on tackling unemployment through targeted actions; promoting social inclusion, reducing the barriers to employment, facilitating the delivery of new, high-quality VET curricula as well as developing the administrative capacity of the institutions in charge of the implementation. An increasing policy focus has been placed on improving the adaptability of enterprises and workers since 2011. A new priority axis has been introduced in 2012 targeting the civil society organizations and the promotion of social dialogue.

## **2. STRATEGIC PLANNING AND PROGRAMMING**

### **2.1. Multi-annual Indicative Planning Document (MIPD)**

The Instrument of Pre-accession Assistance (IPA) support for the period 2012-2013 had a strong focus on the new sector approach developed for IPA. 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.

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<sup>4</sup> By rejection rate it is intended the percentage of procurement documents (tender notices, tender dossiers, evaluation reports, etc.) submitted by the national authorities having been entrusted for the management of IPA funds to the EU Delegation for ex-ante control.

During the first six months of 2013 EU assistance continued to be provided in the following sectors:

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.

Table 1: MIFF<sup>5</sup> allocations per component, in million EUR

Component	2011	2012	2013	2011-2013
<b>I – Transition Assistance and Institution Building</b>	39.96	39.97	17.44	97.37
<b>II – Cross-border cooperation</b>	15.87	16.44	9.75	42.06
<b>III – Regional Development</b>	58.20	57.45	30.09	145.74
<b>IV – Human Resources Development</b>	16.00	15.90	8.55	40.45
<b>V – Rural Development</b>	26.50	25.82	27.70	80.02
<b>TOTAL</b>	<b>156.53</b>	<b>155.59</b>	<b>93.52</b>	<b>405.64</b>

## 2.2. Programming

### 2.2.1. IPA Component I

The most important strategic document for the IPA Programme is the MIPD. The purpose of the document is to set out the EU's priorities for assistance to the beneficiary for a three year programming period. Apart from its multi-annual nature, the MIPD is reviewed annually.

The programming process for 2012 and 2013 was conducted in parallel starting from September 2011. According to the Croatia MIPD 2011 – 2013, the focus of the programming under the IPA 2012/2013 National Programme was primarily on the following MIPD sectors: Justice, Home Affairs and Fundamental Rights and Public Administration Reform. The needs identified under the other sectors are mainly covered by the IPA components III-IV. With regard to the programming context, the IPA 2012/2013 National Programme was the last programming cycle, with the sector approach partially applied to Croatia. Programming of the IPA programme for the last two consecutive years, had been officially concluded with the

<sup>5</sup>As 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



ratification process in December 2013 for programming year 2012 and at the beginning of January 2014 for the programming year 2013.

### 2.2.2 IPA Component II

After the accession, the new Croatian Managing Authority (Ministry of Regional Development and EU Funds, of the Republic of Croatia) started its negotiations with the neighbouring IPA countries on the preparation of the next programming period 2014-2020. Subsequently, two new programmes were agreed to be launched: Croatia-Serbia and Croatia-Bosnia and Herzegovina and Montenegro, under the share management principle. Following the European Commission's favourable opinion to the preparation of the programmes falling under IPA, namely Croatia-Serbia (Future IPA CBC programmes between Croatia and beneficiary countries, Ref. Ares(2013)3245615 - 15/10/2013), the Republic of Croatia and the Republic of Serbia have decided to establish a Task Force for the preparation of the programming period 2014 – 2020. Its first meeting took place in November 2013.

### 2.2.3. Transition Facility

The Transition Facility programme for Croatia for the year 2013 aims at providing assistance in the area of Justice, Fundamental Rights and Home Affairs, Public Administration Reform and Administrative Capacity Development, as well as the Implementation of the EU *acquis*.

Overall, the programming process for the Transition Facility programme for Croatia has been defined in article 30 of the Accession Treaty. This article establishes the Transition Facility, with commitment appropriations of EUR 29 million in total for 2013 to continue to support the Republic of Croatia in its efforts to further develop and strengthen its administrative and judicial capacity to implement and enforce EU law.

The programming of the Transition Facility was initialized at the beginning of October 2012, based on the information and instructions regarding the Transition Facility provided by DG ELARG. In the first stage of programming the potential beneficiaries drafted "Transition Facility Priority Assessment Templates" in which they identified and justified priorities and operations for financing under the Transition Facility. At the end of November 2012, the Ministry of Regional Development and EU funds (MRDEUF) submitted to the Commission the first package of the programming documents for the Transition Facility. Following the programming mission in December 2012, beneficiaries with the support of the DSP(?) within the MRFDEUF continued to work on further elaboration of project proposals in the form of Operation Identification Sheet (OIS). First drafts of respective OISs for project proposal were submitted in February 2013. From March until October 2013 the Commission provided three rounds of comments on the OISs while beneficiaries and NIPAC updated OISs accordingly. Final versions of OISs were sent by the MRDEUF on 3 October 2013. The Commission adopted the Transition Facility Programme on 22 November 2013 with implementing decision C (2013) 8057. There are 21 projects approved in the TFP amounting to 29 million EUR (total budget is EUR 32.1 million). The contracting deadline is 22 November 2016.

### 2.2.4 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.

The three Operational Programmes related to the Environment, Transport and Regional Competitiveness sectors focus on the support of the reforms and projects in the following sectors: 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 the technology transfer and support for the Small and Medium-Size Enterprises (SMEs).

In line with the provisions of the accession Treaty<sup>6</sup> the pre-accession IPA programmes under the component III (Regional development) have been revised following the accession. They became programmes under the Cohesion policy, co-funded by European Structural and Investment Funds. Their strategic focus remained unchanged; their implementation period were extended until the end of 2016, and a new allocation of million EUR 378.2 of European Regional Development Fund and Cohesion Fund were committed, adding to the former million EUR 330 of IPA III funds,

#### 2.2.5 – 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.

The Commission Decision on waiving of ex-ante controls by the Commission on the tendering of contracts and launch of calls for proposals and the award of contracts and grant was adopted on 19 February 2013.

#### 2.2.6 Component V

As regards IPA Component V, the programme was adopted on 25 February 2008 and has been revised six times. The last modifications adopted by the Commission on 18.10.2013 concerned mainly on the adaptation of financial tables to take into account: a) the new financial allocation for 2013 according to the MIPD 2011-2013; b) the automatic de-commitment of funds in 2009 due to the under spending in 2012 ("n+3" rule), and c) re allocation of funds between measures and priorities due to non-implementation of measure 201 – Agri-Environmental measures and under spending of measure 501 – Technical Assistance.

This amendment included the full 2013 allocation, as the programme, contrary to Components III and IV, is implemented by the end of 2013.

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<sup>6</sup> Decision of the Council of the European Union of 5 December 2011 on the admission of the Republic of Croatia to the European Union, L 112 of 24 April 2012, Annex 4 point 7

### **3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2013**

In the following section, some examples are provided to show the objectives and scope of some successful IPA projects.

#### **3.1 Success stories**

*IPA 2010 FF RAC "Strengthening the Administrative Capacity of CTA on Mutual Cooperation in the Field of Taxation" (budget: EUR 0.22 million)*

During the project implementation the cooperation between twinning partners, beneficiary's staff and all stakeholders involved was very good. After the project completion employees of CTA's Central Liaison Office (CLO) are able to transfer their knowledge to other CTA's officials and they are well prepared for tasks in the area of mutual assistance and cooperation with other EU Member States tax administrations. Improved procedures, methodological tools and knowledge acquired within the project will enable CTA staff to keep up with legislative changes, further improve the working environment according to the EU legislation as well as continuously strengthen administrative capacities of the CTA.

*IPA 2009 FPP RAC "Further Enhancing the Functioning of Croatian AFCOS System with the Aim of Efficient Protection of EU Financial Interests" (budget: EUR 0.21 million)*

The project activities aimed at strengthening the Croatian Anti-Fraud Coordination Services (AFCOS) system through the adjustment and alignment of the structure and functioning of the system to the framework of EU Structural Instruments. The project's scope covered actions improving the overall functioning and competences of each body in the AFCOS system. Enhanced procedures on managing irregularities and fraud; cooperation agreements and trainings carried out within the project contributed to the improvement of the AFCOS system so as to adjust it to efficient protection of EU financial interests within the EU Structural Instruments environment.

*IPA 2009 FPP RAC "Strengthening the Administrative Capacity of the Agency for the Audit of European Union Programmes Implementation System for the Audit of EU Cohesion, Agricultural and Fisheries Instruments" (budget: EUR 0.54 million)*

This project had a direct impact on the successful setting up of the system for the audit of EU Cohesion, Agricultural and Fisheries Instruments through the development of relevant procedures and improvement of the capacities of the Audit Authority (ARPA) staff. The activities implemented strengthened the sound financial management of EU funds in Croatia.

*IPA 2008 TW "Development of Probation Service in Croatia" (budget EUR 1.8 million).*

The overall objective of the project was to reduce the prison population and increase the efficiency of the criminal justice system. The project's activities were implemented successfully. The major results achieved were strengthening the capacities of the Ministry of Justice and the probation service administration, developing an offender assessment tool for risks of harm and reconviction and criminogenic needs as well as elaboration of a national register for use throughout the probation service in Croatia.

### *IPA 2009 SER "Roll-out of ICMS on Selected Municipal Courts" (budget EUR 0.52 million)*

The overall objective was to support the reform of the judiciary and enhance the administrative and management capacities of the municipal courts to contribute to a better and more efficient protection of citizens' rights. The project established a more efficient court administration and case management system in 33 selected municipal courts, provided capacity building tools for usage and administration of ICMS(?) and finally improved the quality of services by developing the knowledge database available to all Ministry of Justice and court employees on internal network and also externally to the citizens by providing the information on case status and an online public notice board online.

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

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 also prepares the country for managing the cohesion and rural development instruments, 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 without prior controls by the Commission.

#### 3.2.1. Component I

By 31 December 2013, 66.66% of the IPA TAIB 2010 allocations has been contracted.

With regards to the IPA TAIB 2011 programme, by 31 December 2013, 3.86% of the IPA allocation has been contracted. The percentage of IPA TAIB 2011 allocation for projects under the category "pending" stands at 8.52%. For those projects selection procedure has been successfully completed and the signature of contracts is expected in the first and second quarter of 2014. A significant percentage of the IPA TAIB 2011 allocation (36.38%) falls under the category of projects that were launched and are now under evaluation.

Under IPA 2012, the tender for the project "Supply of IT Equipment for the Customs Administration" was published on 28 June 2013 and was subsequently successfully completed; which should result in two signed contracts (one for each of the two Lots) which are expected to be signed at the beginning of 2014 with the value of EUR 1.27 million or 4.22% of allocated IPA funds.

Other projects are in various stages of preparation of the tender documentation. Launch of the majority of tenders is expected in the second half of 2014.

#### 3.2.2. Component II

The IPA Cross-border Programmes – Bosnia and Herzegovina, Croatia-Serbia and Croatia – Montenegro have been revised in order to include the 2013 allocations till 30 June 2013. IPA funds for the second half of 2013 are committed through separate Commission Decisions.

After the accession, the new Croatian Managing Authority (Ministry of Regional Development and EU Funds, of the Republic of Croatia) started its negotiations with the

neighbouring IPA countries on the preparation of the next programming period 2014-2020. Subsequently, two new programmes were agreed to be launched: Croatia-Serbia and Croatia-Bosnia and Herzegovina and Montenegro, under the shared management principle. Following the Commission's favourable opinion on the preparation of the programmes falling under IPA, namely Croatia-Serbia, the Republic of Croatia and the Republic of Serbia have decided to establish a Task Force for the preparation of the programming period 2014 – 2020. Its first meeting took place in November 2013.

### **Hungary-Croatia IPA CBC programme:**

Overall, 3 calls for proposals have taken place under this programme. From among the 42 projects selected in the 1st Call, only one, a large infrastructural project (developing a waste water treatment plant) was still under implementation at the end of 2013. In the 2nd Call, 59 projects were initially selected; one project started with delay. At the end of 2013 only one project was still under implementation.

The Joint Monitoring Committee (JMC) selected those projects for which the additional ERDF funding to the Programme was needed under suspensive clause. The Commission approved the modified Operational Programme with modifications resulting from the accession of Croatia. Furthermore, it announced the definitive amounts of decommitment and commitment resulting from the ERDF money attributed to Croatia as a new EU Member State.

In 2013, the ERDF funding for the programme amounted to EUR 10.92 million and the total programme's ERDF amounted to EUR 54.82 million with 85% co-financing rate.

### **Slovenia-Croatia IPA CBC programme:**

The 8th Joint Monitoring Committee of the Programme was set for 17-18 December 2013.

All project partners' reports for projects co-financed under the 1<sup>st</sup> call for proposals have been submitted and validated; whereas some of the final reports for the 2<sup>nd</sup> call have not yet been validated.

39 projects were selected within the 3<sup>rd</sup> (and final) Call for proposals. It was agreed that all available money from the 2 previous calls, together with additional ERDF of EUR 3.8 million, due to the EU accession of Croatia, should be transferred to the selected projects under the 3<sup>rd</sup> Call for proposals.

The Commission approved the modified Operational Programme.

In 2013, the ERDF funding for the programme was of EUR 9.02 million and the total programme's ERDF amounted to EUR 44.77 million, with 85% co-financing rate.

### 3.2.3. Component III

Under IPA Component III, "Regional Development", the programming exercise continued to follow a multi-annual approach. Three Operational Programmes related to the Environment, Transport and Regional Competitiveness sectors were changed to European Regional Development Fund (ERDF) programmes on the 1st of July 2013. Despite several modifications including the transfer to ERDF and adding further EUR 450 million to the budget, 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).

The IPA III allocations 2007-mid 2013 were also subject to the transfer to the ERDF and therefore the IPA Component III for Croatia finished with the Accession.

#### 3.2.4. 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.

The Commission Decision on waiving of ex-ante controls by the Commission on the tendering of contracts and launch of calls for proposals and the award of contracts and grant was adopted on 19 February 2013.

#### 3.2.5. Transition Facility

Financial assistance under the Transition Facility for Croatia is aimed at developing and strengthening its administrative and judicial capacity to implement and enforce Union law, as well as to foster the peer exchange of knowledge and experience. Three priority axes are built upon needs identified by the Accession Treaty. The priorities are to provide support in the area of Justice, Fundamental Rights and Home Affairs, Public Administration Reform and Strengthening Administrative Capacity. The third axis is aimed at assisting the implementation of the EU *acquis* with supporting measures related to the areas of climate change and health and consumer protectionlike:

1. Improvement of Quality of the National Cancer Screening Programmes Implementation' - Croatia Transition Facility 2013
2. 'Ensuring Optimal Health Care for People with Mental Health Disorders'.

All projects under the Transition Facility are in various stages of preparation of projects' and tender documentation.

#### 3.2.6 – Component V

As regards Component V, after some start up difficulties, many problems have been solved and in 2013 the programme has achieved a cruising speed and intensive implementation is on-going while the last calls achieved spectacular success in popularity with the highest number of submitted projects.

So far, through all 19 calls, Croatia has received 1153 applications, out of which 184 have been paid (EU contribution of 33.3 million), 350 have been contracted (EU contribution of 72 million) and about additional 400 are in a processing phase (with the EU contribution of about 60 million EU).

However due to increased number of applications and a long term projects realisation, the de-commitment of 7.4 million out of 26 million from 2010 allocation could not be avoided.

Although a number and value of submitted projects is satisfactory, Croatia still has to contract about 50% and to pay about 77 % of a total IPARD allocation.

Moreover in 2013, the Croatian authorities received 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", followed by the first call for selection of Local Action Groups (LAGs). Implementation of the "LEADER approach"<sup>7</sup> 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.

Although absorption under IPARD encountered some difficulties, it must be however mentioned that the established pre-accession management and control system has been the effective mean for a comprehensive capacity and institution-building to prepare Croatia for a new RDP as a member state.

### 3.2.6. Sigma

During 2013 SIGMA continued to provide support to Croatia in the following major areas:

#### *Legal Framework and Civil Service Management*

Support to the Ministry of Public Administration in further developing professional civil service and adequate human resource management (HRM) practices across the public administration through:

- Preparation of the strategic documents related to the structural funds to be allocated to administrative capacity development.

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<sup>7</sup> 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.

- Drafting of a new code of ethics.
- Drafting of a law on salaries of the public sector.
- Advice on public agencies reform.
- Advice on the quality of public services delivery.

### *Public Finance Management*

1. Support to the Ministry of Regional Development and EU Funds (MRDEUF) and the Ministry of Finance in final preparations for the implementation of the 2014-2020 Cohesion Policy programmes including:
  - Advice in drafting the secondary legislation for the 2014-2020 programmes, including horizontal (common) instructions and guidelines.
  - Support in optimising the management and control system for 2014-2020 programmes, including the system for on-spot controls.
  - Providing EU Member States' comparative experience for ad hoc issues emerging in the course of preparing for the implementation of the 2014-2020 Cohesion Policy programmes.
2. Support to the Ministry of Finance in further improving the conditions for financial management and control, as well as internal audit including:
  - Support in conducting internal quality assessment of the internal audit functions in a way that enables smooth external quality assurance (or verification) according to the IPPF standards.
  - Advising the Central Harmonisation Unit of the Ministry of Finance in practical preparations for the implementation of the financial management training programme for different target groups in the public sector.
  - Support in adjusting the methodology for the quality analysis of financial management and control arrangements in budget organisations after the pilot analyses carried out by the CHU.

### *Public Procurement*

Support to the Ministry of Economy and other institutions relevant to the public procurement system on:

1. The preparation for transposition of the new public procurement directives.
2. Advising on the practical aspects with regard to the better integration of social and environmental considerations, and the innovation in the procurement procedures based on EU Member States' comparative experience.

#### 3.2.7. TAIEX

During the first half of 2013 the EU Delegation to Croatia continued to receive TAIEX applications for review and approval primarily covering activities in the following sectors: judiciary and fundamental rights, justice, freedom and security, public administration, public finance, agriculture and rural development, environment, consumer and health protection.



As from 1 July 2013 these review functions have been taken up by the national authorities in co-ordination with relevant COMMISSION services.

#### **4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES**

Implementation structures have remained stable since the original conferral of management in 2008 and represent a sound basis for the design of the implementation system of cohesion and agricultural instruments in Croatia as a Member State. The accession had no impact on internal controls within the system and external oversight of its functioning and performance.

The monitoring system is set up by the National IPA Coordinator office to ensure regular follow-up on the progress made in relation to preparation and implementation of each project approved for financing through adoption of each annual national programme. In particular, the monitoring system provides support to ensure that project and programme objectives are achieved; and that projects are sustainable and correspond to the project fiche through the following mechanisms:

Regular monthly Project Implementation Unit meetings in the beneficiary institution in which NIPAC office staff participate and through participation of the NIPAC representatives in the management boards (Steering Committees) of the projects which are held quarterly.

1. Semi-annual reports on implementation (i.e. Monitoring reports) for each project approved for financing through IPA Component I. NIPAC office staff control the quality of the reports; and before each reporting round, hold workshops for the beneficiaries on the preparation of the monitoring reports. Point 5.2 of the monitoring report is referring to the information on the sustainability of the project. Furthermore the monitoring report template has been expanded, with additional points related to findings of the on-the-spot checks carried out, and fulfilment of the activities following the on-the-spot checks.
2. Following the finalization of the monitoring reports, implementation reports are prepared which represent a summary of the key information from the separate monitoring reports; as well as from other sources of information available to NIPAC office staff. Implementation reports also cover the part related to the sustainability of projects and their results; as well as the Sectoral Annual Implementation Report (SAIR).
3. Evaluation reports per sectors, as well as monitoring of the fulfilment of the recommendations given by the evaluators taken on board in the sectoral monitoring reports/implementation reports, and discussed at the Sectoral Monitoring Committees and IPA Monitoring Committee. Recommendations and follow-up activities carried out by beneficiaries or Central Finance and Contract Authority (CFCA) are monitored regularly at least biannually through the monitoring system by the NIPAC office.
4. The report by the evaluators in the Country Programme Interim Evaluation 2011 also included analysis on the sustainability of the projects which were covered by that evaluation and relevant recommendations which were followed continuously. The TAIB Monitoring Committee in May 2013 concluded that all recommendations were fulfilled.

5. In addition to the above-mentioned, following the instructions of the Commission, NIPAC office has to prepare an implementation report for IPA Component I, to be presented to the Transition Assistance and Institution Building (TAIB) Monitoring Committee. This report also focuses on the monitoring of the sustainability of projects, both ongoing and finalized, and their results.

In general, EU projects have broad and long-term ambitions which go well beyond the sheer transposition of the *acquis*. In that sense, the issue of sustainability of outcomes after the termination of EU funded projects appears of vital importance. In order to boost the determination of beneficiaries to ensure the longevity of project results and achievement of envisaged goals the MRDEUF encourages beneficiary institutions to make assessment and measurement of performance of the projects in their individual monitoring reports in the context of giving rationale and more consideration regarding what results have been achieved and what remains to be done in the projects.

While the ownership of beneficiary institutions had already visibly improved in the course of 2012 throughout the institutions which are contributing to the successful fulfilment of the projects' purpose and the achievement of intended results; this has continued throughout 2013. The capability of the beneficiary institutions has become even more important in the context of Croatia's EU accession. In addition, the EU and national legislation provide a stable basis for sustainable operations of the assisted institutions. In general, and in most projects, sustainability is assured by the Croatian Government's commitment to the application of EU legislation and to maintaining EU standards.

An audit report issued by the European Court of Auditors states that in terms of results the EU assistance has made an important contribution to building up Croatia's capacity for managing post-accession funding, including through learning by doing. At the beginning of 2013, MRDEUF coordinated an inter-institutional process by creating an action plan according to which the Croatian institutions are to tackle the recommendations given in the Report of the Court of Auditors, and to give information on what has been done and what is to be done in order to finalise the post-accession funds management system. NIPAC's Office coordinated an inter-institutional process of updating the activities to be undertaken according to recommendations with a cut-off date 30 November 2013. The updated version of the Action plan was sent to the Commission in March 2014.

#### FINANCIAL DATA (EUR million and %)

*Status of implementation of IPA financial assistance (IPA), as at 31 December 2013 - implementation under decentralised management*

Programme years	Committed	Contracted	% Contracted	Paid	% Paid
IPA 2007	41.44	39.08	94.29%	38.91	93.89%
IPA 2008	42.05	37.62	89.47%	34.50	82.05%
IPA 2009	42.10	39.17	93.04%	31.36	74.48%
IPA 2010	38.62	28.17	72.92%	18.34	47.49%
IPA 2011	34.64	1.10	3.17%	0.24	0.70%
IPA 2012	35.22	0.00	0.00%	0.00	0.00%
IPA 2013	40.58	0.00	0.00%	0.00	0.00%
<b>TOTAL</b>	<b>274.66</b>	<b>145.13</b>	<b>52.84%</b>	<b>123.36</b>	<b>44.91%</b>

*Status of implementation of IPA financial assistance, as at 31 December 2013 IPA Component II, implemented by Regional Policy DG*

IPA CBC	Committed	Paid until 31 December 2013	Percentage
<b>Hungary-Croatia</b>	-Committed amount before the accession= 52.433.025 -Further to the accession of Croatia to the EU = 54.823.266	27.760.361,17  (Incl. Advance payment because of the accession of Croatia to the EU= 1.142.400,00)	<b>60%</b>
<b>Slovenia-Croatia</b>	-Committed amount before the accession= 42.703.502	20.976.325,64  (Incl. Advance payment because of the accession of	<b>60%</b>

	-Further to the accession of Croatia to the EU = 44.774.910	Croatia to the EU= 1.142.400,00)	
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***Status of implementation of IPA financial assistance (Component III) as at 31 December 2013 (in million EUR) and distribution of total committed funds (2007-2013 allocations) by Operational programme***

<b><i>Operational programme (OP)</i></b>	<b><i>Committed</i></b>	<b><i>Paid*</i></b>	<b><i>% (with advance payment)</i></b>
<i>OP Regional competitiveness</i>	187.78	14.57	21%
<i>OP Transport</i>	236.98	28.67	25%
<i>OP Environment</i>	281.10	2.33	21,05
<i>Total Croatia</i>	705.86	45.57	6%

*\* The payment of funds was possible until the end of June 2013. In line with the accession Treaty, the payments were interrupted whilst awaiting the favourable opinion of the Commission regarding the compliance of the management and control system for the three programmes; which occurred in April 2014.*

***Status of implementation of IPA financial assistance (Component IV), as at 31 December 2013 IPA, - implemented by Employment, Social Affairs and Inclusion DG – Million EUR***

<b>Countries</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>Percentage contracted</b>	<b>Percentage paid</b>
<b><i>Croatia</i></b>	92.41	43.18*	44.74	45.73	48.4%

\* until June 2013

***Status of implementation of IPA financial assistance (Component V), as at 31 December 2013 - implemented by Agriculture and Rural Development DG:***

<u><i>Committed</i></u>	<u><i>Paid</i></u>	<u><i>Percentage paid</i></u>
<u>144.28</u>	<u>33.33</u>	<u>23%</u>

## **MONTENEGRO**

### **1. SUMMARY**

As regards Montenegro, progress was made in the accession negotiations. In June 2013, the country adopted comprehensive action plans for chapters 23 and 24. Five new chapters were opened in December 2013, including the important rule of law related chapters 23 and 24, bringing the total to 7 opened chapters, of which 2 were provisionally closed. The screening meetings with Montenegro were concluded in June 2013.

The programming and implementation of pre-accession assistance funds (IPA) for Montenegro during 2013 took place in the context of ongoing accession negotiations. The reporting period has also been marked by preparations for the transition to the IPA II framework for the financial period 2014-2020.

The initial budgetary allocation for 2013 had already been programmed by the end of 2012. Similarly, Operational Programmes for 2012-2013 under Component III (EUR 22.24 million) and Component IV (EUR 5.58 million) were adopted at the end of 2012. However, additional funds were allocated to Montenegro in the course of 2013, which were programmed in the second half of 2013 and adopted as amendments to the 2012-2013 part I and II National Programmes.

During 2013 Montenegro put significant efforts in the process of conferral of management for decentralised implementation of IPA funds. Audits were undertaken on IPA Component I and II, in parallel with the ones for Components III and IV.

Preparations for IPA II were launched with the Montenegrin authorities and gained momentum in the second half of 2013, with a focus on the introduction of the sector approach and the start of the preparations for the Indicative Strategy Paper for Montenegro.

### **2. STRATEGIC PLANNING AND PROGRAMMING**

#### **2.1. Strategic planning**

The main planning activities undertaken during 2013 have been focused on the preparation of the Indicative Strategy Paper, in line with the sector approach foreseen under IPA II. In January 2013, the IPA II Conference held in Brussels kicked off the IPA II preparations, outlining to all stakeholders the main features of the new framework for pre-accession assistance during the next financial period. As a follow-up of the kick-off conference, a workshop was organised in Podgorica on the new sector approach methodology and guidelines, with wide participation from the Montenegrin administration and the international donor community.

The preparation of the Indicative Strategy Paper for Montenegro has been based on the inputs of the Montenegrin national authorities; the priorities outlined in the 2013 Enlargement strategy; the needs identified during the screening exercise and during the start of the

accession negotiations. The experience accumulated in the programming and implementation of IPA 2007-2013 and the inputs of the EU Delegation in Podgorica contributed to its preparation. The Montenegrin authorities, under the coordination of the NIPAC office, submitted to the Commission in May 2013 an overview of the national priorities of Montenegro as outlined in the Montenegrin Development Direction 2013-2016 and other sectoral strategies, as well as those priorities that would necessitate financial and technical support from the pre-accession funds.

The draft Indicative Strategy Paper outlines that IPA will continue to support Montenegro throughout the accession process; not only by providing financial resources, but also by providing Montenegro with the expertise and technical support necessary for meeting the EU membership criteria. The emphasis of the assistance will be on the two most strategic sectors: Rule of law and fundamental rights and Democracy and governance. In these sectors, IPA will support the implementation of the Action Plans for Chapters 23 and 24, as well as the reform of the public administration, the strengthening of civil society and improving public financial management.

The Montenegro Strategy Paper also reflects the recent economic experience in Europe. Contributing to the socio-economic development and implementing structural reforms will represent a priority for pre-accession assistance. Therefore, the assistance to the sectors competitiveness and innovation, as well as education, employment and social policies will be of crucial importance for ensuring stable economic growth and convergence towards the EU development standards. Finally, the sectors agriculture and rural development, environment and climate action, as well as transport are also key sectors for IPA II assistance not only due to their strong economic potential, but also because these sectors are investment intensive and technically demanding.

Table 1: MIFF<sup>8</sup> allocations per component, in EUR million

Component	2011	2012	2013	2011-2013
<b>I – Transition Assistance and Institution Building</b>	29.84	19.61*	12.36**	61.81
<b>II – Cross-border cooperation</b>	4.31	4.59	4.67	13.57
<b>III – Regional Development</b>		7.98	14.75	22.74
<b>IV – Human Resources Development</b>		2.78	2.81	5.58
<b>V – Rural Development</b>				
<b>TOTAL</b>	<b>34.15</b>	<b>34.96</b>	<b>34.59</b>	<b>103.70</b>

<sup>8</sup>As 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

\* Includes a reallocation from Component V of EUR 3.26 million, transferred from DG AGRI to DG ELARG and approved by the Budgetary Authority in September 2012.

\*\* Includes a reallocation from Component V of EUR 7.29 million, transferred from DG AGRI to DG ELARG and approved by the Budgetary Authority in November 2013.

## 2.2 Programming

### 2.2.1 Component I

The programming of the initial 2013 allocation was successfully completed in December 2012, with the adoption of the 2012-2013 TAIB National Programmes (Part 1) and the 2012 TAIB National Programme part II; the latter including only measures in the agriculture sector financed from funds that had been reallocated from IPA Component V. However, during the course of 2013 additional funds were allocated to Montenegro under IPA Component I, which were subsequently programmed and adopted as amendments to the 2012-2013 part I and respectively part II National Programmes.

Firstly, EUR 2.37 million resulting from the recovery of unused funds were allocated to Montenegro for addressing needs emerging from the accession negotiations. These additional credits were used for two new projects; one supporting the development of a Schengen Action Plan and a second one strengthening the capacities of the Ministry of Foreign Affairs and European Integration, as well as topping-up the Project Preparation Facility and Technical Assistance in addition to the Support Measures Facility.

Secondly, the allocation reserved for IPA Component V, amounting to EUR 7.29 million, was transferred to IPA Component I. This aimed at avoiding the de-commitment of a significant amount of the allocation at a later stage, given the delays in the preparations for conferral of management under Component V. Nevertheless, the funds have been used in the same sector to support the implementation of rural development measures in line with the basic rules of IPA Component V. This 2013 additional allocation has been added to the existing IPA 2012 part II National Programme. Two projects are to be implemented: one project supporting the establishment and implementation of the Land Parcel Identification Systems (LPIS) and one project supporting the implementation of IPA Component V-like measures (grant scheme and technical assistance to be implemented through a joint management with the World Bank).

Table 2: Indicative financial allocations for the year 2013 under the National Programme part I, per priority axis and per project, in EUR million:

Priority Sector	Project	EU contribution
<b>Sector 1: Justice and Home Affairs</b>		<b>2.50</b>
	02 – Identifying durable solutions for (I)DPs and residents of Konik camp – II phase	1.00



	15 - Strengthening the capacities of the Ministry of Interior for the preparation and introduction of the Schengen Acquis	1.00
	16 - Strengthening the Capacities of Diplomatic-Consular Network of Foreign Affairs and European Integration	0.50
<b>Sector 2: Public Administration Reform</b>		<b>0.70</b>
	04 - Enhanced statistical capacity and provision of economic and social statistics	0.70
<b>Supporting programmes</b>		<b>2.64</b>
	10 - Support for participation in Union programmes	0.62
	12 - Technical Assistance and Project Preparation Facility (TA/PPF)	1.12
	14 - Support Measures Facility	0.90
<b>TOTAL</b>		<b>5.84</b>

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

Priority Sector	Project	EU contribution
<b>Sector 7: Agriculture and rural development</b>		<b>7.28</b>
	02 – Strengthening Montenegrin agriculture through IPARD like measures	5.28
	03 - Strengthening Montenegrin agriculture with establishing Land Parcel Identification Systems (LPIS)	2.00
<b>TOTAL</b>		<b>7.28</b>

### **2.2.2 Component II**

Montenegro, together with the neighbouring countries and the Commission, launched in 2013 the preparations for the next generation of cross-border cooperation programmes for the period 2014-2020; in particular defining the geographic scope and the thematic priorities.

Under IPA II, Montenegro will participate in the following IPA CBC programmes: IPA CBC with Member States: Croatia - Bosnia and Herzegovina - Montenegro and Italy – Albania –

Montenegro (trilateral) and IPA CBC at intra-Western Balkan borders: Serbia - Montenegro; Montenegro - Bosnia and Herzegovina; Montenegro – Albania and Montenegro – Kosovo.

Each of the IPA CBC programmes will focus on a selection of the following thematic priorities, as listed in Annex III to the IPA II Regulation: (1) promoting employment, labour mobility and social and cultural inclusion; (2) protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management; (3) promoting sustainable transport and improving public infrastructure; (4) encouraging tourism and cultural and natural heritage; (5) investing in youth, education and skills; (6) promoting local and regional governance, planning and administrative capacity building; (7) enhancing competitiveness, business and SME development, trade and investment; (8) strengthening research, technological development, innovation and ICT.

Selection of the thematic priorities will be made jointly by the countries involved in the cross-border programme, according to the specific situation of the border region, and finalised in 2014.

After the accession, the new Croatian Managing Authority (Ministry of Regional Development and EU Funds, of the Republic of Croatia) started its negotiations with the neighbouring IPA countries on the preparation of the next programming period 2014-2020. Subsequently, Croatia- Bosnia and Herzegovina and Montenegro will form the new trilateral IPA CBC Programme, under the share management principle

### **2.2.3 Components III and IV**

Following the adoption of the "Regional Development" operational programme under IPA Component III and of the Human Resource Development under Component IV, the Montenegrin authorities officially requested the conferral of management powers related to these programmes in Spring 2013. Consequently, a Commission audit missions took place in April and May 2013, and final audit reports were communicated in the second half of 2013. The main critical findings concerned the level of staffing in operating structures; the status of contracts (permanent vs. short term contracts), the premises of the CFCU, and the readiness of the Audit Authority. The national authorities have since reported progress made on the various issues, in particular the nomination of the Head of the Audit Authority in December 2013.

As regards support to the implementation of IPA Component III, JASPERS<sup>9</sup> technical assistance (in the volume of EUR 0,5 million) started in 2013 to provide support to Montenegro with the aim of accelerating the preparations of projects under component III for the absorption of the EU funds by supporting the development of a sound pipeline of infrastructure projects. JASPERS assisted the national authorities with:

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<sup>9</sup> JASPERS (Joint Assistance to Support Projects in European Regions) is an instrument managed by the European Investment Bank (EIB) and co-sponsored by the Commission and the European Bank for Reconstruction and Development (EBRD) that provides advice during project preparation, to help improve the quality of the major projects to be submitted for grant financing from EU funds.

- Project pipeline development and screening: advice on the maturity of each project and highlighting outstanding issues before they are ready for submission to the EU,
- Advising on EU submission requirements,
- Cost-benefit analysis training covering water tariff requirements,
- Screening of environmental impact assessment procedures undertaken and general advice on EU requirements

#### **2.2.4 Component V**

The Montenegrin authorities decided during the year 2013 to start the implementation of the Rural Development Assistance only under the new IPARD II instrument. For this reason a transfer of appropriations from Component V to Component I was approved in December 2013 by the budgetary authority, leading to the adoption of Part 2 of the National Programme for Montenegro under Component I, as detailed in section 2.2.

During 2013, Montenegro continued its preparation for meeting the objectives for the entrustment of budget implementation tasks for the management of rural development funds.

### **3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2013**

#### **3.1 Success stories**

*IPA 2011 Support to the Integration and Voluntary Return of Internally Displaced Persons (IDPs) and residents of Konik Camp (EUR 1.3 million)*

This project aimed at improving local integration of Roma and Egyptian (RE) IDP families by facilitating access to legal status, education, health and employment, and facilitating voluntary return. Regarding education, 62 RE children from the camp were enrolled into 6 primary schools in Podgorica in 2013 and were supported in the desegregation process by 72 student volunteers. The number of children attending morning and afternoon pre-school groups increased from the 60 initially planned to 103. As regards employment, 69 grants for income generation were awarded and a further 44 people received vocational training. Roma health mediators were successfully introduced in Montenegro and an assessment of the health situation of all residents of Konik camp was made. In terms of legal status, over 1,000 documents were obtained from Serbia and Kosovo and financial assistance was provided to 123 beneficiaries to regulate their status. 278 beneficiaries participated in informative cross-border pre-return activities, and 4 families (29 people) returned to Kosovo.

*IPA 2008-2010-2011 - EU Municipal Development Grant Scheme, Inter-municipal grant scheme and Technical Assistance (EUR 9.1 million overall IPA contribution)*

Linked to EU grant funding for improvements to local infrastructure, this programme focused on supporting local government units in less developed areas in the country, to remedy regional imbalances and to improve the capacity of local administrations in strategic planning

and in working with EU funds. Various projects were approved such as a selective waste management system in Danilovgrad, a tourism strengthening project in Kolasin, or a beach maintenance project in Ulcinj. Other projects included new local roads, city-street infrastructure, construction of fire stations, car parks, a refurbished sports hall, or equipment for improvement of waste-water and water-supply systems. The projects resulted in immediate improvements of quality of life for local citizens, in a country where infrastructure is run-down after decades of poor maintenance and low investment. Other long-lasting results include the creation of a pool of local trainers and training provided to more than 100 staff from the selected municipalities.

*IPA 2010 - Strengthening the Administrative Capacities of the Phytosanitary Directorate of Montenegro (EUR 0.8 million)*

The project has achieved its aim to promote co-operation between plant health services in Montenegro and the EU, in order to more rapidly detect, identify and control harmful plant pests and diseases many of which have the potential to devastate both Montenegrin and European crops and cause serious damage to the economies of affected countries. As a result of the project much of the Montenegrin plant health legislation and operational procedures have been harmonised with those of the EU, and knowledge of harmful pests and diseases which are potential threats to Montenegro and the EU has been improved. A new IT system has been developed to improve internal and external communications and enhance the capacity of the responsible institutions to respond effectively to future threats from harmful organisms.

### **3.2 Overview of IPA implementation in 2013**

Implementation of IPA projects advanced well in 2013: IPA 2007-2010 Component I Programmes have been fully contracted and IPA 2011-2013 is well underway. IPA Component II also shows a high rate of implementation. At the end of 2013, there were 368 ongoing IPA contracts for a value EUR 105.2 million. The size of the country, the limited absorption capacity of individual beneficiary institutions and the high number of CBC projects are, among others, the reasons for a high number of small value contracts.

The implementation of these funds directly contributed to the achievements of the country during the screening process in 2013, as most institutions involved in this process benefitted to some extent from pre-accession assistance.

There were 122 TAIEX events in Montenegro in 2013. The EU Delegation contracted 1 twinning and 3 twinning light projects with Member States for a total value of EUR 1.75 million. While Montenegro appreciates the added value of twinning, the number of such projects remains limited; reflecting the limited capacity in the administration which still needs to resort largely to technical assistance. IPA also contributed to the participation of Montenegro to the 5 Union Programmes: Culture 2007-2013; ICT Policy Support Programme, 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**

During 2013, IPA financial assistance supported the preparation of the Actions Plans for Chapters 23 and 24 which have been of vital importance for the opening of the accession negotiations of these Chapters. IPA support contributed to strengthening the administrative capacity of the law enforcement, judicial and prosecutorial authorities resulting in the establishment/consolidation of a track record of investigations, indictments, prosecutions and convictions of organised crime and corruption cases. The Centre for Irregular Migrants, which was co-funded by IPA, was opened and put into operation during the reporting period. Other key deliverables obtained with IPA support include the preparation and adoption of the Serious and Organised Crime Threat Assessment, and the implementation of a public awareness campaign on anti-corruption. Alternative sanctions to detention have been implemented with the support of IPA assistance which contributed to upgrading the legal and regulatory framework in line with EU standards and provided the necessary capacity building/training to ensure adequate enforcement. In the area of fundamental rights, the key achievements were in gender equality and integration of Roma and Egyptian population (see project example above).

### **3.4 Sector II: Public Administration Reform (PAR)**

In the area of PAR, IPA projects supported the implementation of the new law on Civil Servants and State Employees and the preparation of amendments to the Law on Local Self Governments. Support was also provided for capacity building at local level. IPA projects supported the development and adoption of 5 new laws and 15 by-laws in the internal market area, and 3 laws and by-laws in the area of public finance were developed. Significant support was offered to the new Agency for protection of competition; for the system of state aid and to public procurement, market surveillance, accreditation and metrology. Special focus was given for the first time on analysing the deficiencies in the system of trade with pharmaceuticals and cosmetics. In public finance, the focus was on preparation for the decentralised management of the EU funds, on internal and external audit. In the area of statistics, significant support was delivered for improving the national accounts, business statistics and agricultural statistics, which allowed Monstat to achieve transmission of data to Eurostat for 20 domains and 27 sub-domains.

### **3.5 Sector III: Environment and climate change**

The projects implemented during 2013 in the area of environmental protection and climate change relate mainly to the construction of water and waste infrastructure. For water, the beneficiary municipalities are Niksic and Pljevlja where the focus is placed on waste water (the funds are complementing EIB loans), while for waste 35 collection trucks and over 2,000 containers have been distributed mainly in the northern municipalities. Moreover, preparation of waste management strategy and plans has started and awareness actions on the environment continued. Preparations for an environmental management system, for an approximation strategy, for a climate change strategy, for the establishment of Natura 2000 network and assistance to the Operating Structure for IPA Component III have commenced.

### **3.6 Sector IV: Transport**

In the transport sector, IPA activities have continued focusing on railway and maritime transport. Technical capacities of relevant maritime authorities have been further enhanced with the provision of equipment for prevention of sea pollution from vessels. In the area of railway transport, works were made to further rehabilitate the railway line Bar-Belgrade. Technical support was provided to the Railway Infrastructure Company, increasing their capacities in dealing with the procurement and financial management procedures of the EU and other IFIs. An important technical assistance was provided to the Railway Directorate to draft specific secondary legislation and to provide training on specific issues prescribed by the new Law on Safety and Interoperability of the Railways.

### **3.7 Sector V: Social development**

The reform of the social protection system as well as the development of the civil society sector have continued to be priorities under IPA in 2013 and concrete improvements have been achieved. A basket of interventions with contribution agreements to UN agencies and some grants to civil society organisations have made up the bulk of EU's assistance in this field. The social and child protection system continue to be modernised through legal harmonisation and rationalisation of standards and procedures, trainings of stakeholders at service delivery and administration level (centre for social works particularly), equipment, and constructions works. A nationwide communication campaign on foster care has also improved citizens' awareness on needs of children without parental care. Although a lot remains to be improved, following the results of 2013, vulnerable groups now receive more focused, better quality and more cost-effective services and support with less red tape.

### **3.8 Sector VI: Agriculture and rural development**

The objective in this area is to support the development of a sustainable agriculture sector and to assist alignment to the common agricultural policy and EU standards. In the veterinary area, a wide range of support resulted in further alignment with the *acquis* notably for classical swine fever and rabies prevention and control. Capacity control of rabies and classical swine fever was strengthened with the ultimate aim of ensuring eradication of rabies and classical swine fever. The fourth and fifth oral rabies vaccination campaigns successfully continued as part of an EU wide campaign in the Western Balkans. The capacity of the forestry sector was strengthened through the establishment of, and training in, sustainable forest management systems in line with EU standards. In the area of rural development, support was given to the Montenegrin administration to prepare for later decentralised management of EU pre-accession funds dedicated to rural development.

### **3.9. Cross-border Cooperation**

In 2013, Cross-border Cooperation (CBC) continued to be one of the most dynamic sectors under IPA with 115 ongoing projects. In the framework of the five bilateral CBC Programmes in which Montenegro participates, during 2013 the last call for proposals under the CBC

programme Albania – Montenegro was evaluated and seven new projects were selected and contracted. Three new bilateral CBC calls for proposals were launched with Bosnia and Herzegovina, Croatia and Kosovo.

Milestones were the establishment of the Joint Technical Secretariat (JTS) for the CBC Montenegro-Kosovo Programme in Peja/Peć with its Antenna in Bijelo Polje and the launching of the first call for proposals as well as the approval of the strategic project under the CBC Albania-Montenegro programme with an estimated total value of over EUR 3 million. Through improving the infrastructure at two important border-crossing points, the strategic project will have a significant impact for the cross-border traffic between Albania and Montenegro and has the potential to foster economic relations and reduce illegal border-crossing activities.

Another important step was the preparation of the Montenegrin Operating Structures for the decentralised management of the bilateral CBC Programmes. During 2013 the Montenegrin authorities put great effort in finalising the establishment of the structures needed to manage CBC and managed to fulfil most requirements. It is expected that Montenegro will be granted conferral of management powers for CBC in the near future.

During 2013, the CBIB+ (Cross Border Institution Building) project published a list of several best practice CBC projects. Those involving Montenegrin beneficiaries are the “Summer school of inclusion” under CBC BIH-MNE, “Olympic Hopes” in the framework of the CBC HR-MNE Programme, “Active Youth for Active Societies” under the Programme with Serbia and the Project “Marubi - a cooperative model for tourism promotion”- under the Programme with Albania. For further information, please see: <http://www.cbibplus.eu/e-publications>.

#### **4. IMPLEMENTATION MODALITIES AND STRUCTURES**

All IPA 2007-2013 programmes under Component I and II were implemented in centralised management by the EU Delegation. The Operational programmes for components III and IV have been approved by the Commission in 2012, but implementation has not commenced pending the completion of the conferral of management process. The approval of the IPA Rural Development programme under Component V has been suspended as the IPA Component V funds have been transferred to IPA Component I and will be implemented in centralised management mode.

Montenegro has made good progress in terms of preparations for the conferral of management. Audit missions for IPA Components I-IV took place in April and May 2013, and a follow-up mission in October 2013.

The verification audit report from September 2013, outlined 17 high-risk findings and 27 medium-risk findings in the internal control system set up by the national authorities. All high-risk findings, except two - related to the premises of the CFCU and the management of the Audit Authority - were addressed by November 2013, when the follow-up audit report was issued. In December 2013, following the official appointment and an interview of the

new Head and Deputy Head of the Audit Authority, the auditors delivered a positive opinion as regards the capacity of the Audit Authority.

As regards IPA Component V, in December 2013 the IPARD Agency and Managing Authority submitted improved Manuals of Procedures for IPA Component V to the National Fund NF. Following the progress in preparing the procedures and legal documents for decentralised management in January, a compliance assessment was launched by an external auditor, with a preliminary report submitted in February 2014 and an intensive gap-plugging phase by the end of April. The submission of the accreditation package is expected in the second half of 2014; following the compliance assessment report.

The Result Oriented Monitoring (ROM) contractor produced 23 assessments in 2013 covering IPA expenditure of a value of EUR18.9 million. There were 14 ROM ongoing assessments, 12 of which reported satisfactory results, 1 project performing with problems and 1 non-performing project. For the 9 ROM ex-post assessments, 6 had satisfactory results, 2 had performed with problems and 1 was non-performing. Overall, there were high (A or B grade) scores for relevance (91%) and impact (83%). The efficiency and effectiveness scoring for ongoing projects was better than in 2012 but the effectiveness scoring for the ex-post reviews was low with 5 (55%) C grades. The lessons learned included some good examples of twinning, with a mixed participation of "old" and "new" Member States. The lower ex-post effectiveness scores reflected the difficulty in several sectors (food, marine fisheries, intellectual property rights) with institutional development and horizontal cooperation. The effectiveness of the strengthening of the Audit Authority project was affected by difficulties in attracting a suitable complement of staff.

There were 48 monitoring missions by Task Managers outside Podgorica in 2013. In addition to regular ongoing monitoring by Task Managers and Joint Technical Secretariats (under CBC), three external monitors visited and completed monitoring reports for 30 grant projects (CBC, EIDHR, Civil Society Facility) in the reporting period. No major problems were reported.

In addition to this in-depth monitoring of the financial assistance, supervision by the Commission services was done through the participation in an IPA Monitoring Committee meeting on 23 July 2013, and a "shadow" Sectoral Monitoring Committee for IPA Component IV on 12 July 2013. 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.

## **Evaluation**

A country programme interim evaluation of IPA assistance in Montenegro was completed in 2013. It was focused on assessing the effectiveness, efficiency, sustainability and impact of IPA programmes 2007-2009 in the sectors of Environment and energy and Agriculture and fisheries and to assess the extent to which this assistance contributed to the development of the sectors. The evaluation concluded that the assistance had contributed to the further



development of the sectors, but to varying degrees. The energy sub-sector especially has made progress in developing by-laws and improving market rules. There has been clear capacity building in environmental management, but progress has been more challenging in delivering investments in waste water and waste. The achievements in the agriculture and fisheries sector have often been less than expected due to insufficient resources or commitment of the beneficiary in the areas of rural development.

The assistance was assessed as efficient and effective. The projects in both sectors have been mostly implemented in a timely manner and strengthened capacity in all beneficiary institutions and the public services. However, effectiveness depends heavily on adequate recruitment of new staff. In some areas, cost effectiveness has been compromised by the lower than expected results where the administrative burden exceeded capacity. Human resource capacity remains a key systemic constraint to effective utilisation of EU funds in Montenegro.

The evaluation concluded that prospects for sustainability vary across the sub-sectors and in the long run, sustainability will depend on additional staff and further political commitment. Assistance was assessed as contributory in delivering impact objectives outlined in the European Partnerships.

#### FINANCIAL DATA (EUR and %)

##### Status of implementation of financial assistance (IPA Component I + Component II), as at 31 December 2013

<b>IPA- ELARG</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>% Contracted</b>	<b>% Paid</b>
<b>Montenegro</b>					
IPA 2007	27,054,128	26,508,864	26,228,321	97.98%	96.95%
IPA 2008	30,047,296	29,206,600	28,127,629	97.20%	93.61%
IPA 2009	31,744,421	30,761,314	28,312,244	96.90%	89.19%
IPA 2010	30,938,823	30,874,989	24,706,604	99.79%	79.86%
IPA 2011	29,693,599	13,325,728	7,704,585	44.88%	25.95%
IPA 2012	20,954,779	4,640,451	1,431,218	22.15%	6.83%
IPA 2013	16,281,056	315,000	101,653	1.93%	0.62%
<b>Total</b>	<b>186,714,102</b>	<b>135,632,946</b>	<b>116,612,253</b>	<b>72.64%</b>	<b>62.45%</b>

##### Status of implementation of financial assistance (Component I), as at 31 December 2013

<b>IPA</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>% Contracted</b>	<b>% Paid</b>
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<b>Montenegro</b>					
IPA 2007	23,870,504	23,495,717	23,301,285	98.43%	97.62%
IPA 2008	26,800,000	26,248,215	25,558,344	97.94%	95.37%
IPA 2009	28,432,179	28,118,488	26,382,192	98.90%	92.79%
IPA 2010	28,638,823	28,602,291	23,328,524	99.87%	81.46%
IPA 2011	26,493,599	11,699,033	6,917,918	44.16%	26.11%
IPA 2012	17,804,779	4,325,451	1,329,565	24.29%	7.47%
IPA 2013	13,131,056	0	0	0.00%	0.00%
<b>Total</b>	<b>165,170,940</b>	<b>122,489,195</b>	<b>106,817,828</b>	<b>74.16%</b>	<b>64.67%</b>

Status of implementation of financial assistance (IPA Component II - CBC), as at 31 December 2013

<b>IPA- ELARG- CBC Programmes</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>%Contracted</b>	<b>% Paid</b>
<b>Montenegro</b>					
IPA 2007	3,183,624	3,013,148	2,927,036	94.65%	91.94%
IPA 2008	3,247,296	2,958,385	2,569,285	91.10%	79.12%
IPA 2009	3,312,242	2,642,826	1,930,052	79.79%	58.27%
IPA 2010	2,300,000	2,272,698	1,378,080	98.81%	59.92%
IPA 2011	2,900,000	1,626,694	786,666	56.09%	27.13%
IPA 2012	3,150,000	315,000	101,653	10.00%	3.23%
IPA 2013	3,150,000	315,000	101,653	10.00%	3.23%
<b>Total</b>	<b>21,243,162</b>	<b>13,143,751</b>	<b>9,794,425</b>	<b>61.87%</b>	<b>46.11%</b>

*Status of implementation of IPA financial assistance (Component III) as at 31 December 2013 (in million EUR) and distribution of total committed funds (2007-2013 allocations) by Operational programme – implemented by Regional Policy DG*

<i>Operational programme (OP)</i>	<i>Committed</i>	<i>Paid</i>	<i>% (with advance payment)</i>
<i>OP Regional Development</i>	22.24	0.00	0%

*Status of implementation of IPA financial assistance (Component IV) as at 31 December 2013 (in million EUR) - implemented by Employment, Social Affairs and Inclusion DG*

	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>Percentage contracted</b>	<b>Percentage paid</b>
<b>Montenegro</b>	5.58	0	0	0%	0%

## **SERBIA**

### **1. SUMMARY**

The decision by the June 2013 European Council to open accession negotiations with **Serbia** followed the historic agreement between Serbia and Kosovo reached in April 2013 in the framework of the EU-facilitated dialogue. Subsequently, in December 2013, the General Affairs Council adopted the negotiating framework for accession negotiations and set the date for the first Inter-Governmental Conference (IGC) which took place in January 2014.

The IPA 2013 Annual Programme was adopted in December 2013 and active preparations for IPA II (draft Indicative Country Strategy Paper) and “decentralised implementation system” - DIS (conferral of management of IPA components I and II) have taken place throughout 2013.

Serbia received the conferral of management for indirect management (formerly called “decentralised implementation system” - DIS) for the management of IPA funds in March 2014. The programmed EU contribution regarding IPA Component I, allocated in 2013 under the National Programme, was EUR 178.78 million.

In 2013, EUR 89 million were contracted from IPA I (National programmes) and EUR 1.70 million from IPA II (CBC) coming to a total of EUR 95.15 million. Another EUR 4.4 million were contracted from other budgets (among which: civil society – EUR 1.97 million and The European Instrument for Democracy and Human Rights (EIDHR) – EUR 1 million).

The ownership of national bodies responsible for the IPA programming process continued to improve; particularly on donor coordination. The programming exercise benefited from lessons learned when developing the sector approach in 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 on the design of the Multi-annual Indicative Planning Document (MIPD) for 2011-13, which was the basis for IPA programming 2013. To achieve the priorities selected for EU support in this programming period, IPA support primarily focused 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 2013, the EU Delegation continued to play a leading role in donor coordination. The coordination mechanisms that were established at the beginning of 2009 (regular EU Member State meetings on assistance as well as informal donor group meetings with donors and IFIs) continued functioning well; bringing added value to the overall international assistance in Serbia. In 2013, led by the Serbian European Integration Office (SEIO) and with the strong support by the EU Delegation, a reform of donor coordination system was started, in order to more successfully align donor coordination with Serbia's Needs Assessment Document for

International Assistance. In the new set-up, which has now become fully operational, all sector coordination groups had to be gradually taken over by the relevant national authorities under the overall coordination of SEIO. A lead donor will be associated to each of the groups, which have been organised by sector.

## IPA II preparation

Meanwhile, the Commission in close cooperation with Serbian authorities, main donors and civil society organisations, prepared the implementation of the new IPA II framework for the period 2014 – 2020, i.e. the Country Strategy Paper. The focus of IPA II will be on key sectors, closely linked to the enlargement strategy, such as democracy and governance, rule of law or growth and competitiveness.

Table 1: MIFF<sup>[1]</sup> allocations per component, in EUR million:

Component	2011	2012	2013	2010-2013
<b>I – Transition Assistance and Institution Building</b>	190.56	190.6	196.68	577.84
<b>II – Cross-border cooperation</b>	11.32	11.50	11.63	34.45
<b>TOTAL</b>	<b>201.88</b>	<b>202.10</b>	<b>208.31</b>	<b>612.29</b>

During 2013 Serbia continued to prepare for the introduction of the indirect management for IPA components I and II and consequently receiving the conferral of management for these two components in March 2014. Nevertheless, the indirect management system will need further improvements after the start of its implementation. For example, the Commission has noted that further efforts are needed to ensure an adequate staff recruitment and retention policy in line with the anticipated workload and considering the risk of possible high staff turnover.

## 2.2 Programming

### 2.2.1 Component I

The programming of IPA 2013 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 such as needs assessments and feasibility studies; especially in terms of investment projects involving works and supplies. In line with the requirements for indirect management, joint co-financing has become obligatory; increasing the contribution of national authorities to the programme.

<sup>[1]</sup> 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 10.10.2012.

The ownership of national bodies responsible for the IPA programming process continued to rise; which was particularly evident in the donor coordination aspect.

The programming exercise has proven to have benefited from the lessons learned with the further development of the sector approach in 2013, which led to a smoother application of the new methodology of programming, including also improved donor coordination. For example, the programming discussions were largely conducted in the framework of sector working groups, bringing together relevant stakeholders in a given sector.

Table 2: Indicative financial allocations for the year 2013 under the National Programme, per sector, in EURmillion:

Sector	Total IPA
<b>Public administration reform</b>	11.33
<b>Justice and Home Affairs</b>	23.02
<b>Private sector development</b>	32.15
<b>Transport</b>	16.08
<b>Environment, climate change and energy</b>	38.05
<b>Social development</b>	23.61
<b>Agriculture and rural development</b>	3.23
<b>Other EU <i>acquis</i> and horizontal activities</b>	31.31
<b>TOTAL</b>	178.78

In addition to the IPA 2013 National Programme for Serbia, EUR 4 million has been allocated for the Tempus programme, EUR 2.5 million for the Civil Society Facility and EUR 12 million for the Regional Housing Programme for refugees (Sarajevo process). All these programmes are implemented under the IPA 2013 Multi-beneficiary programme and will be adopted by separate Financing Proposals. Furthermore, EUR 0.6 million has been re-allocated from Component II to Component I. Consequently, the 2013 national programme for Serbia (Component I) amounts to EUR 178.78 million.

### **2.2.2 Component II**

Institutional bodies involved in the programming and implementation of Cross-Border and Transnational Programmes were already performing their roles, with a setup which is prefiguring the indirect management system. The conferral of management for IPA component II was subsequently granted in March 2014.

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 relations between the countries. CBC programmes all enjoy a high degree of visibility at local level.

The Joint Working Group for the future Romania-Serbia IPA CBC Programme that will be implemented under the shared management principle met twice in 2013. The preparations for the new programme between Bulgaria and Serbia are also progressing successfully, the task force met twice in 2013 as well. Hungary-Serbia has made the biggest progress in this regard: their Joint Working Group has already met 7 times and begun preliminary preparations for the new period.

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

After the accession, the new Croatian Managing Authority (Ministry of Regional Development and EU Funds, of the Republic of Croatia) started its negotiations with the neighbouring IPA countries on the preparation of the next programming period 2014-2020. Subsequently, Croatia-Serbia will establish a new IPA CBC programme, under the shared management principle. Following the Commission's favourable opinion on the preparation of the programmes falling under the Instrument for pre-Accession Assistance (IPA), Croatia and Serbia have decided to establish a task force for the preparation of the programming period 2014 – 2020. Its first meeting took place in November 2013.

### ***2.2.3 Components III, IV and V***

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, continued the setting-up process during 2013 with the support of both a twinning project and a technical assistance project. However, due to delays in preparations for the conferral of management, it was ultimately decided not to allocate funds for component V in 2013.

## **3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2013**

### **3.1 Success stories**

*IPA 2010 – "Land management" (EUR 2.78 + EUR 1 million Member State contribution – German Ministry of Cooperation BMZ)*

Land consolidation, effective land management in state owned land and the legal framework of land issues are not only a problem stemming from centralised planned economies such as the former Republic of Yugoslavia but also present a significant challenge in several EU Member States. This project based its inputs on EU Member States experiences to enhance and enrich technical assistance with lessons learnt in order to improve Serbia's land management in private and public properties. The programme started with pilot projects for

land consolidation and reduction of abandoned land in 2013 in 7 pilot municipalities in south east Serbia on an area of 1,968 ha, introducing new standards such as participation of land owners and users, environmental assessments and other checks and balances to the processes. Acknowledging the benefits of the approach, the beneficiary institutions and 3 municipalities have already extended to an area of 5,273 ha. The average size of a land parcel will rise from currently 0,21 ha by at least 40%. Furthermore the share of abandoned land in the pilot areas will be reduced by at least 10%. The benefits of such a program over time will include increased production and employment, improved infrastructure, more accurate property registers and cadastral maps in rural areas.

*IPA 2009 – "Improvement of Preschool Education in Serbia" (EUR 2 million service contract + EUR 1.75 million supply contract)*

This project aimed at increasing the number of children attending pre-schools activities through several measures. The main beneficiaries of this project were marginalised children, in particular Roma children living in settlements. Specific support was provided for the development of specialised programmes for marginalised children. More than 1,000 children (previously not enrolled in pre-schools) have been reached through these programmes. In order to increase participation and access to pre-school, ten mini-vans and a mobile bus have been delivered to provide transport for 290 children in nine municipalities. This support is aimed at reaching socially excluded and vulnerable children from remote and underprivileged areas. As a direct result, the increase of children attending pre-school activities increased by more than 14% on average and reached 50 to 80% for some small and poor rural communities. In addition, seven prefabricated kindergartens were delivered in 6 municipalities which did not have enough facilities to accommodate additional children. This resulted in an additional 450 children being enrolled in pre-school in these targeted municipalities. In total, more than 1,700 additional children for all 15 municipalities benefited from project activities and support. Compared with the project's starting total of around 5,700 children enrolled in preschools in the 15 pilot municipalities, project support increased access to pre-school in these municipalities by almost 30%. Many of the children that benefitted from the assistance were Roma.

### **3.2 Overview of IPA implementation in 2013**

In 2013, the Commission committed EUR 95.15 million in new contracts and made payments for EUR 121.06 million, which is above the contracting and payment targets for 2013. By the end of the reporting period, EUR 195.95 million remains to be contracted under centralized management, including the just adopted IPA 2013 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 2011 are in the process of reallocation.

Serbian institutions submitted 88 TAIEX applications, of which 76 were accepted. The largest number of applications was submitted by the Ministry of Agriculture. In 2013, a total of 3,268



representatives of the Republic of Serbia participated in 104 events organised by TAIEX including study visits, seminars and regional seminars.

### **3.3 Sector I: Public Administration Reform**

Public Administration Reform covers a broad area of activities which are reflected in the following key projects.

The EUR 2 million service contract "Reforming policy coordination and the Centre of Government" started at the end of September 2013. The objective is to redesign the policy-making structure and processes in the Government so that the policies are strategic, outcome focused, flexible, innovative and linked to strategies so that proper policy coordination from the Centre is ensured. The project touches upon systemic issues of the Government's functioning and of the policy-making process where improvements are needed.

The EUR 7.6 million project (EUR 9.5 million with national contribution) "Modernisation and strengthening of the institutional capacities of the Serbian Tax Administration" supported the establishment of an efficient tax administration in line with EU standards. This requires further modernisation and strengthening of institutional capacities, both in the tax administration itself, and in other organisations and bodies involved in the management of the tax system. The emphasis is on the improvement of business processes; upgrading of technical infrastructure; improving the knowledge and skills of the employees, as well as improvement of the services that are being provided for the taxpayers and citizens.

The EUR 2.5 million project titled "Strengthening the institutional capacity of the National Bank of Serbia" (NBS) ended in December, contributing to sustainable macroeconomic and financial system stability by supporting the NBS in its efforts to align its standards, rules and policies with those of the European System of Central Banks as well as to align its activities with best international practices. The project covered 13 main areas identified as strategic priorities that need to be fulfilled in order to maintain a stable and sustainable financial sector. All 178 activities have been successfully completed.

### **3.4 Sector II: Justice, Home Affairs and Fundamental Rights**

Important activities have also been carried out in 2013 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, an IPA 2011 project of EUR 3,2 million is specifically devoted to the "Implementation of Justice Sector Reform and Anti-corruption Policies". This project has two components. The first component of EUR 1 million aims to contribute to democracy and the rule of law through the implementation of institutional reforms aimed at preventing and combating corruption ("Strengthening the Capacities of Law Enforcement and judiciary in the Fight against Corruption in Serbia". It is implemented through a Contribution Agreement with the Council of Europe. In 2013, the project performed

a set of activities, including risk assessments for judiciary institutions and the Ministry of Interior, as well as capacity building activities to help law enforcement agencies and the judiciary to detect, investigate, prosecute and adjudicate corruption cases. The second component consists of support to the Multi Donor Trust Fund for Justice Sector, implemented by the World Bank (EUR 2 million). It aims at introducing a sector wide approach in designing, programming and implementing justice sector reform initiatives. The most relevant intervention in 2013 was the launching of a Functional Review for the Justice Sector.

In this field too, the IPA 2012 project "Implementation of the New Serbian Code of Criminal Procedure" (EUR 1.7 million) began implementation in January 2014. It aims at increasing the skills of judges, prosecutors, police officers and defence counsel in implementing the new Criminal Procedure Code (CPC), systematically enforced as of 1st October 2013, at establishing a civil sector mechanism able to produce fair reports and assessments of the CPC implementation and at increasing awareness about witnesses' and victims' protection needs in criminal proceedings.

In the fundamental rights field, the EUR 1.5 million project "Implementation of Anti-Discrimination Policies in Serbia" aims at strengthening the institutional capacity of the Office for Human and Minority Rights and the Office of the Commissioner for the Protection of Equality with a view to increase the alignment of anti-discrimination policies with EU standards and best practice. During 2013, the project provided training to judges on the implementation of the new hate crime provisions of the Criminal Code. It also provided training to over 100 representatives of the Ministry of Interior on the fight against discrimination and hate crimes, as well as representatives of the line ministries on the proper monitoring and reporting in relation to international human rights instruments. Preventative and promotional actions took place in 11 local self-governments of Serbia, on the prevention of discrimination and hate speech.

When it comes to Home Affairs, the IPA 2011 project "Development of strategic planning at the Ministry of Interior" (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 twinning partner assists in applying all modern analytical techniques for a strategic planning process, establishing a functional strategic planning system and ensuring continuous improvement of strategic management and accountability of the institution.

Moreover, the "Implementation of the Strategy to Fight against Drugs" (IPA 2010, EUR 1.5 million) project aims at strengthening Serbian institutions in the sectors of health and home affairs by introducing internationally recognised best practices in prevention and repression of drug abuse and trafficking from production to destruction of drugs.

### **3.5 Sector III: Social Development**

An IPA 2011 project titled "Enhancing the position of residents in residential care institutions for persons with mental disability and mental illness and creation of conditions for their social inclusion in the local community" (EUR 2 million) is preparing the transformation plans for 11 residential institutions, a feasibility study for 5 psychiatric institutions and a development

plan for cross-sectorial community-based social and health services. It also helps implement the transformation and development plans and strengthens capacity at national and local level to improve range and quality of services for de-institutionalization of persons with mental health disorders. The project also provided support to a Grant Scheme (EUR 2.55 million) awarded recently for the provision of community-based social and mental health services.

The "Second chance" project (EUR 4.5 million) introduced the three years cycle of Functional Elementary Adult Education in 78 schools in Serbia. The programme is accredited and is integral part of the adult education in state schools. It was completed in September 2013.

The "Modernisation of VET schools in Serbia" (EUR 3.8 million) supported the revision of the curricula in VET, worked on the National Qualification Framework and supplied equipment worth EUR 2.8 million to nearly 150 VET schools. This project was closed in August of 2013.

### **3.6 Sector IV: Private Sector Development**

The IPA 2010 "Integrated Innovation Support Programme – IISP" (value: EUR 3 million) was completed end of December 2013. The project was designed to address weaknesses in innovation support and innovation management and in access to equity-based finance in the SME sector in Serbia. The project's main target group was the SME sector, and over 500 SMEs participated in the various training and support activities of the IISP. The contribution of the Project to the development of the Serbian SME sector is positively evaluated. It enhanced innovation, notably through the development of policy support on EU best practices in this field, and support to local-level business-research linkages, and contribution to a pilot project of cluster support. It financed innovation management training for SMEs. It promoted awareness, promotion and regulatory reform for equity-based investments and better access for SMEs to potential investors. Finally, it contributed to the design of a National Innovation Voucher System, which provides SMEs with small grants to contract small innovation projects.

The IPA 2010 project "Strengthening of the Serbian system of Market Surveillance for non-food and food products" (EUR 2.5 million) had its implementation peak in 2013. Aiming to improve the market surveillance system in Serbia to effectively and efficiently perform its tasks and responsibilities under the new legislation for products' safety and food safety, the project's ultimate goal is in protecting consumers against products that pose serious threats to health, safety and the environment. This project has contributed to the enhancement of the technical capacity of Market Inspection through the addition of new rules and regulations to the legal framework for product safety in Serbia, in relation to the *acquis*, and lead the process of transposition and implementation of EU regulations and directives. As regards administrative capacity and coordination, it has helped to introduce and implement a modern EU-styled approach to market surveillance in Serbia, and to set up a Management Information System, and a Product Safety Council. In order to improve Market Inspection, the project has contributed to enhancing the market surveillance authority staff's understanding of legal and theoretical aspects of new regulations, as well as their surveillance skills (practical, general, risk assessment, etc.)

The IPA 2011 project "Enforcement of Intellectual property rights – upgrading the technical capacities of the institutions involved in withdrawal and destruction of the goods violating intellectual property rights" that started in 2013 will as final result have delivery, installation and testing of the 3 machines for the destruction of counterfeited goods with related training for handling of the equipment.

The implementation of the Higher Education Teaching Infrastructure programme (HETIP) project (EUR 30 million) started in 2013. The overall objective of HETIP is to improve the quality of education and training in Serbian higher education institutions which is required by the new knowledge-based society, modern learning process, standards of industrial research and emerging labour market's needs. The specific objective is to improve the teaching infrastructure facilities. The project covers activities related to the modernisation of teaching assets (lecture rooms, seminar rooms, labs, etc.). Extensions to existing university teaching and research rooms to accommodate more students are also supported. The rehabilitated teaching spaces will be available for all levels of University students/researchers and there is a focus on the rehabilitation of teaching areas that are multi-purpose in terms of accommodating the maximum number of students in modern teaching environments. Accessibility for students with special needs is incorporated in the rehabilitation of teaching resources and installation of equipment. The HETIP programme is implemented through 2 Works contracts and 16 contracts to supply state-of-art lab equipment. The programme also includes two services contracts: one is supervising the implementation of the EU-funded works and supply contracts and the other one is supporting the Project Implementation Unit which is assisting the Ministry of Science in implementing a EUR 200 million EIB loan to be invested in research and science infrastructures.

### **3.7 Sector V: Transport**

The project "River Information Services" (IPA 2007, EUR 11 million) was finalised in 2013. The goal was 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. Attention has to be paid to allocation of national funds after the end of the project in order to secure its sustainability.

"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 EU 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 the delayed adoption of establishing acts for new subsidiaries (infrastructure manager, freight operator, passenger operator, asset management) in Joint Stock Company Serbian Railways. The contract was finalised in 2013.

The project "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 the Inland Water Transport (IWT) Master Plan. The implementation is ongoing until summer 2014.

The project "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 the preparation of project documentation for the construction of a railway bypass around the City of Niš. Both contracts commenced in June/September 2013.

The project "Supervision of road construction works on the Corridor X" (IPA 2010, EUR 10 million) will ensure the efficient and effective supervision of motorway construction works on selected Corridor X sections in line with the "Fédération Internationale des Ingénieurs-Conseils" FIDIC rules. The works (along the southern and eastern branches of Corridor X) are financed by IFIs. The project envisages 3 service contracts. All services commenced in summer 2013 and are ongoing.

The project "Construction of Zezelj Bridge across the Danube River in Novi Sad" (IPA 2009, EUR 26.2 million) - The construction of the rail-road Bridge in Novi Sad includes: (i) preparation of final design (ii) construction works in the factory and on site; (iii) removal of the existing temporary bridge. The contract was built around FIDIC Yellow Book. The project is co-financed from the Serbian side; represented by Serbian Railways. Contract finalisation deadline was in November 2013 but serious delays have prolonged the construction period until autumn 2015. The contract is ongoing.

The project "Supervision of Construction of Zezelj Bridge across the Danube River in Novi Sad" (IPA 2018, EUR 2 million) provides technical supervision of works and contract management through activities of the FIDIC Engineer. The service contract duration, matching the original timeframe for works had to be extended to follow-up the delayed works. The contract is ongoing.

### **3.8 Sector VI: Environment, Climate change and Energy**

In this sector significant progress was made both through closure and start-up of capacity building interventions as well as the completion of utility infrastructure.

The Twinning project "Strengthening Institutional Capacity in Hazardous Waste Management" (IPA 2008, EUR 1.5 million) closed after 30 months duration in March 2013. The project delivered proposals for amendments to the Serbian Law on Waste Management and closed gaps; specifically with regards to provisions governing the management of hazardous waste. Overall, the draft Law provides for substantial alignment with the EU Directive 2008/98/EC on waste. Management plans for special and hazardous waste streams were completed for asbestos-containing waste; oil wastes, electrical and electronic equipment and waste electrical and electronic equipment, batteries and accumulators – providing a broad stakeholder-agreed roadmap for achieving collection, reuse and recycling targets for these waste streams, and ensuring the orderly destruction and disposal of non-reusable/recyclable hazardous waste. The project developed for use by all levels of government a screening

method for classification and prioritisation of contaminated sites requiring remediation – making an important contribution to the systematic and effective clean-up of such environmental hotspots. Twinning partners developed a Communication Strategy focused on active involvement of key stakeholders in the process of drafting waste management plans; smooth internal information flow and the dissemination of key messages – with regard to hazardous waste management – to stakeholders and the general public.

The project "Strengthening the Serbian Environmental Inspectorate and Relevant Stakeholders" (IPA 2010, EUR 2.5 million) has helped develop an enabling legislative framework with appropriate provisions for effective environmental inspection and strengthening of the necessary inter-institutional cooperation with a view to enhancing environmental law enforcement in Serbia. Legislative amendments proposed seek to eliminate overlapping mandates of environmental inspection services; ensure adequate empowerment and consistency between integrated permitting and inspection legislation as well as on reporting. Finally, the project developed a number of tools necessary for the daily work of inspectors such as risk-based inspection plans, manuals, checklist and guidance documents to help them plan, implement and assess inspections more effectively. Over 200 national, provincial and local environmental inspectors and stakeholders such as Serbian Environmental Protection Agency, Public Health Institutes, Public Prosecution, Custom Administration, Judiciary, Border Police, Communal Police, and Communal Inspection were included in the over 50 seminars and workshops that conveyed best practises from EU Member States in implementing and enforcing environmental law. The closure of this contract was flanked by the delivery of remaining items of a EUR 1 million package of IPA 2008 and IPA 2010 supplies providing for inspector's mobility, field measurement and recording devices so that infringements in environmental legislation can be more effectively detected and documented to hold up as evidence in judicial proceedings.

The Twinning project "Creation of a monitoring reporting and verifying system (MRV) for the successful implementation of the EU Emissions Trading System (ETS)" (IPA 2012, EUR 1 million) commenced in September 2013. The project will develop the legal framework and institutional blueprint for both the establishment of a credible system for emission data collection, verification and reporting, and also the free allocation and auctioning of emission rights of greenhouse gases. Whilst Serbia needs to be ready for joining the EU ETS only upon accession; the outputs of this project would allow Serbia to reflect on an earlier introduction of a national carbon market to reduce greenhouse gas emissions and formulate a greenhouse gas reduction commitment as Party to the UNFCCC.

The "Morava regional water supply system" (EUR 9.8 million, IPA 2012) started in April 2013. The project aims to improve potable water supply to households of Velika Plana and Smederevska Palanka, to integrate municipal communal water supply systems and transform them into a technically, financially and institutionally sustainable regional water supply scheme, and to create the pre-requisites for sustainable demographic and economic development in an area with a population of 98,000.

In 2013, the IPA 2012 project (EUR 1.7 million) titled "Preparation of the Second Energy Efficiency Plan and Development of Energy Indicators" started. The project should

supplement the energy balance sheet with data on energy consumption per sector. A detailed database of energy indicators for the evaluation of the second National Energy Efficiency Action Plan will be developed. Proper identification and evaluation of measures will increase energy efficiency resulting in a reduction of energy consumption.

The IPA 2011 project "Construction and commissioning of the new Waste Water Treatment Plant at TPP Nikola Tesla" also started in 2013. The project will significantly reduce the influence of wastewaters, which have huge health implications for the nearby population, by reducing the concentration of pollutants.

A twinning contract titled "Capacity Building for the Energy Agency of the Republic of Serbia" (IPA 2011, EUR 1.5 million) is now successfully completed. The project supported the Energy Agency of the Republic of Serbia (AERS) to perform its role and meet its statutory objectives regarding enhancing and directing the energy market, to properly ensure monitoring of the implementation of regulations and energy systems operation codes, to harmonise activities of energy entities on providing a regular supply of energy and services to customers and to ensure their protection and equal position.

The IPA 2010 project (EUR 15.5 million) on the procurement and construction of the Substations 400/110 kV Vranje 4 & Leskovac 2 is close to finalisation. The project will increase security of the supply in south Serbia and together with a new transmission line between Serbia and the former Yugoslav Republic of Macedonia, provide development of the regional electricity market.

### **3.9 Sector VII: Agriculture and rural development**

The first seven 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, 2012 and 2013 yielded further results: the number of registered cases of rabies identified annually in animals continued to substantially reduce, and was in 2013 down to only 4.

Assistance in preparing Serbia's operating structures for the advent of IPARD continued in the reporting period. The Twinning project "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) ended in April 2013 after 31 months duration. The project delivered the draft IPARD 2013 operational programme and left Serbia's Rural Development Department ready for accreditation as future Managing Authority. It also completed substantially the procedures for implementing the programme by the Directorate for Agrarian Payments-designated as the future IPARD Agency. The IPARD 2013 accreditation objective was abandoned in mid-2013 in the light of delays experienced in securing an amended IPA I regulation as the legal base for Serbia to implement IPARD 2013. In order to assure continuity of support to achieving the long-term objective of having Serbia's Operating Systems accredited for IPARD "Assistance to the Directorate of Agrarian Payments" (IPA 2011, EUR 0,157 million) was launched in 04/2013 to help the Agrarian Payments

Directorate to complete its self-assessment – being the next step in its preparation for accreditation also for the new financial perspective. This work was successfully completed in November 2013. The Twinning Light project "Assistance to Managing Authority of the Serbian Ministry of Agriculture, Forestry and Water Management (MAFWE)"(IPA 2011, EUR 0.25 million) started work on the new IPARD 2014-2020 operational programme in September 2013. Effectiveness of EU assistance to IPARD Operating Systems suffered from delays in IPARD preparations and lack of resources provided by beneficiary institutions.

“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) was a project that supported a sector with significant rural development potential. This measure included 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 framework towards the EU standards. The twinning component strengthened the administrative capacities of the ministry and decentralised governmental bodies through specialist trainings, study tours and specific technical assistance from member states. The obligatory vineyard register was established in 2012 and is extending its database systematically in order to adequately control European harmonised PDO (Protected Designation of Origin) and PGI (Protected Geographical Indication).

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

The latest Project Preparation Facility (PPF5) (IPA 2012, EUR 5.2 million) started in November 2012. The purpose of this project is to support the Serbian administration in the programming of the new IPA financial perspective starting in 2014. The importance of this lies in the fact that the sector approach, introduced with IPA 2011 and more comprehensively applied in IPA 2012 and IPA 2013, needs to be fully implemented starting from 2014. Moreover, PPF5 will continue the work of its predecessors on the development of the project pipeline. A comprehensive set of criteria was agreed for the project selection using as a starting point the policy relevance, institutional set-up and a range of factors of maturity. This has been processed into a methodology for selection of infrastructure projects with the single project pipeline as the final output. The single project pipeline should become the only management tool, owned and managed by the Governmental National Investment Committee, for selection, preparation and implementation of infrastructure projects funded by EU, IFIs, Member States and national funding, with the aim of being further extended to all donors.

### **3.11: Cross-border Cooperation**

The implementation of Component II (Cross-Border Cooperation, or CBC) continued during 2013 with a number of ongoing projects offering the opportunity to local communities in the cross border region to address common problems jointly manner.

The project "School waste less", funded under the CBC programme Serbia - Bosnia and Herzegovina (SER-BIH), is a very successful example of cooperation between two public utility companies (Duboko Sanitary Landfill from Uzice, Serbia and Komunalac from Tuzla, BIH) and two civil society organisations (Teachers' Association Opstanak from Serbia and



Centre for Ecology and Energy from BIH). With a relatively small budget (EUR 0.32 million) the project purchased and installed waste recycling bins in front of 28 schools in the border towns of Tuzla (BIH) and Uzice (SER) and procured a truck to transport the waste to centres for secondary waste separation. A wide campaign aimed at raising awareness about the importance of separate waste collection and environmental protection was conducted among around 20,000 pupils, their teachers and the local communities (53,000 citizens of Užice and 117,000 of Tuzla). The introduced method of primary selection is very advanced compared to the national standard and will continue as a pilot experience to be replicated elsewhere in the region even after the end of the project.

In the Romania-Serbia IPA CBC Programme in 2013 there was no new Call for Proposals as the programme's budget had already been committed until 2013. The n+3 target for the year 2013 was achieved. The Joint Technical Secretariat (JTS) is fully operational, and implementing the programme accordingly.

In the Bulgaria-Serbia IPA CBC Programme in 2013 there was no new Call for Proposals as during the second call many good project proposals were submitted and a decision was taken to finance those initiatives. The n+3 target for the year 2013 was also achieved. The JTS in Sofia and its branch in Nis is fully operational, and implementing the programme in a proper way.

The same was the case for the Hungary-Serbia IPA CBC Programme. In 2013 there was no new Call for Proposal. The n+3 target for the year 2013 was achieved and the JTS is fully operational, and implementing the programme successfully.

#### **4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES**

Monitoring of EU-funded projects is a core element of the assurance strategy of the EU Delegation. The monitoring of ongoing contracts is carried out through 3 essential channels: regular monitoring, external Results Oriented Monitoring (ROM) 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 National Authorising Officer (NAO)) are organized to discuss relevant developments concerning both tendering and implementation from the sector point of view. In the

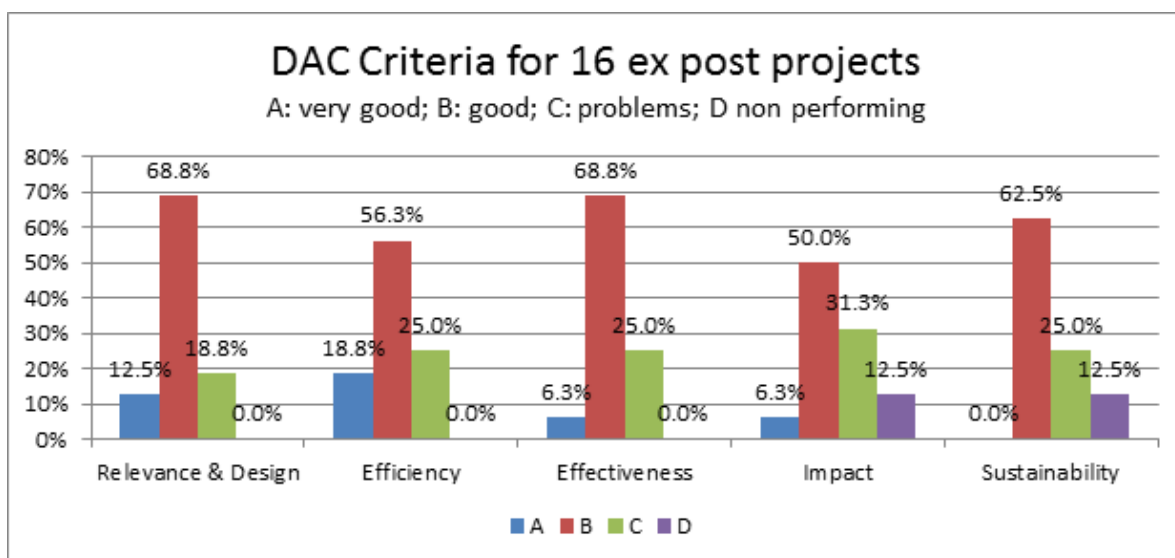
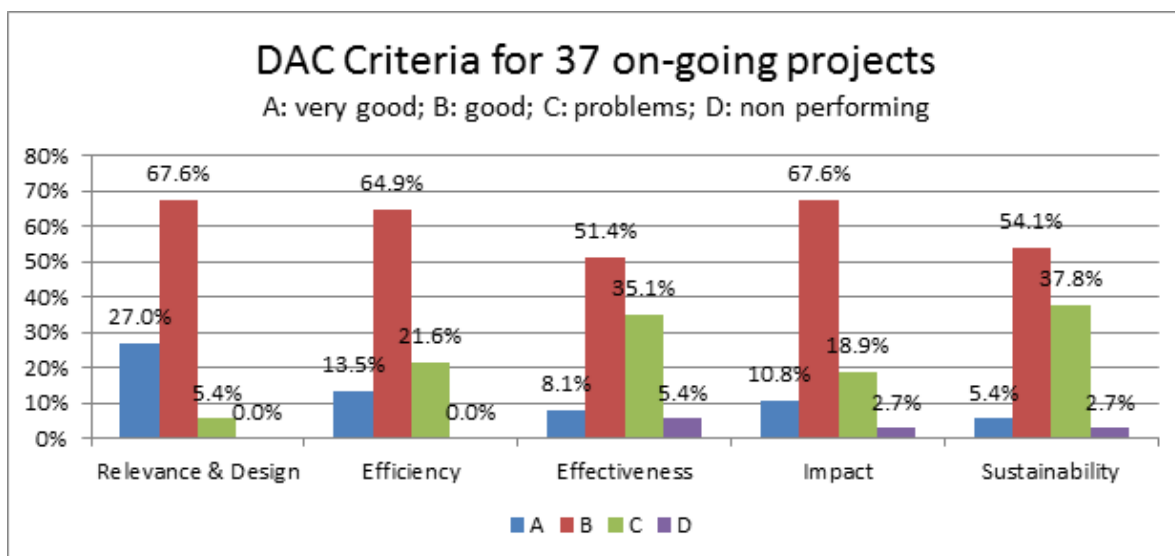
context of moving to sector approach and DIS, Sector Monitoring Sub Committees (SMSCs) are now being introduced.

- 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*

Five ROM missions were made to Serbia in 2013. The missions produced 53 ROM reports which monitored EUR 166.35 million of IPA national expenditure. The ROM reports are divided between 37 ROM ongoing reports and 16 ROM ex-post reports.

There were four large IPA projects (primary commitment in excess of EUR 5 million) assessed in 2013, one of which was assessed twice due to its significance. The portfolio also includes six small projects (primary commitment less than EUR 1 million). The DAC criteria scoring for the monitored projects in 2013 are shown below.



### *Internal Monitoring*

In 2013, the EU Delegation contributed significantly to a strengthened monitoring system by introducing corrective actions at all levels of monitoring. A Joint Monitoring Committee was held, co-chaired by the NIPAC and DG Enlargement, taking necessary measures on key bottleneck issues at the programme level.

In addition to the regular bottleneck meetings, project steering committees and monthly project meetings are held at project level. Based on the annual monitoring plan for 2013, both on-the-spot (internal) monitoring by EU Delegation staff (operations and finance) and external expert ROM is carried out, ensuring close monitoring and corrective actions taken. In both types of monitoring the sample of ex-post monitoring was increased given concerns about the sustainability of results from already completed projects of the past.

### *Evaluation*

A country programme interim evaluation of IPA assistance in Serbia was completed in 2013. The evaluation assessed the efficiency, effectiveness, impact and sustainability of IPA assistance 2007-2009 in two sectors: Administration Reform/Public Finance Management and Environment with a total EU financial contribution of EUR 34.90 million. The evaluation reveals that implementation of IPA assistance in the country has in general been efficient. However, the effectiveness of the assistance was limited by the limited absorption capacity and a complicated institutional environment. When outputs are delivered at the end of the assistance, there is no time to absorb and embed these in the beneficiaries or assess their functionality.

IPA has made a visible impact to institution building in those areas of the Stabilisation and Association agreement underpinned by technical elements of the *acquis*. Post-election institutional re-organisations and the lack of a merit-based recruitment and career progression in the public administration represent some risk to the sustainability of assistance.

Relevance					Efficiency					Effectiveness				
a	b	c	d	n/a	a	b	c	d	n/a	a	b	c	d	n/a
51	15	0	0	0	21	35	8	1	0	24	31	10	1	0
77%	23%	0%	0%		32%	54%	12%	2%		36%	47%	14%	2%	
100%					86%					83%				
Impact					Sustainability									
a	b	c	d	n/a	a	b	c	d	n/a					
20	26	8	1	10	27	28	7	1	3					
36%	47%	15%	2%		43%	44%	11%	2%						
83%					87%									

## FINANCIAL DATA (EUR and %)

### Status of implementation of financial assistance (IPA Component I + Component II), as at 31 December 2013

<b>IPA- ELARG</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>% Contracted</b>	<b>% Paid</b>
<b>Serbia</b>					
IPA 2007	174,010,580	170,303,761	167,200,477	97.87%	96.09%
IPA 2008	172,229,827	166,245,370	142,579,911	96.53%	82.78%
IPA 2009	174,415,926	173,452,193	161,092,266	99.45%	92.36%
IPA 2010	177,406,679	176,399,412	113,445,362	99.43%	63.95%
IPA 2011	181,156,810	143,911,752	72,882,914	79.44%	40.23%
IPA 2012	174,200,995	40,228,994	15,385,659	23.09%	8.83%
IPA 2013	181,383,533	0	0	0.00%	0.00%
<b>Total</b>	<b>1,234,804,350</b>	<b>870,541,483</b>	<b>672,586,590</b>	<b>70.50%</b>	<b>54.47%</b>

### Status of implementation of financial assistance (IPA Component I), as at 31 December 2013

<b>IPA</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>% Contracted</b>	<b>% Paid</b>
<b>Serbia</b>					
IPA 2007	164,836,352	161,327,708	158,327,920	97.87%	96.05%
IPA 2008	168,641,314	162,974,089	139,812,040	96.64%	82.90%
IPA 2009	170,551,643	169,818,368	158,463,925	99.57%	92.91%
IPA 2010	174,806,679	173,874,621	111,621,430	99.47%	63.85%
IPA 2011	178,556,810	143,217,163	72,353,449	80.21%	40.52%
IPA 2012	171,600,995	40,228,994	15,385,659	23.44%	8.97%
IPA 2013	178,783,533	0	0	0.00%	0.00%
<b>Total</b>	<b>1,207,777,326</b>	<b>851,440,943</b>	<b>655,964,421</b>	<b>70.50%</b>	<b>54.31%</b>

Status of implementation of financial assistance (IPA Component II - CBC), as at 31 December 2013

<b>IPA- ELARG- CBC Programmes</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>% Contracted</b>	<b>% Paid</b>
<b>Serbia</b>					
IPA 2007	3,714,228	3,516,053	3,442,558	94.66%	92.69%
IPA 2008	3,588,513	3,271,281	2,767,872	91.16%	77.13%
IPA 2009	3,864,283	3,633,826	2,628,342	94.04%	68.02%
IPA 2010	2,600,000	2,524,791	1,823,933	97.11%	70.15%
IPA 2011	2,600,000	694,588	529,466	26.71%	20.36%
IPA 2012	2,600,000	0	0	0.00%	0.00%
IPA 2013	2,600,000	0	0	0.00%	0.00%
<b>Total</b>	<b>21,567,024</b>	<b>13,640,539</b>	<b>11,192,170</b>	<b>63.25%</b>	<b>51.89%</b>

Status of implementation of financial assistance (IPA Component II – CBC, implemented by Regional Policy DG), as at 31 December 2013

<b>IPA CBC</b>	<b>Committed</b>	<b>Paid until 31 December 2013</b>	<b>Percentage</b>
<b>Hungary – Serbia</b>	50.112.428	34.956.939,11	<b>71%</b>
<b>Romania- Serbia</b>	53.116.751	25.287.380,29	<b>53%</b>
<b>Bulgaria - Serbia</b>	31.369.936	12.562.968,39	<b>45%</b>

# **THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA**

## **1. SUMMARY**

In October 2013, for the fifth year in a row, the Commission recommended the opening of accession negotiations with the former Yugoslav Republic of Macedonia. The Council has not yet decided on the Commission's proposal. A High-Level Accession Dialogue, launched in March 2012, has continued to guide work on key EU accession related reform priorities, without overriding the standard pre-accession procedures.

Regular political and economic dialogue between the EU and the country has continued through the Stabilisation and Association Agreement structures. Meetings of the Stabilisation and Association Committee and the Stabilisation and Association Council took place in June and July 2013, respectively, as well as of the Stabilisation and Association sub-Committees and Special Group.

In line with the 2013-14 Enlargement Strategy, the former Yugoslav Republic of Macedonia continues to follow the key policies of the EU accession agenda. Given the high level of alignment with the *acquis*, the focus is on implementing already existing strategies and legislation and on improving related administrative capacity.

The management of IPA funds under the Decentralised Implementation System (DIS) remained challenging for the national authorities throughout 2013. Due to the intervention of the Commission, the political leadership was mobilised which helped in preventing greater losses of funds and underscored the country's interest in IPA assistance.

Due to concerted efforts of the national authorities and the Commission, the loss of funds from Component I was reduced to EUR 3.3 million from a projected loss of around EUR 15 million. However, procurement delays in all IPA Components continued to build-up due to understaffing and insufficient managerial capacities in key institutions. This caused the Commission to announce an interruption of the payment deadline under Component III in November 2013 (which however was lifted in April 2014). Additional losses of IPA I funds affected Component IV with around EUR 6 million and Component V with around EUR 12 million.

The drafting of the IPA II Indicative Strategy Paper 2014-2020 (Strategy Paper) continued throughout the reporting period, while the formulation of a first IPA II national programme started to take shape.

## **2. STRATEGIC PLANNING AND PROGRAMMING**

### **2.1 Multi-annual Indicative Planning Document (MIPD)**

The MIPD 2011-2013 was reviewed for a last time in 2012 and remained the basis for the implementation of IPA I assistance. The last Multi-annual Indicative Financial Framework (MIFF) 2013 was adopted on 10 October 2012.

Following consultations with the Government on IPA II priorities, the Commission consulted EU Member States, international financial institutions, international organisations, third countries and non-state actors and developed a comprehensive draft Strategy Paper. With a view to the needs and capacities of the country, the following sectors were included into the Strategy Paper: governance and democracy, rule of law and fundamental rights, environment and climate action, transport, competitiveness and innovation, education, employment and social policies, agriculture and rural development and regional and territorial cooperation.

In parallel, the Commission developed an IPA II Multi Country Strategy Paper and the South East Europe 2020 Strategy, ensuring coordination between the activities under the future national and regional strategies.

The design of a first IPA II programme took shape towards the end of 2013. In consultation with all relevant stakeholders, the Commission and the Government discussed providing assistance to the sectors of governance and democracy, rule of law and fundamental rights, environment, transport and competitiveness and innovation.

Following the March 2013 local elections, the Deputy Prime Minister for EU Affairs and National IPA Coordinator (NIPAC), Teuta Arifi, was replaced by Fatmir Besimi. After a slow-down during the electoral period, the newly appointed Deputy Prime Minister quickly assumed his new role as NIPAC.

Although smaller improvements in the management of the Secretariat for European Affairs (SEA) were noted during 2013, SEA's capacity to coordinate the programming process remained weak. In general, the institution's staffing level did not match its responsibilities with regard to IPA coordination, consultation, programming, communication, training, monitoring and evaluation.

The Commission held regular donor coordination meetings with the World Bank, the European Investment Bank, the European Bank for Reconstruction and Development (EBRD), IMF, the German Development Bank (KfW), and the Council of Europe Bank with regard to current and potential future cooperation. The meetings underscored the interest of international financial institutions in IPA II. Regular meetings were also held with Member States' economic counsellors to discuss recent macro-economic developments, trade problems, accession negotiations and other issues regarding the country's European integration process.

Table 1: MIFF<sup>10</sup> allocations per component, in EUR million

IPA Component	2011	2012	2013	Total 2011-13
<b>I (Transition Assistance and Institution Building)</b>	29.40	28.66	27.06*	85.12*

<sup>10</sup>As 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



<b>II (Cross Border Cooperation)</b>	4.52	3.58	5.09	13.20
<b>III (Regional Development)</b>	39.30	40.95	50.28 **	130.53
<b>IV (Human Resources Development)</b>	8.80	10.29	10.64	29.72
<b>V (Rural Development)</b>	16.00	17.99	20.216*	54.15*
<b>Total</b>	<b>98.03</b>	<b>101.47</b>	<b>113.22</b>	<b>312.72</b>

\* An amount of EUR 18 million was subsequently transferred by the Commission in 2013 from IPA Component V to IPA Component I

\*\* An amount of EUR 0.5 million out of the 2013 Component III allocation was dedicated extra-programmatically to JASPERs technical assistance.

## 2.2 Programming

### 2.2.1 Component I

The move from a project-based to a sector-based approach in IPA programming proved to be a challenge for the preparation of the IPA Transition Assistance and Institution-Building national programme (national programme) 2012-2013. The national programme was approved by the IPA Committee in 2012, but the Financing Agreement for national programme 2012 was only signed by the Government on 2 October 2013. The Financing Agreement for national programme 2013 is foreseen to be signed by the end of 2014. The programming of funds for 2012 and 2013 was completed in 2012, allowing time for the preparation of the IPA II Strategy Paper. Table 3 presents the national programme 2012-2013.

Moreover, at the request of the Government, EUR 18 million of the 2013 allocations under IPA Component V of DG Agriculture were transferred to Component I of DG Enlargement. This transfer permitted funds to be made available under a World Bank municipal development programme and helped to avoid a de-commitment of this money from Component V, which suffers from a slow pace of implementation.

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

Sector	2012-2013 Sector and Project Fiches	Budget (EUR Total IPA +national contribution)
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<b>Public administration</b>		10.00
<b>Sector fiche</b>	Public administration reform (coordination of horizontal policies, reform of procedures, cooperation with civil society organisations)	7.24
<b>Project fiche</b>	Support for the consolidation of the local self-government system (direct grant to UNDP)	2.34
<b>Justice and home affairs</b>		17.00
<b>Sector fiche</b>	Justice and home affairs and fundamental rights (fight against financial crime and fraudulent use of EU funds, establishment of home affairs data storage and back-up system as basis for future Schengen Information System, protection of personal data, supply of technical equipment and vehicles for law enforcement)	11.46
<b>Project fiche</b>	Strengthening the operational and institutional capacities of the customs administration	2.00
<b>Project fiche</b>	Upgrading the custom clearance facilities of the road border crossing Tabanovce (with Serbia)	1.88
<b>Project fiche</b>	Upgrade of the customs clearance and inspection facilities at the road Border Crossing Kafasan (with Albania)	1.49
<b>Private sector development</b>		9.37
<b>Sector fiche</b>	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
<b>Environment and climate change</b>		6.33
<b>Sector fiche</b>	Environment and climate change	6.33
<b>Agriculture and rural development</b>		11
<b>Sector fiche</b>	Agriculture and rural development (land consolidation, farm accountancy data network)	6.60
<b>Project fiche</b>	Further alignment of food safety, veterinary and phyto-sanitary policies with EU requirements (vaccination against rabies)	3.61
<b>Supporting programmes</b>		14.24
<b>Project fiche</b>	Enhanced capacity for effective management and audit of EU funds	4.0
<b>Project fiche</b>	Participation in Union Programmes and Agencies	10.24
<b>Total</b>		<b>67.94</b>

### 2.2.2 Component II

The programming for the IPA CBC Greece-FYROM and Bulgaria-FYROM 2014-2020 started in 2013. Ongoing multi-annual bilateral programmes are implemented under centralised management. Implementation is ongoing and new 2013 Financing Agreements for the programmes with Kosovo and Greece will be signed in 2014.

The task force for the future CBC programme between Greece and the former Yugoslav Republic of Macedonia, to be implemented under the shared management, met for the first time in February 2013. The Joint Working Group for the future CBC Programme between Bulgaria and the former Yugoslav Republic of Macedonia, also to be implemented under the shared management, met twice in 2013.

The IPA CBC Component II also finances the participation of the country in transnational cooperation programmes under the Transnational Cooperation Programme "South East Europe, 2007-2013".

### ***2.2.3 Component III***

A revision of the country's Operational Programme for Regional Development (OPRD) under Component III did not take place in 2013, since the combined 2012-2013 allocations were added to the OPRD in December 2012.

By the end of 2013, 37% of overall OPRD allocations under the existing programme remained to be programmed. The beneficiary institutions capacities to plan and programme improved only incrementally; especially within the Ministry of Environment, which made only belated progress towards developing a proper project pipeline and to programme the remaining funds.

Insufficient administrative capacity and lack of ownership or high-level political support to some of the assistance had a negative effect on IPA programmes under this Component. This was reflected in delays in programming, procurement and implementation of the OPRD. The lack of staff in the Ministry of Environment caused DG Regional and Urban Policy to give advance warning of an interruption of the payment deadline in November 2013<sup>11</sup>.

With the payments of the invoices under the transport axis linked to Corridor X, the national authorities were able to avoid de-commitment of funds in 2013, but a risk of de-commitment of funds from the environmental axis remains.

### ***2.2.4 - Component IV***

The revision of the Operational Programme for Human Resources Development (OPHRD) was used to add the 2012-2013 financial allocations to the OPHRD, so that 2013 was used to programme these new financial allocations. The programming exercise, however, was delayed due to a lack of strategic planning capacity in the line ministries; which had a direct impact on

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<sup>11</sup> The interruption of the payment deadline was lifted by the DG after the reporting period.

disbursements and de-commitments. The Commission actively organised greater consultation of different stakeholders on what type of activities could be programmed under these operational measures.

Given the slow implementation of the programme, around EUR 6 million was lost at the end of 2013 from the programme's financial envelope. By end of 2013 the contracted amount reached only EUR 15.3 million, i.e. 24% of the whole financial plan 2007-2013. This contracting rate could lead to further de-commitments of funds in the years to come.

### **2.2.5 - Component V**

In November 2013, the Government submitted a proposal for a fifth modification of the Instrument for Pre-Accession Assistance in Rural Development (IPARD) programme. The proposal included an adaptation of the financial tables in order to take the new 2013 financial allocations and respective de-commitments into account, as well as a number of technical modifications aimed at facilitating the implementation of the programme.

The modification of the programme also included the transfer of EUR 18 million from the programme's 2013 financial allocation to IPA Component I of DG Enlargement. DG Enlargement entrusted the largest share of these funds to the World Bank and its rural development programme. Having lost around EUR 12 million from the programme by the end of 2013, this transfer helped to reduce projected losses of funds from Component V considerably.

Two calls for proposals were launched in 2013 for projects linked to the following measures: 'Investments in agriculture holdings for their restructuring and upgrading to EU standards' (Measure 101), 'Investments in processing and marketing of agriculture and fishery products for their restructuring and upgrading to EU standards' (Measures 103), and 'Diversification and development of the rural economic activities' (Measure 302). A prior notification for a January 2014 Call for submission of applications was launched in December 2013.

## **3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2013**

### **3.1 Success stories**

#### **The following projects contributed to the objectives of the 2011-2013 MIPD:**

Project fiche name: Support for National Police and Criminal Law Reform

Contract name: **Support for National Police and Criminal Law Reform, twinning project implemented by NI-CO (United Kingdom)**

IPA Programme: IPA TAIB 2009

Duration: 01 September 2012 – November 2013

IPA contribution in EUR: 1,026,000

The project was successful in strengthening the field capacities of the Bureau for Public Security; notably the units on regional and local level, in the area of criminal investigation, including the cooperation with the *public prosecutor's office*. The project helped the Ministry of Interior to improve its investigative capacity and contributed to the fight against crime.

Programme measure: Adult Education

Contract name: **Strengthening the capacities of the Skopje Centre for Adult Education**  
IPA Programme: IPA Component IV

Duration: October 2011- July 2013

IPA contribution in EUR: 1,500,000

The project was successful in improving vocational training in the country; particularly for people who are socially excluded. Focusing on people who left school early, as well as on young offenders and on vulnerable groups; the project strengthened the capacities of the staff at the Centre for Adult Education to assess training needs, plan curricula and monitor programmes designed to confer competences. Overall, a quality approach has been brought to adult education in the country, and the focus on skills certification increased the self-esteem and employment chances of the target group.

Programme measure: Promote and protect the environmental resources of the area

Contract name: **Developing Cross Border Joint Fire Protection Plan "FIRESHIELD"**

IPA Programme: IPA Component II Cross Border Cooperation with Greece

Duration: March 2012 – June 2013

IPA contribution in EUR: 252,039

The project succeeded in developing a joint cross border fire protection plan; in reinforcing the capacity of the regional fire departments, increasing cross-border cooperation and enabling fire departments in both regions to act more efficiently on two levels: fire protection and fire extinguishing. The plan focuses on technical requirements and cooperation needed for fire protection. The target groups involved fire brigades and regional agencies in both countries across 21 municipalities; benefiting a population of around 300,000 people. As public awareness is crucial for prevention of fires, FIRESHIELD informed the general public about rules for forest protection and encouraged fire brigades to work more closely with the public.

### **3.2 Overview of IPA implementation in 2013**

The Commission's 2013 Progress Report indicated that the overall administrative capacity needs to be significantly strengthened in order to push implementation of reforms forward.

During the reporting period, the contracting efforts of projects under IPA Component I of national authorities concentrated mostly on the TAIB Programme 2009, as the programme's contracting deadline expired on 21 December 2013. Following warnings from the EU Delegation in April 2013 on the risk of high losses of EU funds, particularly from this programme, the NIPAC (the Deputy-PM in charge of EU Affairs) concentrated his efforts on minimising potential losses of funds. Despite these efforts, in 2013, de-commitments of funds affected Component I, as well as Components IV and V in the total amount of around EUR 21.3 million, which represents around 3.5% of the country's overall financial envelope for IPA I.

The delays in the contracting of the assistance under DIS are rooted in a lack of programming capacities, a lack of staff in general, a high turnover of staff, insufficient ownership of assistance by the national authorities, an overly bureaucratic approach by the Operating Structure in the interpretation of rules and procedures, and insufficient cooperation between the Central Financing and Contracting Department (CFCD) and the line Ministries. At the last IPA Monitoring Committee in December 2013 the Commission underlined the need to address all above-mentioned weaknesses.

Improvements are also needed in the sustainability of previous IPA assistance and maintenance of IPA funded supplies and investments, as well as transparency and visibility of EU funded projects. In order to ensure the sustainability of its assistance, the Commission placed great emphasis on the meeting of project conditionalities by the beneficiary institutions. Relevant progress on this will be assessed in the course of 2014. The SEA has since adopted an action plan to address all shortcomings in a structured manner.

The Twinning instrument continued to support different national institutions in their efforts to address the EU *acquis* and ensure a closer cooperation with Member States' administrations. In general, in 2013, the focus was on the preparation and finalisation of twinning fiches funded under national programme 2010, contracting Twinning under national programme 2009 and review Twinning missions funded under national programme 2008. In 2013, a list of all Twinning projects under all national programmes was prepared and circulated to Member States in order to plan their activities and inform them of upcoming projects.

The TAIEX instrument is successfully employed by the national authorities as a way of receiving short-term instituting building assistance. During 2013, 236 applications were processed, 205 of which were approved. The low rejection rate of 13 % is a result of good cooperation among all relevant stakeholders and their commitment to ensuring the instrument's successful application.

### **3.3 Component I: Transition assistance and institution building (TAIB)**

Since the conferral of management powers to the national authorities in December 2010, starting with the IPA national programme 2009; programmes are contracted and managed by the national authorities. With the signature of the IPA national programmes 2009, 2010 and 2011, the national administration has been under pressure to contract the national programme

2009 on time and clear the backlog of the 2010 and 2011 programmes. The signature of national programme 2012 in October 2013 put additional pressure on the "Central Financing and Contracting Department" (CFCD) and beneficiaries to procure and contract the necessary funds in good time.

With substantial guidance and involvement by the Delegation, the CFCD was able to contract EUR 29.67 million within the deadline (21 December 2013), which represents 89% of the overall allocations (EUR 33 million). A major part of the contracting was only done in the last week before the deadline expired.

Under national programme 2010, the country has an IPA allocation of EUR 30.13 million, of which less than 3% was contracted by December 2013. At that time, the procurement preparation for a number of files in the amount of approximately EUR 16 million had not begun and there is a considerable risk of de-commitment of a substantial amount from this programme if corrective measures are not taken in due course. The deadline for contracting is 1 December 2014.

No single contract has been signed yet under national programme 2011 (EUR 28.90 million – contracting deadline 20 November 2015) and national programme 2012 (EUR 28.16 million – contracting deadline 2 October 2016) on which contracting did not take up during 2013.

The EU Delegation remains responsible for centralised de-concentrated management of IPA national programmes 2007 and 2008 and Component II programmes, as well as for European Union Programmes and Agencies 2007-2010. National programmes 2007 and 2008 were operationally completed in 2013 and the disbursement rate stood at 86%.

### **3.4 Component II: Cross-Border Cooperation (CBC)**

In 2013, there were delays in the implementation of IPA Component II, which led to a transfer of EUR 2.9 million from IPA 2012-2013 CBC allocations with Serbia and Albania to IPA Component I for those two years. The national authorities' capacities to manage the CBC programmes remained insufficient throughout 2013.

In 2013 the 3rd Call for Proposals in the amount to EUR 7.5 million was launched. The JTS is fully operational and, the recruitment for the Antenna Office in Bitola was finalized in September 2013.

In the cross border programme with Bulgaria, the 3rd Call for Proposals in the amount to EUR 3.1 million was launched in 2013. The n+3 target for the year 2013 was achieved. The JTS in Kyustendil is fully operational and is implementing the programme accordingly.

The first call for proposals for the CBC programme with Kosovo was launched on 15 November 2013, funded from CBC financial allocations for 2010, 2011 and 2012, in the amount of EUR 3.19 million (EUR 1.62 million for the former Yugoslav Republic of Macedonia and EUR 1.57 million for Kosovo). The second technical assistance contract for managing this programme in the amount of EUR 59,976 was signed with the Ministry of Local Self Government on 8 August 2013.

### **3.5 Component III: Regional development**

Delays in procurement of activities under the OPRD of Component III continued to put the timely implementation of this programme at risk. Even though de-commitment of funds from this programme was avoided in 2013, the risk of funds' losses will increase in 2014. By December 2013, only 27.9% of the financial plan 2007-2013 had been contracted. Given that all projects must be operational by December 2018 at the latest if the Commission is not to recover any funds, it is necessary to ensure the timely contracting and implementation of the programme.

The physical implementation of infrastructure projects, which absorb the majority of the funding, is still at an early stage. During the reporting period, the Delegation had to intervene in the procurement process for the construction of a waste-water treatment plant in Prilep and renew the process. In December 2013, with the help of the 'Joint Assistance to Support Projects in European Regions' (JASPERs), the Operating Structure applied for EUR 17.6 million to renew and reconstruct the railway section Bitola-Kremenica along Corridor Xd.

In November 2013, DG Regional and Urban Policy warned the national authorities of a possible interruption of payments because of "significant deficiencies in the functioning of the management and control systems" in the OPRD. This was a consequence of the Audit Authority's report in June 2013 that "the system for implementation of the Operational programme for Regional development works but some improvements are needed".

In December 2013, the national authorities reported that some of the findings had already been addressed and agreed to implement an action plan to clear the remaining issues. The national authorities confirmed that they expected to close all issues by the end of March 2014.

### **3.6 Component IV: Human Resource Development**

In 2013, the implementation of the OPHRD of IPA Component IV continued to advance at a slow pace, adding to a backlog in procurement, which increases de-commitment risks in the coming years. The total amount contracted by the end 2013 was only EUR 12.9 million, i.e. 23.86% of the financial plan 2007-2013.

Due to the late start of the programming of the relevant Operational Identification Sheets by the Ministry of Labour and Social Policies and the Ministry of Education, and the late contracting of projects and delays in disbursement of funds, EUR 6 million were de-committed in 2013.

Before the end of 2017, the authorities still need to contract, pay and declare to DG Employment 76.14% of the funds allocated to IPA Component IV, which constitutes a major challenge in view of their capacities. The Component stands at risk of losing additional funds over the coming years.



### **3.7 Component V: Agriculture and rural development**

In 2013 the Commission, together with the national authorities, continued working on the accreditation of two additional measures (Rural infrastructure and Technical assistance) which are expected to contribute to a better absorption of IPARD funds in the near future.

By December 2013, only 8.73% had been contracted out of the 2007-2013 financial plan and this Component was affected by the highest de-commitment of funds in 2013 of around EUR 12 million or 96 % of 2010 IPA allocation. This loss follows a previous de-commitment in 2012 of EUR 7.2 million which makes the overall situation of the programme very critical. By 31 December 2013, the overall losses of IPA I funds from this Component represented 26.6 % of the Component's original IPA allocation.

Efforts were made on all sides to mitigate the de-commitments in future years. In 2013 EUR 18 million were transferred from Component V to Component I to this effect. The largest share of the funds is foreseen to support rural infrastructure through an existing WB programme. Following the decision of DG Agriculture and Rural development to allow investments in farm mechanisation, a very large number of applications were received which could help to improve the absorption of funds.

The Commission furthermore intends to support the authorities in addressing key structural issues in the sector; such as high land fragmentation, lack of access to credit, and absence of producers groups, which could help in the implementation of IPARD.

## **4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES**

With the exception of IPA Component II, all other Components are principally implemented under DIS. Component I, III and IV are implemented with *ex ante* controls, and Component V is implemented with *ex post* controls. The DIS structures are responsible for implementing and monitoring the assistance entrusted to them.

Generally, the implementation of IPA I under DIS was negatively affected by insufficient political commitment and insufficient human and material resources devoted to EU financial assistance. Major efforts will also have to be made in 2014 on all sides to ensure timely contracting, disbursement, quality in monitoring, evaluation and audit, and sustainability of assistance.

Specific problems that affect projects under DIS include persistent delays in the procurement processes which entail risks of de-commitment of funds. The Commission recommended that the national authorities take the following steps to address the difficulties:

- a) Improve the capacities for strategic planning.
- b) Improve the quality of the technical documentation and shorten internal procedures between CFCD line-Ministries for revision and approval of files.
- c) Strengthen the role of the NIPAC and the General Secretariat Unit for Strategic Planning to ensure proper input from all relevant bodies and synchronise this process with the budget planning, which should also be medium-term and sector-oriented.

- d) Ensure a comprehensive stakeholder consultation mechanism, as well as appropriate structures and mechanisms for Monitoring and Evaluation of the sector strategies.
- e) Ensure adequate staffing of the Operating Structures and better working conditions.
- f) Improve transparency, visibility, information and communication on EU-funded assistance.

With respect to DIS managed projects, the EU Delegation remains responsible for monitoring the Operating Structures' implementation of programmes and contracts and the functioning of the DIS system. In the course of 2013, the Commission embarked on a reform of its *ex ante* approval system.

Since the monitoring efforts by the Operating Structure are still limited, despite the elaboration of a monitoring strategy, the EU Delegation organises regular on-the-spot checks, partially together with the OS, in order to support their monitoring and control capacities.

The Commission has requested that the monitoring strategy of the DIS structure be improved and thoroughly implemented. Better use should be made of the Management Information System (MIS) by the CFCD, to allow the timely update of procurement plans, financial data, reporting and monitoring.

The Sector Monitoring Committees for all five IPA Components and the IPA Joint Monitoring Committee took place during 2013. The Annual Implementation Report was submitted on 30 August 2013 and a summary was submitted to the IPA Joint Monitoring Committee meeting in December 2013.

#### Results Oriented Monitoring (ROM)

In 2013, four missions by the ROM Western Balkan team monitored 20 projects (10 ongoing and 10 *ex post*) with a total value of EUR 19.7 million. Since the government had not yet established its own ROM system, it was agreed with the NIPAC office to include six DIS managed projects in this ROM exercise. *Ex post* monitoring focussed specifically on impact and sustainability of assistance.

The projects were proposed according to their risk profile and their size. Contracts with a higher risk profile (grants, services and supplies) and of a value exceeding EUR 600,000 were given preference. Nine projects had an IPA allocation greater than EUR 1 million.

The overall performance of the projects monitored was satisfactory with some room for improvement in particular with regard to effectiveness and sustainability. By tailoring the design of the assistance to the beneficiary's limited capacities, a more effective outcome can be achieved. The beneficiary's strong commitment to the project will reinforce the effectiveness and efficiency of the assistance

Another 16 projects (among six under DIS) have already been identified for ROM in 2014.

No **Interim Evaluations** were launched in 2013 for any of the IPA programmes.

PART II - FINANCIAL DATA (EUR million and %)

**Status of implementation of IPA financial assistance (IPA Component I + IPA Component II), as at 31 December 2013 - implementation under decentralised management**

	Allocated	Contracted	Paid	Percentage Contracted	Percentage Paid
IPA 2007	38.35	33.26	32.96	86.72%	85.95%
IPA 2008	39.97	35.60	34.39	89.07%	86.05%
IPA 2009	40.09	35.81	12.70	89.34%	31.68%
IPA 2010	40.01	6.44	4.71	16.09%	11.77%
IPA 2011	32.03	1.64	1.10	5.11%	3.45%
IPA 2012	30.31	0.00	0.00	0.00%	0.00%
IPA 2013	48.20	0.00	0.00	0.00%	0.00%
<b>Total</b>	<b>269</b>	<b>113</b>	<b>86</b>	<b>41.92%</b>	<b>31.93%</b>

*Status of implementation of IPA financial assistance (IPA Component I), as at 31 December 2013 - implementation under decentralised management*

	Allocated	Contracted	Paid	Percentage Contracted	Percentage Paid
IPA 2007	34.91	31.51	31.45	90.24%	90.07%
IPA 2008	37.12	33.31	32.61	89.74%	87.83%
IPA 2009	37.06	33.39	11.09	90.09%	29.92%
IPA 2010	36.92	3.92	3.37	10.63%	9.13%
IPA 2011	28.90	0.00	0.00	0.00%	0.00%
IPA 2012	28.16	0.00	0.00	0.00%	0.00%
IPA 2013	46.01	0.00	0.00	0.00%	0.00%
<b>Total</b>	<b>249</b>	<b>102</b>	<b>79</b>	<b>41.00%</b>	<b>31.52%</b>

*Status of implementation of IPA financial assistance (IPA Component II - CBC), as at 31 December 2013 - implementation under decentralised management*

	Allocated	Contracted	Paid	Percentage Contracted	Percentage Paid
IPA 2007	3.44	1.75	1.52	50.94%	44.08%
IPA 2008	2.85	2.29	1.79	80.37%	62.77%
IPA 2009	3.03	2.42	1.61	80.08%	53.21%
IPA 2010	3.10	2.51	1.34	81.22%	43.18%
IPA 2011	3.13	1.64	1.10	52.39%	35.34%
IPA 2012	2.16	0.00	0.00	0.00%	0.00%
IPA 2013	2.19	0.00	0.00	0.00%	0.00%
<b>Total</b>	<b>20</b>	<b>11</b>	<b>7</b>	<b>53.41%</b>	<b>37.00%</b>

*Status of implementation of IPA financial assistance (IPA Component II implemented by Regional Policy DG), as at 31 December 2013*

<b>IPA CBC</b>	<b>Committed</b>	<b>Paid until 31 December 2013</b>	<b>Percentage</b>
<b>Bulgaria- the former Yugoslav Republic of Macedonia</b>	17.903.682	8.461.906,50	<b>50%</b>
<b>Greece- the former Yugoslav Republic of Macedonia</b>	15.054.445	7.933.210,82	<b>53%</b>

*Status of implementation of IPA financial assistance (Component III) as at 31 December 2013 (in million EUR) and distribution of total committed funds (2007-2013 allocations) by Operational programme*

<i>Operational programme (OP)</i>	<i>Committed</i>	<i>Paid</i>	<i>% (with advance payment)</i>
<i>OP Regional Development</i>	<i>199.93</i>	<i>50.35</i>	<i>25%</i>

**Status of implementation of IPA financial assistance (IPA Component IV, implemented by Employment, Social Affairs and Inclusion DG), as at 31 December 2013 – Million EUR**

Country	Allocated	Contracted	Paid	Percentage contracted	Percentage paid
<i>the former Yugoslav Republic of Macedonia</i>	54.42	12.87	18.08	23.65	33.2%

**At 31 December 2013 IPA Component V, implemented by Agriculture and Rural Development DG – million EUR**

<u>Committed</u>	<u>Paid</u>	<u>Percentage paid</u>
<u>60.25</u>	<u>2.44</u>	<u>4%</u>

## ALBANIA

### 1. SUMMARY

In 2013 the Commission recommended that candidate status be granted to Albania on the understanding that the country continues to take action in the fight against organised crime and corruption<sup>12</sup>.

The parliamentary elections in June 2013 were competitive and conducted in an overall orderly manner with active citizen participation and genuine respect for fundamental freedoms.

During 2013, EU financial assistance played a strategic role in **Albania**, deploying approximately EUR 96 million on IPA Components I and II, with a view to enhancing administrative capacities of a number of institutions and fostering social, environmental and economic development.

The emphasis of the Enlargement strategy on the policy areas of judiciary and fundamental rights (chapter 23) and justice, freedom and security (chapter 24) has made it abundantly clear to the Albanian Government that the rule of law in the country must be improved with concrete achievements. Indeed, the positive implementation of projects in the area of judiciary and fight against organized crime shows that the country can achieve results in the improvement of the effectiveness of the justice system and in the increase of the operational capacity of the law-enforcement agencies, as long as these endeavours are backed by a clear political intention to move forward with the reforms agenda. The overall positive trends, including the electoral process, led the Commission to request the conferral of candidate status; something that was finally endorsed by the Council on 24 June 2014.

Infrastructure projects encounter implementation problems; mainly due to a lack of coordination among line-ministries and between national and local institutions and lack of national funds for maintenance and operational costs, with implications for the projects' long-term sustainability.

Albania has finalized the preparation for the decentralised management of IPA funds under Component I. Therefore, part of the IPA 2013 National Programme will be implemented under this new management mode for Albania. The Government is expected to ensure stability as regards the positions of civil servants trained for the management of IPA funds and should further strengthen their skills. Otherwise, the implementation of the IPA 2013 projects will suffer from a lack of expertise on the procurement rules and procedures governing EU funds.

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<sup>12</sup> Candidate status was granted in June 2014

## 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 were:

- 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 the 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 2013 was also strictly driven by the priorities identified in the Enlargement strategy documents, i.e. the 2011 and 2012 Progress Reports, both listing 12 key priorities, where Albania needs to deliver before any decision on opening accession negotiations may be considered. The main priorities for IPA planning are public administration reform, rule of law, anti-corruption, fight against organized crime, property rights and the protection of human rights and minorities.

Overall, IPA planning is 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 ultimate aim to streamlining EU assistance with the sector national budget and increasing ownership by the beneficiary country. 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 and for which appropriate progress monitoring mechanisms should be put in place.

#### **Table 1: MIFF<sup>13</sup> allocations per component, in million EUR**

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<sup>13</sup> 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(2012) 581 of 10.10.2012.



Component	2011	2012	2013	2011-2013
I – Transition Assistance and Institution Building	84.30	85.14	84.68	254.12
II – Cross-border cooperation	10.13	9.43	10.67	30.23
<b>TOTAL</b>	<b>94.43</b>	<b>94.57</b>	<b>95.35</b>	<b>284.35</b>

## **2.2 Programming**

### **2.2.1 Component I**

In the IPA 2013 programming exercise the Commission has emphasized the sector-based logic and has devised two pilot sector programmes, which will display a set of interrelated operations addressing the same mid/long-term sector priorities identified in the MIPD 2011-2013.

The areas of (a) Justice and Home Affairs and (b) Environment and Climate Change have been chosen for pilot sector programmes. In the two areas, the new approach will increase coherence among Governments' policies, IPA assistance and support from other donors. Albanian Institutions are supposed to exercise leadership in order to set-up effective donor coordination in the specific sector and to design functional reporting and monitoring procedures.

Throughout 2013 the Commission has been working on the definition of the new edition of the Instrument for Pre-accession Assistance (IPA II) under the 2014-20 Financial Perspectives. The focus on sector approach and multi-annual sector programming are two relevant innovations introduced by the new Instrument. Therefore, the two IPA 2013 pilot sector programmes are supposed to lay the conditions in Albania for a successful application of the new methodology in the planning of pre-accession assistance for 2014-20.

The Commission has planned to support Public Administration Reform (PAR) with specific ad-hoc projects in the areas of budget planning, customs, statistics and external audit, which will cover existing weaknesses and shortfalls in the terms of administrative capacities.

The IPA 2013 Programme has also concentrated substantial amounts of funds for rural development by supporting farmers' small and medium-scale investments, renovating water supply systems and improving the productivity of the livestock sector. The low attainment of food-safety standards has also been tackled with technical assistance for ad hoc laboratories.

In the area of employment and social inclusion the Programme includes a number of operations to reshape the social assistance programmes of the Government; modernize the vocational education and training system and increase the competitiveness of small and medium enterprises.

The Programme foresees different methods of delivering EU financial assistance. On the one side, the bulk of the programme will be implemented under centralized management as in previous years, in cooperation with Member States agencies under indirect centralized management and with International Organizations under joint management. On the other side, part of the programme will be implemented under decentralized management as a pilot exercise for the national IPA structures. The 2013 programme, amounting to EUR 82,032,000, is expected to fund 12 sector programmes/projects under centralized management (EUR 64,232,000) and 7 projects under decentralized management (EUR 17,800,000).

The IPA 2013 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.

Table 1: Indicative financial allocations for the year 2013 per component (EUR in million)

<b>ALBANIA</b>	<b>2013</b>
<b>I. Transition Assistance and Institution Building</b>	85.53
<b>Of which:</b>	
<b>National Programme</b>	82.03
<b>Tempus Programme*</b>	2.00
<b>Civil Society Facility*</b>	1.50
<b>II. Cross-Border Cooperation</b>	10.48
<b>Of which:</b>	
<b>CBC Montenegro-Albania</b>	0.85
<b>CBC the former Yugoslav republic of Macedonia-Albania</b>	0.85
<b>CBC Kosovo-Albania</b>	0.60
<b>CBC Greece-Albania</b>	1.66
<b>CBC IPA Adriatic**</b>	6.01
<b>Albania's participation in ERDF transnational programmes "South East Europe" and "Mediterranean"***</b>	0.51
<b>TOTAL</b>	<b>96.01</b>

\* 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).

Table 2: Indicative financial allocations for the year 2013 under the National Programme, per management mode, sector priority axis and projects (EUR in million):

<b>Centralized Management</b>		<b>Budget</b>
<b>Sectors/Projects</b>		
<b>Justice and home affairs</b>		12.50
	Support to the implementation of the Strategy for Property Rights	1.00
	Pilot Sector Programme on Justice and Home Affairs	11.50
<b>Public Administration Reform</b>		5.60

	Integrated Planning System – phase II	1.10
	Upgrading the Albanian Customs Administration	4.50
<b>Environment</b>		8.00
	Pilot Sector Programme on Environment and Climate Change	8.00
<b>Employment and Social Inclusion</b>		3.50
	Implementation of the EBRD Small Business Support Programme	2.00
	Modernization of social assistance	1.50
<b>Agriculture and Rural Development</b>		30.40
	Support to agriculture and rural development – phase II	6.40
	Improvement of roads and water supply systems in rural areas	22.00
	Control and eradication of rabies – phase II	2.00
<b>Other horizontal activities</b>		4.23
	Governance of the natural and cultural heritage of the Lake Ohrid Region	1.70
	Facility for strengthening the EU integration process	2.53
<b>TOTAL</b>		64.23

<b>Decentralized Management</b>		
<b>Sectors/Projects</b>		<b>Budget</b>
<b>Justice and home affairs</b>		3.50
	Construction of the Tirana Court building – phase II	3.50
<b>Public Administration Reform</b>		3.50
	Improvement of the statistical information system	1.50
	Enforcement of auditing capacities	2.00
<b>Transport</b>		2.00
	Increase of road safety standards	2.00
<b>Employment and Social Inclusion</b>		3.00
	Support to Vocational Education and Training	3.00
<b>Agriculture and Rural Development</b>		5.80
	Improving the productivity of the Livestock Sector	1.80
	Strengthening Food Safety Laboratories	4.00
<b>TOTAL</b>		17.80

### **2.2.3 Components III, IV and V**

The preparation for the management of IPA component III and IV have been put on hold since the new IPA II regulatory framework for 2014-20 does not provide specific rules and procedures for funds in the areas of regional development (former component III) and employment and human resources development (former component IV). Under IPA II the funds for these two policy areas will be managed either under direct or indirect management as those funds devoted to institutional development and transition assistance (former component I).

The preparation for IPA Component V decentralised management is proceeding (setting up of the Paying Agency and Managing Authority as the Operating Structure within the Ministry of Agriculture). The IPA 2011 project Support to Agriculture and Rural Development is

assisting the Operating Structure to implement in practice IPA Component V-like measures, i.e. grant schemes to fund small and medium investments in the agro food sector. The second call for proposals was launched in April 2013.

### **3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2013**

#### **3.1 Success stories**

*Twinning project "Support to Anti-Money Laundering and Financial Crimes Investigation Structures in Albania" (EUR 1.5 million)*

The project aimed at increasing the capacities of the law enforcement agencies responsible for prevention, detection, investigation and prosecution of money laundering and related financial offences. A highly skilled advisory team managed to increase the coordination and collaboration amongst the concerned institutions, i.e. General Prosecutor Office, Albanian State Police, Financial Investigation Units of the Ministry of Finance and the Agency dealing with the management of seized and confiscated assets (AASCA). The project has also focused on the relevance of common (joint) activities with the Bank of Albania, the High Inspectorate for the Declaration and Audit of Assets, the General Directorate of Taxation and the General Customs Directorate. All recommendations of the MONEYVAL Committee (Council of Europe Committee of experts on the evaluation of Money-laundering and Terrorism Financing) have been adequately addressed in terms of a revised legislative framework and increased operational margin of manoeuvre. As a result, Albanians' technical abilities in investigating money laundering crimes have definitely improved. Law enforcement agencies are now more capable in the tracing and recovery (seizure and confiscation) of criminal proceeds and illegal assets and AASCA is also launching pilot-initiatives for the administration and destination of the assets with a profit perspective. The cooperation and coordination among all institutions involved in the fight against money laundering has overall increased. Moreover, a technical manual on money-laundering investigation and financial crimes has been produced, which takes into account the best European practices but tailored to the Albanian criminal threat analysis.

*EU advisory mission to consolidate the justice system in Albania - Euralius III (EUR 2.3 million)*

The aim of the mission was to facilitate the development of a more independent, impartial, efficient, professional, transparent and modern justice system, thus contributing to restoring people's confidence in their judiciary institutions and consolidating democracy and rule of law in the country. The mission, composed of top magistrates coming from Member States, has considerably contributed to the improvement of the case management by the justice system, focusing in particular on the organizational, administrative and technical capacities of the courts. In addition, as a result of this mission, important pieces of legislation have been put in place: the reform of the High Court, the set-up of the Administrative Courts, the reform of the High Council of Justice, the reform Judicial Administration and the revision of the support in the field of legal aid. The magistrates have also devised the law lifting the immunities for judges and members of Parliament, which is a crucial step forward in the improvement of the overall institutional and operational framework for the fight against corruption in Albania. During the meeting between Commission President Barroso and Albanian President Nishani (September 2012), the Euralius III mission has been recognised as

a key policy instrument for the development of an independent judicial power in the country. Therefore, it is envisaged a follow-up fourth edition of the mission in the framework of the IPA 2013 Programme, which will be deployed in the course of 2014.

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

In Albania 208 EU-funded projects are ongoing for an overall amount of EUR 236.2 million.

During 2013 and considering IPA annual envelopes from 2007 onwards, the EU Delegation has contracted a total amount of EUR 47.2 million and has disbursed a total amount of EUR 50.6 million.

### **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.

Following the advice of the Commission, the Albanian Parliament has finally approved with a qualified majority, a crucial piece of legislation for the reform of the public administration, notably the law on the status of civil servants. The law foresees the application of Member States' best practices for the management of the civil service. Shortly after the new Government took office in September 2013, the Ministry of Public Administration started preparing the secondary legislation. Work on this front progressed very intensely with support from SIGMA. The twinning project "Support to Civil Service Reform" (IPA 2012 – EUR 1.8 million) is also going to provide expertise and support to the Ministry of Public Administration for the proper implementation of this reform; which can potentially overcome a number of existing shortfalls in the delivery of administrative services to the citizens.

In 2013 the project "Support to the Ministry for Innovation and ICT and the National Agency for Information Society" (IPA 2009 – EUR 3 million) came to a successful conclusion. The intervention focused on the extension of the interoperable e-government platform ([www.e-albania.al](http://www.e-albania.al)) and assisted in establishing new processes regarding the provision of on-line e-administration services to citizens, such as the e-Driving Licence, and prepared a pilot Government's electronic document record management system. The building of a solid e-government infrastructure is an important tool to reduce corruption within the administration.

In 2013 SIGMA continued its support to Albania by assisting the Ministry of Justice in revising the new law on general administrative procedures (Administrative Code) which is soon to be adopted by the Parliament. SIGMA has also supported the Albanian counterpart in the area of public procurement and concessions by means of ad hoc advice, trainings and workshops to the Public Procurement Agency and the Public Procurement Commission. Finally, the regular SIGMA reports helped the Commission in shaping and designing upcoming interventions for public administration reform under the IPA 2013 programme.

Albania participated in the following EU programmes in 2013: 7th Research Framework Programme, Competition and Innovation Framework Programme, Customs, Europe for Citizens, Culture and Life-long Learning.

### **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 independency and efficiency of the judiciary; including 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 2013 the Commission launched the fourth edition of the Pameca assistance mission with the aim of improving the organizational, administrative, technical and resource management capacities of the Albanian State Police. The mission is built on five components: (i) Police institutional development (Structure, Organization, Human Resources, logistics and budgeting); (ii) fight against organised crime, serious crimes and corruption; (iii) human rights and community policing; (iv) general patrol and traffic policing; (v) integrated border management. The team of Member States police officials is very skilled, extremely committed and able to provide strategic advice and highly-detailed threat assessments to the Albanian State Police, who are highly appreciative of this mentoring support.

For the judiciary institutions, the Commission is working in conjunction with the Council of Europe's European Commission for the Efficiency of Justice (CEPEJ) to strengthen the efficiency of the courts administration by enhancing the status, organisation and professionalism of courts staff. The CEPEJ coaching programme and performance monitoring methodology will be applied to all instance courts of the country. In addition, the Commission provided prosecutor offices with a new computer system for the case management (IPA 2010 – EUR 1.2 million). It is a centralized application within the General Prosecutor Office with ramifications on peripheral offices, which will ensure more efficient, coordinated and non-redundant investigations with better use of human and budgetary resources.

The Commission has provided a substantial amount of funds over the various IPA programmes (IPA 2007 – EUR 10 million; IPA 2008 – EUR 5.5 million; IPA 2010 – EUR 15 million; IPA 2011 – EUR 18 million) to improve the penitentiary infrastructure of the Albanian justice system in compliance with EU standards on the treatment of detainees. The new penitentiary institutions in Berat and Fier are about to be finalized and will be in operation beginning of 2014. In 2013 the works began on a new pre-trial detention centre and prison in Shkodra with a capacity of 760 beds. It is expected to be completed by mid-2015.

These new penitentiary services will directly impact the detainees' population with improved respect for human rights, less-crowded facilities and better living conditions.

### **3.5 Sector III: Transport**

The Commission is providing appropriate support to the transport sector in terms of capacity building, policy development, approximation of legislation with the EU acquis through an ongoing technical assistance project to the Ministry of Transport and Infrastructure (EUR 1.5 million under IPA 2012).

In 2013 the twinning project "Support to Albanian Civil Aviation Safety Management Systems" (EUR 1 million under IPA 2008) was successfully completed. The project supported the Civil Aviation Authority in undertaking and promoting the legislative and institutional reforms as regards aviation safety oversight, security and traffic management, along with training for the staff concerned. This twinning served as a first substantial step towards the alignment of the Authority to international standards. A new edition of the twinning is foreseen under the IPA 2012 programme to complement the work so far accomplished.

The ongoing intervention to rehabilitate rural roads has brought considerable advantages to rural communities, which now benefit from facilitated access to essential services and city markets. This project is part of a larger programme developed in coordination with EBRD, EIB and other IFIs for the renovation of more than 1,500 km across the secondary road network for which the EU has given a financial support of EUR 51.5 million through the IPA 2008, 2009, 2010 and 2011 Programmes with the target of re-building about 250 km local roads. In parallel, two EU-funded strategic investments along the north-south axis (from Shkoder to Tepelene - Gjirokastra), notably the construction of the Vlora bypass (EUR 19.36 million under IPA 2011) and the Rrogozhina bypass (EUR 7 million under IPA 2012) are in the process of implementation.

The Commission has also financed the construction of a new quay, the operating yard and other facilities of the Port of Shengjin, which is going to become an important trade logistics juncture for the Northern part of the country.

### **3.6 Sector IV: Environment and Climate Change**

Albania is confronted with several and increasing environmental problems, such as deforestation, coast and land degradation, biodiversity loss and unsustainable exploitation of natural resources. The side-effects of the recent rapid economic growth; notably uncontrolled urbanization, are having an increased impact on citizens' public health, which is challenged by unresolved problems in the area of solid waste management, waste water treatment 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.

EU support includes strategic advice to orient the sector policy priorities, assistance to draft EU acquis-compliant legislation and capacity-building measures to monitor the implementation of legislation. The Commission has also mobilized funds for the preparation and construction of infrastructure investments; particularly in the water sub-sector.

During 2013, in the area of water quality, some important policy developments have taken place: the law on integrated water management has entered into force and a new water supply and sewerage master-plan has been finalised, which will be the basis for planning future investments. The Commission is thoroughly monitoring the implementation of a number of infrastructure projects relating to wastewater treatment plants and sewerage systems in Golem, Durres, Shkodra (IPA 2007), Velipoje (IPA 2007, 2010 and 2011), Ksamil and Kavaja (IPA 2009), Lezha/Shengjin (IPA 2007, 2009), Korca, Pogradec, Berat/Kuçove and Saranda (IPA 2010). Focus was given to the coastal areas to improve the seawater quality with a view to supporting the development of tourism. The Commission has also provided specific technical assistance to improve the overall efficiency of the water sector; with particular reference to services provided at central and local levels.

Other relevant EU-supported policy developments are (i) the adoption of the law on strategic environmental assessment aligned with the strategic environmental assessment Directive; (ii) the upgrade of the National Environment Agency, including its laboratories and inspectorates, which have been equipped and trained in the framework of the IPA 2010 project Strengthening the Enforcement of Environmental Law in Albania; (iii) in the field of nature protection, the proportion of protected territory has increased by 0.75% to reach 15.83% of the overall country.

### **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), implemented by the International Labour Organization, is assisting the Ministry of Social Welfare and Youth in implementing labour active market measures. With its advice three new regulations on health and safety at work came into force; as well as two ILO international conventions, respectively on safety and health in construction and on the framework for occupational safety and health. Labour inspectors have also been trained to enforce this new legislation. New customer-oriented employment offices have been opened countrywide (Tirana, Durres and



Vlora). As a result of this growing labour policy commitment, the state budget for 2014 shows a significant increase for the employment promotion programs, despite the existing financial constraints.

The Ministry of Education is participating in the Union's Life-long Learning Programme. Albanian stakeholders have taken part in the activities organized by the Education, Audiovisual and Culture Executive Agency, notably multilateral projects (e.g. creation of learning, testing and training materials, pedagogical tools, new curricula, strategy and policy documents) and multilateral networks (e.g. joint actions to explore digital educational services, educational support needs), as well as participation in seminars and publications.

The Commission has invested a considerable amount of funds in the Vocational Education and Training (VET) system (EUR 7 million from IPA 2008 and EUR 3 million from IPA 2011) with the construction and rehabilitation of schools. Overall, seven schools will become operational within 2014 and four are already providing services to students and other clients with new equipment for workshops and laboratories. Courses of training of trainers are also taking place in order to improve teaching methodology and curricula to meet the expectations of the labour market.

### **3.8 Sector VI: Agriculture and Rural Development**

The EU assistance in the sector is focused on two main areas; notably rural development and food safety and veterinary; and is in line with the priorities identified by the Ministry of Agriculture in the national strategy for the agriculture and rural development 2014- 2020.

Rural areas in Albania suffer from inefficient use of resources, poor economic performance and scarce development opportunities. The ongoing project for rural development intends to tackle these shortfalls by financing small-medium scale investments via calls for proposals open to farms. The first call of this type has financed 19 grant investments for the production, processing and marketing of agricultural products, which have all started in 2013. In parallel, the EU has encouraged a more systemic involvement of the Albanian financial institutions in the improvement of the economic competitiveness through the set-up of a credit guarantee fund, which will facilitate bank lending to medium and small-medium enterprises.

As regards food safety and veterinary, vaccinations have taken place in the framework of the IPA 2012 project "Improving consumer protection against zoonotic diseases" (EUR 4.5 million), which has also put in place a national animal disease reporting and surveillance system within the Ministry of Agriculture. As a result, the prevalence of animal diseases in humans has dropped by around 30% and it is expected to be further reduced during 2014. The construction of physical veterinary infrastructure assets, funded under the IPA 2009 and 2010 programmes, is regularly advancing. The offices and regional laboratories of the national agency for food safety will be fully functional during 2014.

### **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 2013 a relevant project in favour of Roma and Egyptian communities, implemented by the United Nations Development Programme in collaboration with the Ministry of Welfare and Youth, has improved the living conditions of these communities through small scale infrastructure rehabilitations; supported employment-generation initiatives and strengthened Roma and Egyptian NGOs in three regions of the country (Berat, Korca and Vlora).

The evaluation process of the call for proposals launched under the 2012 funds of the civil society facility has been finalized; awarding 10 contracts for a global amount of EUR 1,5 million in the following thematic areas:

- Justice (monitoring living conditions and support for mental health care in detention systems, promotion of restorative justice and access to justice for people with disability);
- Social and economic inclusion (Roma communities and specifically unaccompanied children);
- Media freedom (training for journalist, awareness and training for judges about the new law on defamation and reporting on environment).

### **3.10 Cross-border Cooperation**

Albania is participating in three bilateral Cross-border Co-operation (CBC) Programmes with other candidates and potential candidates (Montenegro and the former Yugoslav 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, 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, the two partner countries have identified a proposal for a strategic project to further develop the integrated border management system. The existing infrastructure at the border crossing point of Hani i Hotit – Bozaj will be upgraded to facilitate the movement of persons, vehicles and goods and a new joint border crossing point will be opened in the area of Grabom (AL side) - Cijevna (MNE side).

In the frame of the CBC programme between Albania-Kosovo, the two partner countries will work on a strategic project to facilitate the mobility across the border crossing point of Shishtavec – Krusheve with the construction of a new road section and a new parking area, as well as the establishment of touristic signals to promote the bordering area.

In the frame of the CBC programme between Albania-former Yugoslav Republic of Macedonia, 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 has autonomously decided with the Commission the project to be implemented in the bordering areas. In conjunction with the UNESCO World Heritage Centre, Albania has devised a relevant initiative for the protection of the cultural and natural heritage of the Lake Ohrid region. Currently, the side of the Lake in the former Yugoslav Republic of Macedonia 's territory is already on the World Heritage list. The project will inter alia facilitate the extension of this prestigious recognition to the entire area.

In the frame of the CBC programme between Albania-Greece, the partner countries have launched a call for strategic projects, which has set EUR 2 million as minimum ceiling. With this higher ceiling, the call will fund bigger scale projects for an overall amount of EUR 7.9 million. The Joint Programming Committee for the future Greece-Albania Programme that will be implemented under the shared management principle met for the first time in July 2013.

The Joint Programming Committee for the future Greece-Albania Programme that will be implemented under the shared management principle met for the first time in July 2013.

Albania is taking part in four bilateral cross-border cooperation (CBC) programmes with (i) Montenegro, (ii) Kosovo, (iii) former Yugoslav Republic of Macedonia and (iv) Greece. During 2013 further joint projects have come to a satisfactory conclusion, a number of new grant contracts have been signed and the Joint Technical Secretariats of the various Programmes are more involved in monitoring activities. However, some shortcomings have been identified in the management of the programmes: delays of the possible interested parties during the identification of strategic projects to be financed under the programmes Albania-Kosovo and Albania-Montenegro; slow pace of the evaluation process of calls for proposals, entailing delays in the subsequent phase of contracting the amounts of the calls; limited quality of the selected proposals presented by the applicants; turnover of staff in the Operating Structure within the Ministry of European Integration following the 2013 general elections in Albania.

#### (i) Albania-Montenegro CBC Programme

During 2013, all 6 projects funded under the 1st call for proposals (EUR 768,000 for Albania - 2007 appropriations) came to their conclusion and submitted the final report. In general, the implementation of these six projects can be considered satisfactory.

3 out of 11 projects funded under the 2nd call for proposals (EUR 1.44 million for Albania - 2008-09 appropriations) came to their conclusion; one of them with significant shortcomings (a partial recovery of funds is under consideration). In general, some shortcomings have been identified in the implementation of the projects funded under this call; particularly those implemented by local authorities, which have shown limited capacities.

The Programme Joint Technical Secretariat is involved in monitoring activities; in close cooperation with the EU Delegations. During 2013, it has carried out a number of monitoring visits of the projects signed under the 2nd call.

The evaluation of the 3rd call for proposals (EUR 1.53 million for Albania - 2010-11 appropriations) was also finalised. 7 projects have been selected and 4 have already started their implementation at the end of 2013.

Small scale interventions funded under 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, under the 2012-13 edition of the programme joint bigger scale/strategic projects will be funded (EUR 1.53 million for each country). The formulation exercise of concrete project ideas took longer than expected. Finally, by the end of 2013, a suitable strategic project has been identified, i.e. the upgrading of the existing border crossing point of Božaj-Hani i Hotit and the opening of a new one in Grabon-Cijevna. The implementation of the project is expected to start soon.

#### (ii) Albania-Kosovo CBC Programme

During 2013, the evaluation of the 78 proposals received under the 1st call for proposals (EUR 1.08 million for Albania - 2010-11 appropriations) has shown some delays due to the limited engagement of the two partner country representatives in the Joint Steering Committee. The EU Delegation to Albania (following consultations with the EU Office in Kosovo) had also to postpone the endorsement of the evaluation report since further clarifications on the selected project proposals were needed. The evaluation was finally endorsed in December 2013.

Following the same approach adopted for the Programme with Montenegro, the Commission and the two partner countries 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. Also in this case, the formulation exercise of concrete project ideas took longer than expected. The identified strategic project aims at increasing mobility in the cross-border area of Shishtavec – Krusheve and promoting the area as a touristic pilot model by upgrading the infrastructure of the cross border area. The implementation of the project is expected to start in the course of 2014.

#### (iii) Albania – former Yugoslav Republic of Macedonia CBC Programme

During 2013, the 8 projects funded under the 2nd call for proposals (EUR 675,000 for Albania - 2008 appropriations) concluded their activities. The Programme Joint Technical Secretariat has actively monitored these projects in close cooperation with the EU Delegations.

The contracting phase of the 3rd call for proposals under the programme (EUR 2.30 million in Albania, 2009-10-11 appropriations) has been finalized. 23 projects have been selected and their implementation will start soon.

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 a strategic project in the bordering areas. As far as Albania is concerned, the IPA 2013 National Programme is going to fund a project for the promotion of the cultural and natural assets of the Lake Ohrid cross-border region, to be implemented by the UNESCO World Heritage Centre. The project is supposed to have a strategic impact for tourism development in the area since its final aim is to accredit the entire area of Lake Ohrid as UNESCO World Heritage.

#### (iv) Greece – Albania CBC Programme

In 2013, 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) were in the process of implementation. Under the 2nd call for proposals 13 projects were approved and a reserve list was also created by the Joint Monitoring Committee (JMC) members who met in July 2013.

In 2013 the Greek Managing Authority finalized the evaluation of the 2nd call for proposals (approx. EUR 2.9 million for Albania - 2010-11 appropriations). 13 projects have been selected for financing. Due to the poor quality of the project proposals, the contracting phase could not be finalised by 2013 as expected.

The 1st call for strategic projects with the remaining Programme's funds (2012 and 2013 appropriations - overall EUR 6 million - approx. EUR 3 million for Albania and EUR 3 million for Greece) was launched and closed within the year. The Greek Managing Authority is now working on the assessment of the 8 received applications. The strategic thematic axes of the call focused on improving infrastructures for cross-border accessibility (EUR 2 million) and fostering of tourism; preferably with the synergy of energy efficiency (EUR 4 million).

Unfortunately by the end of 2013, the Joint Technical Secretariat, which is responsible for project monitoring, again became understaffed since two Albanian members had terminated their assignment. The limited capacity of the Joint Technical Secretariat may generate a certain delay in the joint monitoring of projects, which is going to increase as a result of the 2nd call and the 1st call for strategic projects.

#### (iv) Greece – Albania CBC Programme

The strategic call for proposals, in the amount to EUR 7.89 million, was open until 21 October 2013. The call supported the following measures: Infrastructure for Cross-border accessibility and Fostering of tourism; preferably with the synergy of energy efficiency (EUR 4 million). The n+3 target for the year 2013 was achieved.

Since June 2013 the JTS was fully operational: Two project officers from Albania and one project officer from Greece were contracted. However, the contracts of the Albanian staff were not renewed. The lack of a fully-staffed JTS may create delays in the monitoring of the ongoing projects.

## **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 2013, the EU Delegation has monitored 110 ongoing projects out of 208 in total through 223 on-site visits. Furthermore, through the ROM tool, 29 projects were monitored. The total financial amount of the projects monitored in 2013 reached EUR 102.3 million, which represents a considerable increase in comparison to EUR 64 million in 2012.

With regard to external monitoring, the EU Delegation has hired three external experts under the 2013 ATA (Administrative Technical Appropriations) funds to assist in the monitoring of grants funded under cross-border cooperation (CBC) programmes and civil society facilities. 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 EU Delegation launched an ex-post evaluation of IPA/CARDS projects. The evaluation focused on 16 contracts, out of which 11 grants and service contracts for technical assistance, 3 supplies and 2 works contract, of an overall amount of EUR 26.7 million. Sustainability of projects to some degree is spoiled by the lack of resources for maintenance or lack of political will for the technical assistance projects. Overall, projects are rated 56% satisfactory (+2), scoring by the level of satisfaction of 6-point scale (from -3 to +3).

A country programme interim evaluation of IPA assistance in Albania was completed in 2013. The evaluation assessed the efficiency, effectiveness, impact and sustainability of IPA assistance 2007-2009 in two sectors: Public Finance and Financial Management and Transport, with a total EU financial contribution of EUR 37.30 million.

The analysis shows that progress has been made in bringing these sectors closer to compliance with EU standards. Objectives in the area of management of EU funds have been largely achieved.

In terms of performance, IPA projects have been effective. In most cases planned outputs were delivered, or are likely to be delivered. No significant deviations in delivery from the outputs foreseen were noted. IPA was also delivered efficiently. Procedures for programming and supervision are transparent and promote efficiency, with the exception of transport, where weak planning capacity in beneficiaries caused the delay of some projects.

Despite the good achievements in efficiency and effectiveness, long-term institutional capacity building impacts may not be fully sustained. The most important hurdle to sustainability is the uncertainty surrounding staff retention caused by the lack of merit-based recruitment and promotion in the civil service. The evaluation also concluded that the IPA assistance in Albania has made a contribution to the institution building objectives of the Stabilisation and Association Strategy and therefore delivered the expected impact.

## FINANCIAL DATA (EUR and %)

### Status of implementation of financial assistance (IPA Component I + Component II), as at 31 December 2013

<b>IPA- ELARG</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>% Contracted</b>	<b>% Paid</b>
<b>Albania</b>					
IPA 2007	51,921,810	50,184,091	41,285,521	96.65%	79.51%
IPA 2008	68,096,705	63,217,159	59,059,782	92.83%	86.73%
IPA 2009	73,787,170	72,366,463	49,464,430	98.07%	67.04%
IPA 2010	87,159,507	81,856,579	36,961,513	93.92%	42.41%
IPA 2011	85,992,697	68,178,486	23,444,988	79.28%	27.26%
IPA 2012	84,816,551	15,426,000	5,812,853	18.19%	6.85%
IPA 2013	85,243,082	0	0	0.00%	0.00%
<b>Total</b>	<b>537,017,522</b>	<b>351,228,779</b>	<b>216,029,087</b>	<b>65.40%</b>	<b>40.23%</b>

### Status of implementation of financial assistance (IPA Component I), as at 31 December 2013

<b>IPA</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>% Contracted</b>	<b>% Paid</b>
<b>Albania</b>					
IPA 2007	49,268,790	48,306,817	39,539,154	98.05%	80.25%
IPA 2008	64,037,000	59,357,115	56,297,920	92.69%	87.91%
IPA 2009	69,860,000	69,350,553	47,254,396	99.27%	67.64%
IPA 2010	83,200,000	80,248,796	36,143,926	96.45%	43.44%
IPA 2011	82,000,000	67,439,971	23,140,055	82.24%	28.22%
IPA 2012	81,640,000	15,426,000	5,812,853	18.90%	7.12%
IPA 2013	82,032,000	0	0	0.00%	0.00%
<b>Total</b>	<b>512,037,790</b>	<b>340,129,252</b>	<b>208,188,304</b>	<b>66.43%</b>	<b>40.66%</b>

### Status of implementation of financial assistance (IPA Component II - CBC), as at 31 December 2013

<b>IPA- ELARG- CBC Programmes</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>% Contracted</b>	<b>% Paid</b>
<b>Albania</b>					
IPA 2007	2,653,020	1,877,274	1,746,367	70.76%	65.83%
IPA 2008	4,059,705	3,860,044	2,761,862	95.08%	68.03%
IPA 2009	3,927,170	3,015,910	2,210,034	76.80%	56.28%
IPA 2010	3,959,507	1,607,783	817,587	40.61%	20.65%
IPA 2011	3,992,697	738,515	304,934	18.50%	7.64%
IPA 2012	3,176,551	0	0	0.00%	0.00%
IPA 2013	3,211,082	0	0	0.00%	0.00%
<b>Total</b>	<b>24,979,732</b>	<b>11,099,526</b>	<b>7,840,783</b>	<b>0</b>	<b>44.43%</b>



Status of implementation of financial assistance (IPA Component III, *implemented by Regional Policy DG*), as at 31 December 2013

<b>IPA CBC</b>	<b>Committed</b>	<b>Paid until 31 December 2013</b>	<b>Percentage</b>
<b>Greece-Albania</b>	11.316.585	4.738.738,14	<b>56%</b>

## **BOSNIA AND HERZEGOVINA**

### **1. SUMMARY**

Bosnia and Herzegovina (BiH) remained at a standstill in its European integration process because of the lack of political will on the part of its leaders and because of the dysfunctional institutional set-up of the country. Bosnia and Herzegovina should guarantee the right to be elected to the collective presidency and the House of Peoples of the Parliamentary Assembly to all citizens, regardless of their ethnicity.

As a consequence, the Stabilisation and Association Agreement (SAA) did not enter into force. Furthermore, an efficient and effective coordination mechanism in order to enable the country to speak with one voice was not established.

In its 2013 Progress Report, the Commission stated that it is becoming increasingly difficult to justify the provision of pre-accession funds to a country whose political representatives are not willing to reach the consensus necessary to move forward on the pre-accession path.

This stalemate in the accession process affected the programming and the implementation of IPA assistance. In particular, in view of the absence of comprehensive coordination and an increasing politicisation of the IPA implementation, the Commission decided to suspend several IPA projects in the course of 2013 and eventually to cancel two projects in the agriculture and rural development sector, as the efficient use of EU tax payers' money could no longer be ensured.

Consequently, the Commission reduced the 2013 IPA national programme in budget (EUR 42 million instead of EUR 87 million, overall yearly allocation EUR 64 million instead of EUR 109 million) and scope and concentrated its assistance on projects that directly targeted citizens, in particular in the justice and home affairs and social sectors.

The absence of an EU coordination mechanism and of countrywide sector strategies in most of the sectors relevant for IPA support also affected the preparation of the new financial instrument, IPA II. The Commission decided to halt the preparation until effective coordination is assured. The preparations for IPA II did not restart in 2013.

### **2. STRATEGIC PLANNING AND PROGRAMMING**

#### **2.1 Multi-annual Indicative Planning Document (MIPD)**

The 2011 – 2013 MIPD identified three strategic priorities:

- Supporting the strengthening of the rule of law by assisting the country in its reform of the justice sector and the fight against organised crime and corruption;
- Improving the capacity and efficiency of the public administration and setting a professional civil service, so to support the country's efforts to improve the functioning of the institutions at all levels of governance.
- Supporting social and economic development; in particular by assisting the country in its efforts in developing the SME sector, in alleviating unemployment, in reforming the education system and investing in transport and environment infrastructure.

The priorities were of remarkable significance for the country's progress in the pre-accession process. The Commission identified the overcoming of the economic crisis, social inclusion and strengthening the rule of law and public administration as key challenges in the Enlargement Strategy. To respond to the challenges, Bosnia and Herzegovina had to step-up its efforts in the reform of its justice system and its public administration. Despite a moderate economic recovery, unemployment remained at very high levels and fiscal adjustment measures, as well as economic reforms had to be pursued with determination to recover, and, over the long-term, to cope with the competitive pressure and market forces of the Union.

Bosnia and Herzegovina was not ready for EU assistance in the form of a sector approach. In most sectors, no countrywide strategies existed, with the exception of the public administration reform strategy, the justice sector reform strategy, the national war crimes strategy and the Roma strategy. Where strategies existed, they were not underpinned by corresponding budgets.

During the preparation 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.

Because of the severe delays in the programming and the implementation of IPA assistance, the current three-year planning period proved to be unsuitable for achieving the expected results. The over-politicisation of the pre-accession instrument; the lack of sustainable sector strategies at State and entity level, and the absence of a comprehensive EU coordination mechanism affected the IPA programming and implementation and extended the lead time for interventions.

For the preparation of the 2011 - 2013 MIPD, the Commission applied a comprehensive approach to increase beneficiaries' ownership and to programme in a strategic way. The Commission, the Directorate for European Integration and the Donor Coordination Unit in the BiH Ministry of Finance and Treasury organised a series of consultation workshops in June 2010, to which representatives from line ministries and other relevant institutions, donors and civil society organisations were invited. Workshops covered 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 objectives of the workshops were to identify strategic objectives, results, benchmarks and indicators for financial assistance in the period 2011-2013, and to identify areas where IPA and other donors' support could be better aligned with existing strategies and action plans and could gradually move towards a sector approach.

Despite the thorough preparation, the implementation of assistance became even more difficult than in previous years and suffered; specifically from the absence of a coordination mechanism and of well-planned sector strategies. The Commission suspended several IPA projects in the course of 2013 and eventually cancelled two projects in the agriculture and rural development sector.

The increasing problems in the programming and implementation of assistance, the political stalemate in the accession process, combined with the missing EU coordination mechanism and the absence of countrywide sector strategies in most of the sectors relevant for IPA support also affected the preparation of the new financial instrument, the IPA II. The Commission decided to halt the preparation until effective coordination would be assumed. The preparations for IPA II did not restart in 2013.

**Table 1: MIFF<sup>14</sup> allocations per component, in million EUR**

Component	2011	2012	2013	2011-2013
I – Transition Assistance and Institution Building	102.68	102.67	103.49*	308.84
II – Cross-border cooperation	4.75	5.20	5.34	15.27
<b>TOTAL</b>	<b>107.43</b>	<b>107.87</b>	<b>108.83*</b>	<b>324.13*</b>

\* the amount was subsequently reduced by the Commission to EUR 58.3 million for 2013, bringing the total actual allocation for that year to EUR 63.7 million and the total over the three years to EUR 279 million, as explained above in the text.

## 2.2 Programming

### 2.2.1 Component I

The programming exercise for IPA 2013 started with a High Level IPA coordination meeting on 14 November 2011 and a programming kick-off meeting on 17 November 2011; simultaneous with the preparations for the IPA 2012 programme. The High Level Meeting was organised in response to the difficulties the Commission experienced in precedent IPA programmes; in particular in 2011, where the programming almost failed because the internal coordination process did not work.

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 examining the 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 Commission's thorough preparatory work, the coordination problems of 2011 and 2012 recurred. The programming process of IPA 2013 witnessed significant delays due to

<sup>14</sup> 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(2012) 581 of 10.10.2012.

political difficulties on reaching agreement on the identification and formulation of projects. Eventually, Bosnia and Herzegovina managed to draft project fiches.

However, there was no progress in the implementation of the Seidić-Finci judgement of the European Court of Human Rights, which is essential for Bosnia and Herzegovina to advance on the European integration path. This lack of consensus among the political leaders on important issues on the EU agenda led to the decision to reduce the actual allocation, as mentioned above. While reducing significantly the programme, it was important to continue the support of citizens, significantly vulnerable groups, and also for Bosnia and Herzegovina's socio-economic development. This was ensured by investing in the rule of law sector with the objective of supporting the justice sector reform and the fight against money laundering. Further support was devoted to the competitiveness and the innovation sector; in particular to assist SMEs, and to the social sector and the education reform by addressing social inclusion by providing sustainable housing to refugees and internally displaced persons, and by supporting the implementation of the Bosnia and Herzegovina Roma action plan.

The programme was consistent with EU internal policies in the same area; in particular with the EU 2020 strategy and the flagship initiatives of the EU to boost growth and jobs.

For the first time under IPA, and due to the exceptional circumstances with regard to the backlog of war crimes cases in Bosnia and Herzegovina 17 years after the end of the war, the IPA 2012 and 2013 programmes included focused sector budget support for the judiciary aiming to achieve significant progress in the reduction of the backlog. This type of assistance was selected to ensure maximum impact and national ownership while respecting the independence of the judiciary. It was closely accompanied by the EU's ongoing political dialogue (Structured Dialogue on Justice and Sub-Committees).

With regard to the general criteria for budget support, clearly the macro-economic situation remained far from perfect; the public financial management required further reforms and the justice sector needed to speed up the deliveries on its reform commitments. Yet in each of the areas there were positive trends. Concrete progress could be identified, and a strong risk-mitigating framework was put in place. Payments were conditional to the specific conditions regarding the backlog reduction and the renewal of the Justice Sector Reform Strategy.

**Table 2: Indicative financial allocations for the year 2013 per component, in EUR million**

<b>COUNTRY/MULTI-BENEFICIARY</b>	<b>2013</b>
<b>I. Transition Assistance and Institution Building</b>	<b>58.32</b>
Of which:	
National Programme	41.92
Tempus Programme*	2.40
Regional Housing Programme*	12.00
Civil Society Facility**	2.00
<b>II. Cross-Border Cooperation</b>	<b>5.34</b>
Of which:	
CBC Bosnia and Herzegovina - Montenegro	0.6
CBC Croatia – Bosnia and	1.0

Herzegovina	
CBC Serbia – Bosnia and Herzegovina	1.0
CBC IPA Adriatic	2.74
Bosnia and Herzegovina's participation in ERDF transnational programmes "South East Europe" and "Mediterranean"	This is paid directly from the Multi-beneficiary budget for the entire region without a split per country
<b>TOTAL</b>	<b>63.66</b>

\* The Tempus Programme and the Regional Housing Programme are coordinated and implemented under the Multi-beneficiary IPA programme.

\*\* The Civil Society Facility is coordinated under the Multi-beneficiary IPA programme.

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

Priority Axis	Projects	Budget
<b>Political Criteria</b>		<b>33.75</b>
	IPA 2013/023-590/1 Sub-sector fiche Justice	18.25
	IPA 2013/023-590/2 Fight Against Money Laundering	2.5
	IPA 2013/023-590/4 Social inclusion in education	3.5
	IPA 2013/023-590/5 Support to durable solutions of Revised Annex VII Dayton Peace Agreement Strategy (Refugees and Internally Displaced Persons)	7.0
	IPA 2013/023-590/6 Support to implementation of Roma Action Plans	2.5
<b>Economic Criteria</b>		<b>2.00</b>
	IPA 2013/023-590/3 Support to SME competitiveness	2.00
<b>Supporting programmes</b>		<b>6.16</b>
	IPA 2013/023-590/7 Support to Mine Action	2.95
	IPA 2013/023-590/8 European Integration Facility	3.21
<b>TOTAL</b>		<b>41.91</b>

### **2.2.2 Component II**

The programming of IPA 2014-2020 bilateral CBC programmes was launched in the spring of 2013 at the Regional meeting in Brussels; continued by a regional session in June 2013 in Montenegro and meetings of Task Forces on the programme level and public consultations in the Autumn 2013. The technical assistance project CBIB+ supported the process.

The Joint Programming Committees for the transnational programmes were established. They comprised representatives of the participating countries. The committees undertook activities to collect statistical data; relevant for the territorial analysis and the subcontracting of technical assistance, for the development of the programme documents.

After accession, the new Croatian Managing Authority (Ministry of Regional Development and EU Funds, of the Republic of Croatia) started its negotiations with the neighbouring IPA countries on the preparation of the next programming period 2014-2020. Subsequently, Croatia- Bosnia and Herzegovina and Montenegro will be the new trilateral IPA CBC programme, under the share management principle.

### **3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2013**

#### 3.1 IPA

##### **3.1.1 Success stories**

Through the project "Reinforcement of Local Democracy" (EUR 5 million since 2009) the EU has funded more than 200 civil society organisations (CSOs). Forty communities across Bosnia and Herzegovina provided co-financing. The project improved the transparency in providing public funds to CSOs working for communities, helping people with disabilities, the elderly, the unemployed, or dealing with minority rights, gender issues, poverty reduction, social inclusion, youth or environment. The disbursement of public funds to CSOs was no longer arbitrary, but CSOs had to compete for local funding through open calls for proposals. Permanent partnerships were built between CSOs and local authorities. At the same time, training improved the local communities' capacities for planning, monitoring and management of CSO funding.

The "Support for the Implementation of the National Action plans for Roma inclusion" project (EUR 0.5 million, since 2008) supported Roma NGOs through small grants for a broader outreach, information and help on the problems that the Roma population is facing. Concrete results of the grants were the improvement of local infrastructure, such as the reconstruction of local roads, reparation of streetlight systems, and the reconstruction of small premises for more than twenty families. Other results were the cleaning of Roma settlements, raising awareness about street begging Roma children, and water supply for four families. The most important goal of the project was the inclusion of Roma in decision-making processes. Five Roma coordinators were employed at the State and at entity levels. They became accepted representatives of the Roma population, and accepted counterparts for the local municipalities, international organisations and other institutions and could successfully defend Roma interests in decision-making processes.

The IPA 2008 project for supporting trade policy and metrology supported the accreditation of the Zenica Techno Park laboratory for the certification of compliance of wood products with EU security standards. The accreditation provided a great advantage for Bosnia and Herzegovina's wood products exporters, who had previously used the service of a Croatian laboratory, which caused financial, technical and logistical obstacles. A measurable result of the project was a more than 10% increase in the export of wood products in the year 2013.

In 2013 the EU continued its support for a more efficient and accessible court service to BiH citizens. In addition, in order to simplify access to judicial and prosecutorial careers, certain reforms were undertaken with the help of EU support:

Courts and prosecutor offices could establish websites where a variety of general and case-related information was made available to both the public and to judicial office holders. As a result of a public survey financed through IPA, further improvements were made to court websites; not least the introduction of an electronic notice board for all courts, including basic case-related information ( e.g time of hearing). Furthermore, a web calculator of court fees for

civil cases was introduced, and updated information on lawyers and court experts was made available to citizens. In addition, based on citizens' feedback, visual improvements were made to the judicial web portal, and citizens' understanding of court locations was facilitated through google maps and google earth technologies for each court and prosecutor office in BiH. The high interest of the public in those websites was reflected in the high number of hits to the main judicial portal (e.g. similar to 'www.europa.eu' webportal), which exceeded 145,000 hits per month.

In parallel, and considering the EU's ultimate objective of hastening the processing of all court cases; case quotas were introduced for judges and courts, and of the 77 courts supported, 30 are up-to-date with case numbers. This resulted in a considerable reduction of processing time and case numbers.

### **3.1.2 Overview of IPA implementation in 2013**

In 2013, the Commission committed EUR 100 million of IPA funds and disbursed EUR 88.7 million. The disbursement level substantially increased compared to the previous reporting year, where EUR 61.3 million were disbursed. The commitment rate remained comparable to the previous year.

In 2013, BiH was again a very active user of the Commission's TAIEX programme. 123 TAIEX applications were submitted, whereof 111 applications were approved. BiH participated with more than 2,000 participants in 115 single-country TAIEX events (expert missions, study visits and workshops) and with approximately 1,000 participants in 104 TAIEX multi-country events.

The number of twinning activities in BiH steadily increased compared to 2012. In 2013, 11 twinning projects, for a total budget of about EUR13 million were implemented and five more (3 standard, 2 twinning light projects) with a total budget of EUR 5.5 million were prepared.

#### **3.1.2.2 Component II: Cross-border Cooperation**

The contracting of the Cross-border cooperation (CBC) programmes between Bosnia and Herzegovina, Croatia, Montenegro, and Serbia, which were selected in the 2011 round of calls for proposals, was completed in the year 2013. Also in 2013, the last calls for proposals under IPA I were launched for the CBC programmes between Bosnia and Herzegovina and Croatia and Montenegro.

The programming of the CBC programmes under IPA II was launched in 2013.

Bosnia and Herzegovina continued participating in the IPA Adriatic CBC programme and the transnational programmes South East Europe (SEE) and Mediterranean. In 2013, seven project contracts were signed with Bosnia and Herzegovina beneficiaries of the Mediterranean Programme. In the IPA Adriatic CBC, the contracting of 11 projects started in 2013. In the SEE programme, twenty projects and the BiH partner institutions were selected for funding.



## **4. IMPLEMENTATION AND MONITORING 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, since December 2012 there has been no follow-up to this decision. The Minister of Finance has been appointed as the Competent Accrediting Officer (CAO). The National IPA Coordinator (NIPAC) and the National Authorising Officer (NAO) have been nominated. The Programme Authorising Officer (PAO) has not been appointed and the Audit Authority is as 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 the reporting period, regular project monitoring of ongoing contracts was undertaken by the EU Delegation Programme Managers in the form of participation in the 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 2013, the monitoring visits by the Joint Technical Secretariats of the IPA CBC Programmes continued for the ongoing projects from the 1st Call, with a total of four projects monitored (one in Serbia-BiH, one in Croatia-BiH and two in BiH -Montenegro programme).

Monitoring visits to the ongoing projects from the 2nd Call, with 32 projects monitored out of a total 45 (14 in Serbia-BiH, 8 in BiH-Montenegro, 10 Croatia –BiH) were organised by the respective Joint Technical Secretariats.

External monitoring expertise was contracted by the EU Delegation through ATA 2012 funds and deployed in the second half of 2013. 44 CBC projects from bilateral IPA CBC programmes were monitored between September and November 2013. The findings did not identify any significant risk which could jeopardise successful implementation. Financial risks mainly related to the lack of co-financing. Risks related to secondary procurement under grants were often identified as medium to high level due to either frequent appeals in cases where local legislation is applied or lack of readiness by potential suppliers to respond to low value supplies that also require the application of EU procedures to full extent, such as the rule of origin, VAT exemption, etc.

### *Implementation reviews*

Three Implementation Review rounds (per each Operations section) involving Operations, Contract and Finance, the Head and Deputy Head of Delegation as well as relevant other sections were held in 2013 (April, July and December). The implementation reviews allowed for a detailed review of procurement planning and implementation. The focus was on projects facing difficulties in implementation.

### *IPA Monitoring Committee*

The bi-annual regular monitoring of IPA projects' implementation together with NIPAC - IPA Monitoring Committee took place on 10 September.

At the meeting the Commission decided to cancel the two agriculture projects previously suspended due to the failure of the authorities in BiH to agree on the structures to channel EU agriculture and rural development assistance (IPARD). The lack of an agreement on the project implementation not only means a loss of more than 5 million Euro for the two cancelled projects; but will also prevent the timely set-up of structures to channel future EU funds to BiH rural areas.

For further five projects BiH was given until 1 October to come to an agreement with outstanding issues. These were two projects supporting SME and tourism (EUR 4.5 million) which had been suspended since 26 July 2013; two planned projects fostering social inclusion (EUR 3 million) and one ongoing project strengthening the National Planning Process in BiH (EUR 1.5 million). Following the identification of solutions, all projects could in the meantime, continue implementation.

On the positive side, the Committee welcomed that an important environment project ("ENVIS") developing a country-wide strategy and investment pipeline was proceeding well, after it had been unblocked following the last meeting of the Monitoring Committee meeting in December.

With regard to transport, BiH authorities presented their agreed position on where to use 14 Million Euro of IPA funds planned for Corridor Vc (design of the highway section Konjic-Mostar) and therefore avoided the cancellation of the project.

### *Reinforced monitoring*

Reinforced monitoring measures were applied to the f projects "Strengthening institutional capacities to combat corruption" and "Support to the BiH Government for the European Integration process and Co-ordination of Community Assistance, Phase III - extension of services", because risks had been identified in the Early Warning System.

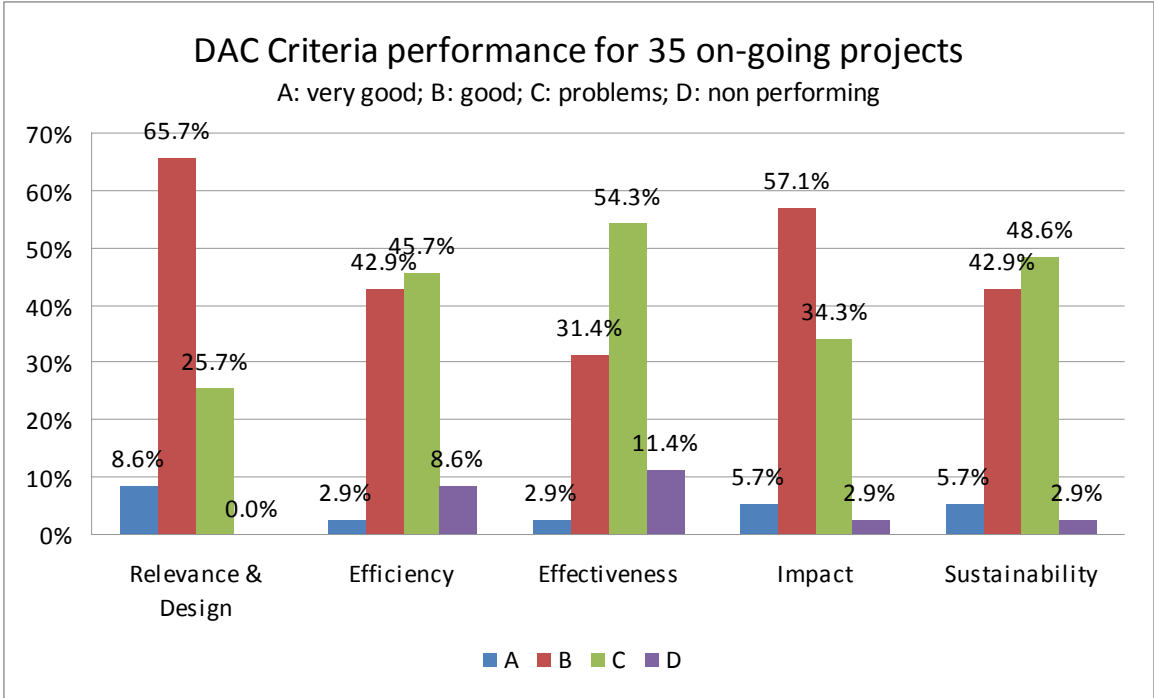
Reinforced monitoring consisted of additional visits and meetings with the project team and beneficiaries through which both project implementation and financial documents were examined in specific monitoring reports. Both projects were successfully finalised in Q3 2013.

*Result-Oriented Monitoring of BiH Projects*

Results-Oriented Monitoring (ROM) missions were undertaken for 38 projects for a total EU allocation of approximately EUR 107.1 million. Out of the 38 projects, 35 were under implementation, while 3 projects had been completed and were monitored ex-post.

The average score of the ongoing projects' performance was 2.63 on a scale from 1 (serious deficiencies) to 4 (very good), while the average score of the ex-post monitored projects' performance was 2.77. The equivalent figures for the Western Balkan region are an average score of 2.86 for ongoing projects monitored and an average score of 2.75 for the projects monitored ex- post.

The 2013 ROM reports indicate that the projects monitored had good relevance (project design) and strong impact potential, which is a continuing trend from 2012. The projects are implemented in a difficult environment which is reflected in low scores compared to the region as a whole, for efficiency, effectiveness and sustainability. It is illustrated in the graph below through ROM five performance criteria against scores (A,B,C,D), applied in monitoring of 35 ongoing projects in 2013:



Evaluation

A country programme interim evaluation of IPA assistance in Bosnia and Herzegovina was completed in 2013. The evaluation assessed the efficiency, effectiveness, impact and sustainability of IPA assistance 2007-2009 in two sectors Quality Infrastructure & Statistics and Social Development, with a total spending of EUR 32.07 million.

The analysis revealed that the complicated and politically influenced environment, together with the constraints on the national budget, increasingly limited the development of these sectors. Although some investments in quality infrastructure and capacity building have been made, the development of legislation and the policy reform process remained stalled due to the lack agreement on the respective competences of entities and state levels. In the social sector, the legal framework for education is largely in place. However, the institutional structures are complicated and capacities are limited.

With regard to the performance, IPA projects have been effective and efficient, although there have been problems in implementation due to contractor performance, slow procurement procedures, meeting conditionalities or finding consensus between all stakeholders. Sustainability is broadly positive as much of the assistance is linked to technical components of the acquis and thus will be part of the longer-term political agenda of the country. Observed impact can be substantially attributed to IPA, but it is constrained by systemic issues of insufficient national resources to further elaborate structures and finance operation of systems and tools.

#### FINANCIAL DATA (EUR and %)

##### **Status of implementation of IPA financial assistance (IPA Component I + IPA Component II), as at 31 December 2013**

<b>IPA- ELARG</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>% Contracted</b>	<b>% Paid</b>
<b>Bosnia and Herzegovina</b>					
IPA 2007	57,802,436	54,630,441	54,419,470	94.51%	94.15%
IPA 2008	75,457,435	70,629,808	62,009,133	93.60%	82.18%
IPA 2009	89,187,738	87,694,076	66,574,875	98.33%	74.65%
IPA 2010	107,455,724	103,004,082	59,833,457	95.86%	55.68%
IPA 2011	99,975,106	50,214,018	21,841,584	50.23%	21.85%
IPA 2012	91,632,101	16,097,555	9,604,049	17.57%	10.48%
IPA 2013	48,263,427	3,747,025	2,997,620	7.76%	6.21%
<b>Total</b>	<b>569,773,967</b>	<b>386,017,006</b>	<b>277,280,188</b>	<b>67.75%</b>	<b>48.66%</b>

##### **Status of implementation of IPA financial assistance (IPA Component I), as at 31 December 2013**

<b>IPA</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>% Contracted</b>	<b>% Paid</b>
<b>Bosnia and Herzegovina</b>					
IPA 2007	49,736,394	46,734,388	46,631,229	93.96%	93.76%
IPA 2008	66,754,783	62,380,057	53,922,196	93.45%	80.78%

IPA 2009	80,500,000	79,900,826	59,514,167	99.26%	73.93%
IPA 2010	99,954,423	95,768,251	53,487,105	95.81%	53.51%
IPA 2011	92,885,119	43,843,988	16,645,322	47.20%	17.92%
IPA 2012	84,770,995	11,836,450	5,729,749	13.96%	6.76%
IPA 2013	41,916,402	0	0	0.00%	0.00%
<b>Total</b>	<b>516,518,116</b>	<b>340,463,959</b>	<b>235,929,768</b>	<b>65.92%</b>	<b>45.68%</b>

**Status of implementation of IPA financial assistance ( IPA Component II) - CBC, as at 31 December 2013**

<b>IPA- ELARG- CBC Programmes</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>% Contracted</b>	<b>% Paid</b>
<b>Bosnia and Herzegovina</b>	<b>24,979,732</b>	<b>11,099,526</b>	<b>7,840,783</b>	<b>44.43%</b>	<b>31.39%</b>
IPA 2007	2,653,020	2,483,031	2,375,219	93.59%	89.53%
IPA 2008	2,706,080	2,553,008	2,390,193	94.34%	88.33%
IPA 2009	2,760,202	2,162,091	1,429,548	78.33%	51.79%
IPA 2010	2,200,000	2,199,596	1,310,116	99.98%	59.55%
IPA 2011	2,200,000	1,480,044	795,274	67.27%	36.15%
IPA 2012	2,600,000	0	0	0.00%	0.00%
IPA 2013	2,600,000	0	0	0.00%	0.00%
<b>Total</b>	<b>17,719,302</b>	<b>10,877,769</b>	<b>8,300,350</b>	<b>61.39%</b>	<b>46.84%</b>

# KOSOVO

## 1. SUMMARY

In June 2013, in parallel with the decision to open accession negotiations with Serbia, the Council authorised the opening of negotiations for a Stabilisation and Association Agreement (SAA) with Kosovo, which were officially launched in October 2013. Kosovo's progress has been underpinned by its continued commitment to normalisation of relations with Serbia.

The implementation of EU assistance to Kosovo exceeded its financial targets; both in terms of contracts and payments in 2013. The 2013 Annual Programme was adopted in January 2013, with an allocation of EUR 65.86 million. Following the first agreement on normalisation of the relations between Serbia and Kosovo on 19 April 2013, an additional allocation was secured for Kosovo with resources originally allocated to other countries and a specific programme, for an amount of EUR 38.5 million, was prepared and approved in December 2013.

Kosovo's participation in Component II (Cross-Border Cooperation (CBC)) programme progressed well in 2013. The Financing Agreements for 2012 were signed for all three CBC programmes (with Albania, the former Yugoslav Republic of Macedonia, and Montenegro respectively). The first call for proposals with the former Yugoslav Republic of Macedonia was launched.

During 2013, the Indicative Strategy Paper 2014-2020 was prepared. As part of an inclusive process, the Kosovo authorities, civil society and members of the international community active in Kosovo were consulted on and contributed to the draft text. In May, July and November 2013, the government and EU Office organised meetings with civil society representatives to consult them on IPA support to civil society over the period 2014-2020. The meetings allowed for a broad discussion on the objectives and actions to be included in the Strategy Paper. The country contributed at the same time to finalisation of the South East Europe 2020 Strategy Paper and the Multi Country Strategy Paper for IPA II.

## 2. STRATEGIC PLANNING AND PROGRAMMING

### **2.1 Multi-annual Indicative Planning Document**

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

The MIPD focused on the needs identified in the Commission's Progress Report for Kosovo as well as Kosovo's own strategies and action plans. The Kosovo government, local stakeholders, EU Member States and other donors were all consulted on the MIPD.

To achieve the priorities selected for support in the programming period 2011-2013, IPA assistance was focussed 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)

## 2.2 Preparation of the Indicative Strategy Paper for Kosovo 2014-2020

In 2013, the Indicative Strategy Paper for Kosovo 2014-2020 was prepared. The Indicative Strategy Paper for Kosovo was developed with the view to the programming and implementation of the new IPA instrument for the period 2014-2020. The paper aims to reflect a strategic and result-oriented approach in delivering IPA assistance. A select number of sectors were identified in close cooperation with the Kosovo authorities and the donor community, and in consultation with stakeholders; including civil society organisations. The sectors selected are: democracy and governance, rule of law and fundamental rights; energy; competitiveness and innovation; employment, education and social policies; agriculture and rural development.

Table 1: MIFF<sup>15</sup> allocations per component, in EUR million

IPA Component	2011	2012	2013	Total
<b>I (Transition Assistance and Institution Building)</b>	66.90	67.00	68.47 *	202.37
<b>II (Cross Border Cooperation)</b>	1.80	1.80	2.99	6.59
<b>Total</b>	<b>68.70</b>	<b>68.80</b>	<b>71.46</b>	<b>208.96</b>

\* this amount has been increased by the Commission, following the agreement on normalisation of relations between Serbia and Kosovo on 19 April 2013, to EUR 105.86 million, bringing the total allocation for 2013 to EUR 108.85 and the total amount for the three years to EUR 246.35 million.

## 2.3 Programming

The EU Office has continued the good practice of hosting co-ordination meetings with Member States. The Member States + group meets every two months and brings together Member States, the US, Norway, Switzerland, Turkey, Japan, the World Bank, the OSCE, EULEX, the IMF and UN representatives.

The Ministry of European Integration (MEI) is increasingly taking the lead in the coordination of EU assistance among the government institutions and different donors. The donor co-ordination structure with sector working groups and sub-sector working groups in which donors and the representatives of the Kosovo government participate, started in 2012 and continued to work well. During February/March 2013, the first round of meetings was called by the MEI. A second series of meetings took place in June.

Towards the end of the year, several government-led meetings were initiated to coordinate donor efforts in the northern part of Kosovo (particularly north Mitrovica).

<sup>15</sup> 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.

Cooperation with EULEX has continued during the identification and articulation of Indicative Strategy Paper priorities as well as in the intensification of project implementation. The EU Office continues to participate in the weekly EULEX monitoring meetings.

### **2.3.1 Component I**

During the reporting period there has been no programming as regards IPA Component 1. Discussions and consultations focused on IPA II and future assistance to Kosovo instead.

Towards the end of the reporting period, preparations for the programming of the IPA Annual Programme for Kosovo for 2014 were initiated by the Ministry of European Integration (MEI). An initial list of project ideas was submitted early in January 2014.

At the end of the reporting period the Commission Decision for the programme in support of the first agreement on normalisation of relations between Serbia and Kosovo was adopted. The programme focuses on the needs of Serb majority municipalities throughout Kosovo, in particular in the north. Funding is to support the upgrading of municipal infrastructure, strengthening public administration, rural and regional development, employment, education and environmental protection.

The EU Office continues to support adequate involvement and ownership of the government/MEI and relevant stakeholders in programming. It also monitors and supports the government's efforts to ensure adequate quality control during project preparation. Special attention is being paid to relevance and sequencing in the definition of projects that are to support priorities identified in the Indicative Strategy Paper.

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

Priority Measures	Projects	Budget
<b>Public Administration Reform</b>		
	01-2013/1: Support to Public Administration Reform	3.5
<b>Justice and Home Affairs</b>		
	02-2013/2: Support to the Rule of Law	7.15
	03-2012/2: Return and Reintegration of Minority Communities	3.33
	04-2013/2: Support to Dialogue and EU approximation	5.6
<b>Private Sector Development</b>		
	05-2013/3: Trade and Private Sector Development	6.5
	06-2013/3: Balanced Regional Development	11.5
	07-2013/3: Education and Employment	7.8
	08-2013/3: Agriculture and Food Safety	12.1
	09-2013/3: Waste Management	3.0
	10-2013/3: Radiation Protection and Nuclear Safety	0.7
<b>Support and Other Activities</b>		
	11-2013/4: Culture for All	1.0
	12-2013/4: EU Programmes	0.5



	13-2013/4: General technical assistance facility	3.18
<b>TOTAL</b>		<b>65.86</b>

Table 3: Indicative financial allocations for the year 2013 part II, under the Annual Programme, per priority measure identified in the MIPD 2011-2013, in EUR million

Priority Measures	Budget
<b>Public Administration Reform</b>	2.5
<b>Justice and Home Affairs</b>	5.0
<b>Private Sector Development</b>	31.00
<b>TOTAL</b>	<b>38.50</b>

### **2.3.2 Component II**

The Financing Agreement between Kosovo and Montenegro for the 2012 CBC programme was signed in April 2013. The Financing Agreement for the IPA 2013 programme was signed in July 2013; the programme will be implemented either through a grant scheme or regular procurement; still to be determined. The Financing Agreement for the programme with Albania for 2012 needs to be signed in 2014.

During the reporting period the implementation of the Kosovo-former Yugoslav Republic of Macedonia programme 2010-2012 started through a first Call for Proposals.

## **3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2013**

### **3.1 Success stories**

#### ***IPA 2008 - Development of vocational and in-company training schemes and development of entrepreneurship skills (EU KOSVET VI) – (EUR 3,796,000 million)***

The project has implemented two main “Active Labour Market Measures”. Firstly, “on-the job training” was offered to registered unemployed people as a means of helping them into employment. Secondly, “entrepreneurship training” was provided for young job seekers to provide the knowledge and skills for them to establish and manage their own businesses.

As part of the “on-the job training” around 3,500 unemployed people benefitted from the 3 and 6 month training periods. 60% of trainees were women and 46% gained immediate employment as a result. Over 2,800 businesses and other organisations in Kosovo participated. People from various disadvantaged groups were targeted, including ethnic minority groups, people with disabilities and people living in isolated rural areas. These have made-up around 25% of trainees.

As part of the “entrepreneurship training”, over 800 trainees successfully completed the training programme and presented a business plan. This led to around 300 new businesses being registered. Around 60% of trainees are using their newly-acquired business skills in their own business, in a family business or working with friends. Tailor-made workshops have been provided for members of ethnic minority groups and other disadvantaged groups. The project has played an active role in establishing the “Kosovo Association of Young Entrepreneurs”; designed as a basis for networking and information regarding support for young business start-ups.

### ***IPA 2009 - Beautiful Kosovo (EUR 5.336,882 million)***

The Beautiful Kosovo Programme has been a success. All Kosovo municipalities were given the opportunity to submit projects targeting environmental re-generation and social infrastructure, with a focus on beautification and urban regeneration. A total of 46 projects were successfully awarded and implemented in 24 municipalities across Kosovo. During the implementation, 1,905 jobs were created, with 1,391 jobs going to persons registered as long-term unemployed. More than half (56%) of those taken from the long-term unemployed were from vulnerable groups.

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

During the reporting period the EU Office signed 145 contracts for a total of EUR 69.3 million and disbursed EUR 81.7 million.

As regards Component 1, contracting advanced substantially compared to the previous reporting year. All funds available under the 2010 IPA Annual Programmes, which closed for contracting in January 2014; were contracted. During 2013, the main challenges concerned infrastructure projects. A key risk related to essential preconditions not being met at the start of project implementation (example: permits and licenses in works contracts). This is mitigated by: (1) being diligent in selecting projects, and (2) maintaining close cooperation with project beneficiaries (MEI, line ministries, etc.) (to solve remaining problems during implementation). A second key risk related to effective procurement and the ability to select capable and willing contractors.

For Component II, preparation for the implementation of CBC programmes progressed. For the CBC Programme for Kosovo-Albania evaluations of a first open Call for Proposals combining allocations of 2010 and 2011 were completed in November.

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

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

During the reporting period Kosovo and the EU progressed considerably in the framework of the Structured Dialogue on the Rule of Law. The Structured Dialogue on the Rule of Law is a key instrument to help Kosovo strengthen its judiciary and support its efforts in fighting corruption and organised crime. 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, with due respect to human rights.

During 2013, the construction of the Civil and Vehicle Registration buildings was completed in three municipalities Peja/ Peć, Rahovec/ Orahovac and Novo Bërdë/ Novobrdó. The buildings are to become 'one-stop-shop' service locations providing efficient and effective services to citizens.

In 2013, the EU funded project "Support to the Civil Registration Agency and Unified Address System" entered its final phase. The Kosovo Cadastral Agency received support to set up the Address Register Information System (ARIS), which will function as the Kosovo-wide electronic address register including digital address maps. It was preceded by field work in the municipalities to gather the necessary data on roads, street names, buildings and entrances located therein. Municipalities are the competent entities to maintain and update the address data in ARIS while the Cadastral Agency supervises and maintains the system at the central level. The address system will benefit everyone in Kosovo; public institutions as well as courts, utility companies, private businesses and households. With the unified address system the quality of a wide range of services can improve; from having your mail delivered to faster emergency services. The address register will be linked to the civil status register so that every citizen will be registered under an official address. Under the project, the municipalities and relevant institutions were provided with training, documentation and address support staff to establish ARIS.

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)**

The EU rural grant scheme supports the development and modernization of the three sub-sectors of agriculture, namely dairy, meat, fruits and vegetables processing.

The program supports the improvement of by-products' utilization, the introduction of higher value-added products, the creation of cold storage facilities, the introduction of HACCP food safety management systems, improved marketing and labelling of processed food products, upgrading production lines and facilities to meet EU standards; including quality control equipment modernization.

Specifically, agro-businesses are targeted. The first Call for Proposals (IPA 2009, EUR 5 million) supported 13 agro-foods processing companies by improving their operations and competitiveness. It also aided rural employment, as 240 workers found seasonal employment and 64 long-term jobs were created. The awarded companies concluded contracts with 400 farmers to supply them with raw material (milk, meat, fruits, vegetables).

One good example is a fruit processing company (MOEA) specialising in pure natural juice (no water, sugars or any other additives added): a unique product for Kosovo and the wider region; which received a grant of approx. EUR 0.5 million to improve their value chain.

With the grant, investments were made in the processing equipment, effectively doubling the processing capacities (from 300 litres/h to up to 600 litres/h, depending on the type of fruit). In addition, the grant facilitated investments in storage facilities; which allowed the company to store more fruits as fresh for a longer period of time. Now the company could comply with quality standards (certification for HACCP and ISO 9001 achieved). In addition, the increased processing and storage capacity has strongly increased the demand for the raw product: nowadays, the company has more than 200 local suppliers of fruits; therefore contributing largely to direct employment creation and job strengthening. Furthermore, on the basis of market research, the company planned its marketing and expanded. Currently their juices are being served in more than 400 supermarkets and 200 cafeterias all over Kosovo. Lastly, the project has also given-back by organising a series of trainings on good agriculture practices; organising farmer-to-farmer visits and facilitating the sharing of experience between farmers.

Similarly, the EURED grant scheme supports the (regional) economic development.

Through one grant the development of the (South) Mitrovica Business Park (the first and only business park to be fully licensed) was funded (EUR 0.3 million, IPA 2010). The project was implemented by the Municipality of Mitrovica. The business park provides building plots and infrastructure for tenants. In addition, the Office for the Management of the Business Park was constructed. This facility provides: office, training, conference and promotion rooms, as well as a B2B and matchmaking area. In addition, trainings on Financial Management, Management and Development of the Human Resources, Customer Care, and other related trainings were provided to more than 50 businesses (even beyond the business park).

An important and complementary project activity was the Small Business sub-grant scheme. This scheme (total budget: EUR 50,000) intended to encourage the regional business capacities towards becoming part of the Business Park development; explore the joint actions and partnerships, link the Business Park to regional economic development and promote the private sector competitiveness. Twelve companies (from different sectors like: construction, wood processing, fluid detergent, textile, food, printing, etc.) were awarded with sub-grants up to EUR 5,000, and are among the current 22 occupants of the business park.

### **3.5 Sector III: Public Administration Reform**

In 2013, IPA assistance in this priority area mainly focused on the development of the 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 addition, IPA-funded SIGMA provided continued support in the area of public administration reform.

The EU Office continued to use the twinning instrument as implementing modality for capacity building projects. The project entitled "Support to Kosovo Assembly" and

implemented by the Hungarian National Assembly was completed in 2013. The project covered a large part of the areas of activity of the Assembly and examined over seventy different activities in nine components. It not only covered legislation; including the role of committees, the Presidency and the EU law approximation process, but also international relations, involvement of civil society in parliamentary work, research and library activities, human resources management, financial management, as well as e-parliament development. The project is considered to have made a very positive contribution; with the Kosovo Assembly already taking steps to follow-up on recommendations from the project.

As Kosovo has entered an important phase in its relations with the EU, the negotiation of a Stabilisation and Association Agreement (SAA), the twinning light project conducted the first overall capacity assessment of the two main departments within all Line Ministries in charge of coordinating the SAA, namely: Legal Departments (LD) and Departments for European Integration and Policy Coordination (DEIPC).

The project assessed whether these structures have the capacities to: (1) effectively implement the process of transposition of the EU acquis into the Kosovo national legislation, and (2) efficiently lead on policy coordination. On the basis of the identified gaps, training and recruitment plans are formulated. Even though the final results are only expected in early 2014, this is a first example of a systematic assessment of needed versus available capacities in view of European Integration and developing follow-up actions accordingly. The project should be considered a foundation for future PAR-interventions.

Three twinning projects started during the reporting period: "Support Implementation of the Kosovo Education sector strategic plan 2011-2016"; "Support to Kosovo Customs"; and "Fight against Homophobia and Transphobia".

### **3.6 Cross-border cooperation**

IPA continued to support Kosovo's operating structure for cross-border cooperation - the Ministry of Local Government Administration – with technical assistance to help it implement the three cross-border programmes with Albania, the former Yugoslav Republic of Macedonia and Montenegro. During the reporting period the three programmes made progress.

The CBC Programme between Kosovo and Albania saw the finalisation of the selection process of the successful projects of the Call for Proposals combining the allocations of 2010 and 2011. The operating structures from Albania and Kosovo also submitted their joint proposal for a strategic infrastructure project idea for the 2012- 2013 allocations.

In the CBC programme Kosovo-Montenegro, joint structures were set up and the first Call for Proposals for the allocation of 2011, 2012 and 2013 was launched during the last quarter of 2013.

After slow progress in the implementation of CBC programme Kosovo-former Yugoslav Republic of Macedonia in the previous years, 2013 was quite promising. The joint structures

reached their full capacity and the first Call for Proposals with the allocations of 2010, 2011 and 2012 was launched in the last quarter. Progress was made in implementation, and a bilateral agreement between the two countries was signed to open a border-crossing point.

#### **4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES**

##### *Monitoring*

Kosovo is included in the target area of the Results Oriented Monitoring (ROM) project managed by DG Enlargement's Regional and Horizontal Programmes unit. Accordingly, all ongoing contracts with a value of more than EUR 1 million are subject to ROM; allowing the EU Office the possibility of an independent opinion on the effectiveness, efficiency and the impact of its project implementation. In addition, projects can be assessed ex-post via ROM.

During the reporting period four ROM missions took place in Kosovo in 2013. The missions produced 40 ROM reports, which monitored EUR 95.1 million of IPA National expenditure. The ROM reports are divided between 31 ROM ongoing reports and 9 ROM ex post reports. The EU office is keeping track of monitoring recommendations and aims to ensure they are being implemented by the relevant stakeholders.

Towards the end of the reporting period, the ROM plan for 2014 was agreed with 42 projects to be monitored.

##### *Evaluation*

During the first part of 2013 two evaluations were carried out.

The first evaluation focused on the sustainability of works and supplies contracts financed from IPA and CARDS. These have come as a follow-up to the recommendations made by the European Court of Auditors in 2011.

The main finding was that CARDS and IPA projects have been successful in reaching their objectives and the funds were invested properly. Some of the main findings/recommendations are summarised as follows: involvement of the beneficiary is critical for the success of EU-funded projects in Kosovo; government involvement in maintenance of the equipment financed under a project needs to improve; wherever maintenance cannot be guaranteed, a Memorandum of Understanding (MoU) should be signed between the EU, the end-user of the facilities/equipment and the beneficiary (local municipality) to ensure the availability of resources for maintenance.

The second evaluation assessed the impact of the municipal infrastructure-scheme (currently in round VII), and showed that:

- At programme level: projects implemented under Municipal Infrastructure facilities I-IV, despite their diversity and considering their overall results and impact as a common achievement, have contributed to a great extent to the development of the social and economic infrastructure at municipal level.

- At project level: all evaluated projects have reached their objective and provided functional and sustainable infrastructure at municipal level to assist the municipalities in Kosovo in developing their socio-economic strengths and improving their services.

Finally, a Twinning Review Mission was conducted for the IPA 2008 Rule of Law project supporting legal education reform. This is a twinning-specific tool to evaluate the results of recently closed twinning projects and their sustainability.

For 2014, evaluations are foreseen for the Regional Economic Development Programme (the whole structure: Grant Schemes, ARDA and RDAs), and EU support to the education and energy sector under IPA I (incl. mapping of needs).

A country programme interim evaluation of IPA assistance in Kosovo was also completed in 2013. The evaluation assessed the efficiency, effectiveness, impact and sustainability of IPA assistance 2007-2009 in three sectors: Public Finance and Financial Management, Socio-Economic Development and Human Rights; with a total spending of EUR 101 million.

The sector analysis shows that some progress has been made in bringing these sectors closer to compliance with European standards; but significant tasks remain. The reform has mainly concentrated on the development of legal and regulatory frameworks and establishment of national institutions. The real challenge for the Kosovo government and public authorities is to develop further competence and implement strategies and legislation in practice.

In terms of capacity strengthening of the beneficiary institutions, the IPA assistance was effective. Systems delivered are of good quality, compliant with European standards and therefore useful for both national development and the accession effort. Efficiency has generally been good. Deficiencies in project performance were found only in the Socio-Economic Development sector, which also had the most cases of contract extensions. Long-term institutional capacity building results may not be sustainable in some government institutions; mainly because of high staff turnover. The assistance was assessed as contributory to the objectives of the Stabilisation and Association Strategy and therefore delivering the expected impact.

FINANCIAL DATA (EUR and %)

**Status of implementation of IPA financial assistance (IPA Component I + IPA Component II), as at 31 December 2013**

<b>IPA- ELARG</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>% Contracted</b>	<b>% Paid</b>
<b>Kosovo</b>					
IPA 2007	82,704,005	82,275,420	79,396,726	99.48%	96.00%
IPA 2008	183,318,922	182,420,434	152,867,691	99.51%	83.39%
IPA 2009	103,600,000	103,203,103	77,175,149	99.62%	74.49%
IPA 2010	72,100,000	70,975,953	47,871,775	98.44%	66.40%
IPA 2011	68,900,000	49,236,003	27,350,395	71.46%	39.70%
IPA 2012	67,500,000	18,328,413	9,800,297	27.15%	14.52%
IPA 2013	107,660,000	16,649,000	4,551,514	15.46%	4.23%
<b>Total</b>	<b>685,782,927</b>	<b>523,088,327</b>	<b>399,013,546</b>	<b>76.28%</b>	<b>58.18%</b>

**Status of implementation of IPA financial assistance (IPA Component I), as at 31 December 2013**

<b>IPA</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>% Contracted</b>	<b>% Paid</b>
<b>Kosovo</b>					
IPA 2007	62,000,000	61,571,415	58,692,721	99.31%	94.67%
IPA 2008	182,700,000	182,097,214	152,544,471	99.67%	83.49%
IPA 2009	103,600,000	103,203,103	77,175,149	99.62%	74.49%
IPA 2010	63,900,000	63,809,278	40,753,770	99.86%	63.78%
IPA 2011	62,900,000	44,976,003	23,300,395	71.50%	37.04%
IPA 2012	63,200,000	15,893,413	7,425,297	25.15%	11.75%
IPA 2013	105,860,000	16,589,000	4,534,786	15.67%	4.28%
<b>Total</b>	<b>644,160,000</b>	<b>488,139,427</b>	<b>364,426,588</b>	<b>75.78%</b>	<b>56.57%</b>

**Status of implementation of IPA financial assistance (IPA Component II - CBC), as at 31 December 2013**

<b>IPA- ELARG- CBC Programmes</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>% Contracted</b>	<b>% Paid</b>
<b>Kosovo</b>					
IPA 2007		0	0	0	
IPA 2008		0	0	0	
IPA 2009					
IPA 2010	1,200,000	166,675	118,005	13.89%	9.83%
IPA 2011	1,800,000	60,000	60,000	3.33%	3.33%
IPA 2012	1,800,000	60,000	0	3.33%	0.00%
IPA 2013	1,800,000	60,000	16,728	3.33%	0.93%
<b>Total</b>	<b>6,600,000</b>	<b>346,675</b>	<b>194,733</b>	<b>5.25%</b>	<b>2.95%</b>



## **TURKEY**

### **1. SUMMARY**

The Positive Agenda already brought fresh dynamism to EU-Turkey relations and delivered positive results. This agenda focused on efforts related to common interests, such as: trade agreements and the Customs Union, on which a specific evaluation to assess its overall impact was performed by the World Bank; visas, mobility and migration; alignment with the *acquis*; energy cooperation; foreign policy, including political reforms and counter terrorism actions; and increase in the participation in Union programmes. In November 2013, the accession negotiations regained new momentum with the opening of the Chapter 22 - Regional policy & coordination of structural instruments. In December, the Readmission Agreement was signed, enabling the start of the EU-Turkey visa liberalisation dialogue.

Political developments in the last months of 2013 featured a number of investigations on alleged corruption of high-level politicians and officials. The radical reshuffling of ministerial posts and the widespread sackings in the administration, in particular judiciary and in the police force, presented the EU with new counterparts in important areas for financial cooperation.

Despite the political turmoil, the impact on the programming process could be minimised and work on the new Indicative Strategy Paper for the full duration of the multiannual financial framework (2014-2020) started as foreseen, in close cooperation with the Ministry of European Affairs and the Ministry of Development.

Regarding the management of the ongoing (IPA) financial assistance by the Turkish national authorities under decentralised management mode, conferral of management for IPA Component V (agriculture and rural development) was granted to a further 22 provinces throughout Turkey.

However, as far as the implementation of IPA programmes is concerned, delays have been registered; also due to the insufficient capacities of some operating structures and end beneficiaries.

### **2. STRATEGIC PLANNING AND PROGRAMMING**

#### **2.1 Multi-annual Indicative Planning Document**

In line with the MIPD 2011-2013, sectors and priorities were identified for the 2013 IPA annual programme; mainly supporting projects in the sectors of justice, home affairs and fundamental rights, energy, social development and agriculture and rural development.

In March 2013 the Commission initiated a challenging exercise to ensure timely preparation of the Indicative Strategy Paper 2014-2020 for Turkey, as well as the identification of the main sectors for intervention under IPA II, through an inclusive approach that associated all

the ministries, Member States, IFIs as well as representatives of the civil society. Main issues on the table were: overall budget for Turkey; sequencing of actions over the years 2014-2020; modalities of programming (annual versus multi-annual); support to big infrastructure projects; Turkey's interest in sector budget support and the possibility of a Turkey Investment Facility.

The Ministry of European Affairs (MEUA) actively steered the process, taking the leading role in coordinating Turkey's inputs to the first draft Indicative Strategy Paper, which was ready in October 2013.

Table 1: MIFF<sup>16</sup> allocations per component, in EUR million

<b>Component</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2011-2013</b>
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
<b>TOTAL</b>	<b>779.90</b>	<b>856.32</b>	<b>902.95</b>	<b>2,539.17</b>

When it comes to donor coordination, regular meetings were held with the EIB Group (the European Investment Bank and the European Investment Fund), the European Bank for Reconstruction and Development (EBRD), IMF and the German Development Bank (KfW) representatives, who already manage a number of EU-funded financial instrument projects (venture capital, credit guarantee, and loan programmes) in Turkey. The Commission hold several meetings with the World Bank; particularly within the framework of the Commission-funded evaluation on the Customs Union. Cooperation with the World Bank in the area of energy continued; further intensified through preparatory works in two IPA projects.

All this confirmed the strong interest on the side of IFIs for joint work under IPA II.

Regular meetings with Member States' economic counsellors were also organised in Ankara on a monthly basis, to exchange information on recent macro-economic developments, trade problems, accession negotiations and other issues of common interest.

## **2.2 Programming**

### **2.2.1 Component I**

The National Programme 2013 was adopted in November 2013 for a total budget of EUR 236.75 million. In view of the next Multi-annual Financial Framework (2014-2020), the programme was designed in a way that will advance the move towards a more integrated sector approach for programming of IPA financial assistance. Substantial parts of the IPA

<sup>16</sup> 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.

2013 envelope were planned through sector interventions. Only few stand-alone projects were included in areas where an integrated approach was not yet possible. Therefore, in coherence with the priorities identified in the MIPD 2011-2013; after analysis of the Turkish authorities and extensive consultations with the Commission, the programme included the following priority sectors: Judiciary and Fundamental Rights, Migration and Border Management, Energy, Environment and Agriculture and Rural Development.

Several amendments to previous programmes were necessary in 2013. Due to savings or failed tenders under the National Programme 2010 it became necessary to reallocate EUR 28.3 million to new projects. In that context, almost EUR 10 million were booked for the provision of basic services to the "out-the-camp" Syrians in Turkey, together with UNHCR. In addition, the budget for "Support Activities to Strengthen the European Integration Process" was increased by EUR 7.6 million, where programming of stand-alone technical assistance projects – including Twinning – for up to EUR 3 million will be possible. The programme amendment was ratified on 12 November 2013.

Furthermore, based on a request from the Turkish authorities, a 12 month extension of the contracting deadline for the National Programme 2011 Part 1 was agreed.

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

<b>COUNTRY/MULTI-BENEFICIARY</b>	<b>2013</b>
<b>I. Transition Assistance and Institutional Building</b>	
Of which:	
National Programme	236.75
Tempus Programme	na
Nuclear Safety Programme	na
National programme Part II (Lifelong Learning & Youth in Action) (1)	0.00
<b>II. Cross Border Cooperation</b>	2.20
CBC Bulgaria – Turkey	1.20
Participation in ENPI Black Sea basin programme "	1.00
<b>III. Regional Development</b>	378.00
Of which:	
Transport	128.40
Environment	146.75
Regional Competitiveness	91.72
<b>IV. Human Resources Development</b>	96.00
<b>V. Rural Development</b>	204.18
<b>TOTAL</b>	<b>935.50</b>

(1) Management of the allocations for these two programmes was cross delegated to DG Education and Culture (EAC)

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

<b>Priority Axis</b>	<b>Projects</b>	<b>Budget</b>
<b>Justice and Home Affairs</b>		<b>69.29</b>
	Judiciary and Fundamental Rights (incl. three Twinning	22.60

	arrangements for reform of law enforcement institutions)	
	Migration and Border Management	9
<b>Energy</b>		<b>39.04</b>
	Energy Efficiency - with WB and EBRD	14.75
	Renewable Energy - with EBRD	14.44
	Electricity and Gas Market Development and Energy Electronic Data Centre - with WB	7.00
	Improvement of Nuclear Safety Regulatory Infrastructure	1.80
	Creation of Awareness in Industry, Private Sector, SMEs, EU and Turkish Public General	1.045
<b>Environment and Climate Change</b>		<b>20.14</b>
	Capacity Building in the Field of Climate Change	13.99
	European Pollutant Release and Transfer Register (E-PRTR)	2.10
	Economic Analyses within River Basin Management Plans and Water Efficiency Aspects in 4 Pilot River Basins in Turkey	4.05
<b>Social Development</b>		<b>74.35</b>
	Improving Social Dialogue in Working Life	3.15
	Participation in Union Programmes and Agencies	71.20
<b>Agricultural and Rural Development</b>		<b>12.53</b>
<b>Supporting programmes</b>		<b>21.40</b>
	Enhanced Support Activities to Strengthen the European Integration Process (ESEI)	
<b>TOTAL</b>		<b>236.75</b>

## **Justice, Home Affairs and Fundamental Rights**

One of the objectives set out in the MIPD 2011-2013 under Justice, Home Affairs and Fundamental Rights sector is to implement the necessary reforms to build an independent, impartial and efficient judiciary. The second objective is to foster effective law enforcement; the successful fight against crime and corruption as well as improved integrated border management and prevention of illegal migration. The third objective is to achieve measurable progress towards the full enjoyment of all fundamental rights and freedoms by all individuals without discrimination. Last but not least, support for strong democratic institutions and civil society promoting pluralism and the values of European integration is also addressed.

Several actions contributing to those MIPD specific objectives were included in the National Programme 2013. As an example, a Performance Assessment of the Judiciary system was agreed with the World Bank and a project with the Council of Europe for capacity building of judges, prosecutors and lawyers in Turkey on the individual application mechanism was prepared.

The Commission priority for the 2013 Sector Fiche on border management was to address capacity building to ensure that Turkey moves towards a quality and integrated border management system in order to better prevent irregular border crossings. Another important issue was to involve the customs enforcement in the sector for the integrity of the border management concept. It was also crucial to guarantee that no duplications would take place given the already ongoing national investments to secure the borders. To this end, measures

addressing border checks (training for local governors that are heads of the border crossing points), border surveillance (electronic border surveillance at the borders with Greece and a measure on Customs maritime surveillance) and a regional border cooperation project among Turkey, Greece and Bulgaria were agreed.

As concerns the areas of migration management, including asylum and trafficking in human beings, the main objective was – and continues to be - to support the comprehensive reform process that is currently ongoing. During the programming exercise, the draft Law on Foreigners and International Protection was pending approval. There were regular exchanges with Members States and International Organisations, such as the International Organization for Migration (IOM) and the United Nations High Commissioner for Refugees (UNHCR).

The main interlocutor in the process has been the Bureau for Regular Migration. Once the Law was adopted on 11 April 2013, it immediately entered into effect with respect to its articles that established the General Directorate for Migration Management which is basically the core of the Bureau for Migration Management. This legislative process had a decisive impact on the programming of the operations and the Bureau, later on to be replaced by the General Directorate for Migration Management, has been the driving force behind the operations listed in the Sector Fiche 2013.

## **Energy**

In 2013, a Sector Fiche was prepared with the aim of achieving a secure and transparent Turkish energy market in line with the EU acquis and Europe 2020 energy sustainability targets. The selected measures are key priorities for Turkey; derived from the National Programme for Adoption of Acquis (NPAA) and the relevant laws concerning energy efficiency and the electricity market:

Measure 1: Energy Efficiency – joint management, with World Bank (WB) and European Bank for Reconstruction and Development (EBRD).

Measure 2: Renewable Energy – joint management, with EBRD.

Measure 3: Electricity and Gas Market Development – joint management, with WB.

Measure 4. Long-term energy scenarios, capacity building and establishment of an Energy Electronic Data Centre – joint management, with WB.

Measure 5. Improvement of Nuclear Safety Regulatory Infrastructure –Twinning.

Measure 6: Creation of Awareness in Industry, Private Sector, SMEs, EU and Turkish Public General and All Relevant Stakeholders – with EBRD.

It was decided to set up two Trust Funds based on one Administration Agreement with WB and on one Contribution Agreement with EBRD. The respective amounts are EUR 14,37 million and EUR 22.85 million.

### **2.2.2 Component II**

Turkey has two ongoing programmes under this component, which are presented in paragraph 3.1.2.2 below; namely the European Neighbourhood and Partnership Instrument Black Sea Basin Cooperation Programme 2007-2013 and the bilateral programme with Bulgaria. It should be noted that Turkey has opted out from European Regional Development Fund (ERDF) transnational cooperation programmes (the "South East Europe" programme and the "Mediterranean Sea Basin programme") although Turkish actors from eligible regions can still participate as "associated partners".

There was hardly any programming activity on the side of DG ELARG under IPA component II in 2013; except for the preparations for the new Black Sea Basin programme for the new financial period 2014-2020 started in 2013 under the responsibility of DG DEVCO. Concerning the modalities on Turkey's participation in the future ENI Black Sea programme, IPA funding will be transferred to DG DEVCO, and the programme will be implemented under the ENI legal base by the programme Managing Authority.

Regarding IPA II (2014-2020) CBC Bulgaria – Turkey, the first programming task force meeting took place in December 2013. A first draft of the programme was expected in summer 2014.

In the recent past Turkey sent a message that it was open to starting a Cross-border programme with Greece; and the possibility will be taken into account for the 2014-2020 period.

Equally, Turkish authorities expressed their interest in launching discussions to present a new Cross-border programme with Georgia. The European Union External Action Service gave its positive opinion on this potential programme, and now the two countries are starting discussions to investigate the potential sectors of intervention.

### **2.2.3 Component III**

Component III programmes were originally adopted in 2007 with the budget for three years. The programmes were amended twice in 2010 and 2012 to budget for an additional 4 years in order to cover the programming period 2007-2013. The IPA contribution for the whole period amounts to approximately EUR 682 million for the Environment Operational Programme (OP), EUR 585 million for the Transport OP and EUR 468 for the Regional Competitiveness OP. Following the N+3 automatic decommitment rule applied for 2010 annual allocations, those amounts were reduced for the Environment and Regional Competitiveness OP in 2014.

A weak programming exercise and a slow tendering process kept slowing down the pace of the implementation; namely for the Environment and Regional Competitiveness programmes. The Operating Structures appeared not to have taken full advantage of the technical assistance resources available to them within the Operational Programmes; be it for operational reasons or because of weak political support. The establishment of a mature project pipeline is still a

weak part of the process and a difficult task for the Operating Structures in charge of the Transport and Regional Competitiveness programmes

On the contrary, the Operational Structure (Ministry of Environment and Forestry) under the Environment OP put in place a very substantial project pipeline. Out of it, the Commission adopted 3 major projects and signed 6 Bilateral Project Agreements in 2013. Cumulatively, 18 investment projects were under implementation for a total of 22 major projects, corresponding to an EU contribution of more than EUR 500 million. Two projects' appraisals were conducted in 2013 for Mardin and Kütahya Wastewater projects. All this ensured payment requests exceeding EUR 64 million in 2013. Unfortunately, it was not enough to cover the N+3 target of 2010 which was set at EUR 95.24 million. The difference was automatically de-committed in 2014. In parallel, work continued on the preparation of 5 IPA major projects to cover the remaining budget of the programme.

Intensive informal exchanges between the Operating Structure of the Transport OP and the Commission's services took place in 2013 in order to optimize the project pipeline with a view to fully absorbing the available budget. As a result of such exchanges, one more major project in the railway sector (Samsun-Kalın) was added to the pipeline. The collaboration between Commission services and the Operating Structure also elaborated the design of technical assistance projects aiming at capacity building of the Operating Structure.

The Regional Competitiveness OP kept facing 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. In 2013, there was a revision of its financial tables and monitoring indicators in order to reflect the automatic de-commitment of funds (EUR 11.62 million). The amending programme decision was adopted in December 2013, also allowing the implementation of the financial engineering instruments via a direct contract award to EIF or EIB. One important large infrastructure project application – Samsun Logistics Center – was submitted to the Commission and should be adopted in 2014. Negotiations for two very important projects (Innofood and Technology Transfer Accelerator - TTA) continued in 2013: the negotiations for TTA successfully resumed in 2014, whereas by the decision of the Operating Structure, the Innofood project is about to be deferred to the IPA II programme support. Following some progress achieved in the implementation, an additional pre-financing of approximately EUR 16 million was paid for the Regional Competitiveness OP.

#### **2.2.4 Component IV**

The discussions on social issues were reinforced in 2013 with the introduction of the High Level Working Group for chapter 19, and the commencement of the Employment Social Reform Programme process following the visit of Commissioner Andor to Turkey in May 2013. Efforts were made on the IPA programming side as well; where a pipeline of projects was established as a result of a Call for Operations involving stakeholders active at local and regional level. Out of 136 applications received 37 were pre-selected; including proposals by regional development agencies, universities, non-governmental organisations, municipalities, organised industrial zones, employees' and employers' organisations corresponding to

employment, education, lifelong learning and social inclusion priority axes. The total value of the pre-selected operations exceeds the allocation for the call, which was EUR 144 million, demonstrating the high interest for the programme.

The challenge now lies with the prioritisation of the operations taking into account the institutional capacities and the quick preparation and publication of tenders and calls for proposals. So far, the total amount of programmed operations increased to EUR 344 million, corresponding to 61.7 % of the overall amount available for the 2007 – 2013 period. However, the delays in the identification of new operations, insufficient political commitment, and slow implementation of procurement procedures have been the main reasons for the absorption problems under this Component.

In order to understand the impact of the OP actions and help design new actions for the period 2014-2020; the need for intensifying evaluation activities was repeatedly highlighted by the EU services. The OS conducted the evaluation of the Employment priority axis from May-October 2013. In a nutshell, the evaluation found that the OP measures in the field of employment (youth, women's employment, undeclared work and public employment services) were relevant to the needs and constraints of the Turkish labour market. The approach to elimination of regional disparities was also considered relevant. Further capacity building efforts are needed in regions where no project applications were received or where all the applications were unsuccessful. Grant schemes and institutional capacity building actions should be synchronised in the future.

### **2.2.5 Component V**

The sixth modification of the IPA rural development programme (IPARD) was adopted by the Commission on 11 December 2013. The programme amendments mainly concerned the fine-tuning of the definition of eligibility conditions and financial matters. On the other hand, the IPARD Agency successfully completed four calls for proposals in 2013.

## **3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2013**

### **3.1 - IPA**

#### **3.1.1 Success stories**

IPA Component III - European Turkish Business Centres Network Project (ABIGEM Project); Total cost in EUR 40.5 million (EU Contribution EUR 32 million for ABIGEM II and EUR 8.5 million for ABIGEM III). Results: 16 business advisory centres across the country providing consultancy to smaller firms.

Increasing regional competitiveness is at the heart of the Chambers of Commerce and Industry, which are the hosts of the ABIGEM centers. New economic opportunities - in the



European Union and in the enlargement countries - can be created by encouraging small businesses and entrepreneurs. The EU is expanding a network of business centres in Turkey that helps start-ups and smaller firms there, to become more competitive.

These business advisory services, known by their Turkish title as ABIGEMs, provide professional training and consultancy to smaller firms. In 2013 alone, these ABIGEMs helped more than 2,800 small and medium enterprises in 19 provinces with business consultancy; and offered more than 600 training programmes to some 24,000 participants. They also run programmes specifically for entrepreneurs who were considering or have just launched a start-up, and some 3,500 participants benefited from nearly 150 such programmes.

The EU gave funding for the first three ABIGEMs a decade ago in Gaziantep, Kocaeli and İzmir. Each of these centers is hosted by a local Chamber of Commerce. In view of the success of these centres - which have since become self-supporting, the EU funded a further 12 centres. These are located in Adana, Afyon, Çorum, Denizli, Erzurum, Eskişehir, Kayseri, Konya, Malatya, Tekirdağ, Trabzon and Uşak. And in the latest expansion, the EU has invested in further centres in Sivas, Hatay, Batman and Van - providing coverage right across the country. ABIGEMs are staffed by business service managers with hands-on professional experience in the private sector and the particular issues that smaller firms must deal with. An evaluation of the initial project found that for every EUR 1 invested in the project, EUR 3.5 was generated in the regions.

The cosmetics producer Verdaa in Hatay is just one example of many businesses which have benefitted from EU Turkish Business Centres. According to Ms. Gülay Gül, the company's CEO, working with ABİGEM experts "has improved our company's competitiveness, marketing skills and strategies; as well as increasing our brand awareness. They helped analyse our current products' sales performance and revenue and the effectiveness and performance of our points of sale, and to build new business development strategies. We added new products to our range, and took steps to sell our products in Germany, Saudi Arabia, Libya and the United States, obtaining the FDA certificate of product quality that is crucial for admission to the US market. Our company has also won the Special Jury Award of the Anatolian Brands Competition. Our cooperation with ABİGEM has been going on for two years now, and it will continue, too".

With an EU contribution of EUR 43.5 million, the Greater Anatolia Guarantee Facility (GAGF) a financial instrument designed and implemented by the European Investment Bank Group since 2010 has already provided 4,300 entrepreneurs with the credit they need to develop their businesses. The grant scheme leverages an overall lending volume of EUR 900 million to support smaller companies in developing regions of Turkey. The European Investment Bank has provided half the funding for these loans, with Turkish banks providing the rest.

The GAGF is channelling credit to Turkish provinces, where income per capita tends to be 75% lower than the national average. From Kastamonu in the North to Van in the East, the regions covered by the GAGF are home to a quarter of the country's smaller firms. Firms in

these regions receive only 10% of total lending in Turkey. The guarantees provided by GAGF funds make it possible for commercial lenders to finance smaller companies under conditions that really help growth.

One of the beneficiaries was the **Vocational Training Centre for Women** in Antakya, Hatay, which has used GAGF-guaranteed funds to launch a training course for unemployed women. Students were generally over the age of 25 and eager to begin a professional life. “Most of them have experience raising children and keeping a household, but few have ever had a career” explains Okan Özüdoğru, who teaches at the centre. With EU funds, the Vocational Training Centre for Women provides introductory classes in information technology, management, and practical skills for local industries. It offers women a chance to get out of the house and take part in the economy.

The initiative is bearing fruit. Tülay G., the 43-year old mother of two children in Hatay, says that the course has transformed her life. When she started her studies at the Vocational Training Centre for Women, her family had no social security and her husband was unemployed. But on graduating, she secured a job in the textile industry and rose to become a craftworker in silk embroidery. “I now work as both a craftsman and a sales assistant,” she says. “My salary is putting our daughter through university.”

The Vocational Training Centre for Women also encourages its students to start their own business with evening courses in company administration and finance. Its staff believes that economic independence is essential for both women and men to gain control over their circumstances and overcome the developmental challenges facing the province of Hatay. These goals reflect the spirit of the GAGF, and some of the centre's students have also obtained direct access to GAGF-guaranteed credit. On completing her course, Gülhan Y. worked in several firms until she decided to start her own. With the help of the guarantee scheme, she will be opening it this month.

Smaller firms generate the largest proportion of employment in Europe, and are key to a healthy and inclusive job market. By providing them with better access to financing, the GAGF is boosting innovation, regional development, growth and employment in some of the poorest regions in Turkey, and the results are helping to bridge the development gap across the country.

**IPA Component I - Twinning Project "Improving the skills of forensic experts"** (IPA 2008, EUR 2 million) ended in 2013 after a very successful implementation. The project aimed to raise the skills of the experts of the Council of Forensic Medicine, the Police and the Gendarmerie in terms of investigations and evidence preservation. One of the most important outcomes was a common best practice manual for all the institutions involved, and the construction of four forensic laboratories in Istanbul, Adana, Izmir and Diyarbakir under the related project "Strengthening the Forensic Capacity" (IPA 2008, EUR 12.75 million).

### **3.1.2 Overview of IPA implementation in 2013**

### **3.1.2.1 Component I: Transition Assistance and Institution Building**

Programmes under Component I are contracted and managed by the national authorities since the conferral of management powers to the national authorities in October 2008. The National Programme 2009 was fully contracted in 2013, however, contracting rates under IPA 2010/2011/2012 National Programmes remained very low due to unforeseen events (savings and cancellations of tenders) as well as systemic weaknesses in DIS management and control system in Turkey.

More concretely, the National Programme 2010 (EUR 138 million under DIS) reached a contracting rate of only 33% by December 2013; more than 2 years after the ratification of the Financing Agreement; mostly due to cancellation of the EUR 27 million under the "Foot and Mouth Disease" project. Subsequently, in July 2013, the Commission adopted a Decision amending the programme in order to reallocate EUR 28 million and extend the contracting deadline by an additional 12 months. This allowed the financing of some new projects (including one related to Syrian nationals seeking protection in Turkey).

As regards the areas of migration management, asylum and trafficking in human beings, a number of operations were developed to support the comprehensive reform process that is currently ongoing where the main counterpart is the General Directorate for Migration Management under the Ministry of Interior. Key international partners in these operations were the UNHCR, IOM and ICMPD.

Collaboration with international organisations intensified in 2013; mainly in the area of Justice, democracy and rule of law. An important partner was the Council of Europe, which implemented three projects: "Consolidating Ethics in the Public Sector" (IPA 2009, EUR 1.500.000), "Strengthening the coordination of anti-corruption policies and practices" (IPA 2009, EUR 1.60 million), and "Improved Efficiency of Turkish Criminal Justice System (IPA 2009, EUR 3.012 million).

Additionally, the project "Justice for Children" (IPA 2010, EUR 3.15 million) was implemented via a direct grant agreement with the United Nations Children Fund (UNICEF), contributing towards humanisation of the juvenile justice system in Turkey through the introduction of child and youth-friendly methods of dealing with offences against the law. Pilot child-friendly interview rooms have been designed and will be equipped in 2014 through a supply component under IPA 2010 (EUR 510,000).

Another important initiative in 2013 in the field of fundamental rights was the signature of the Twinning project on "Support to Establishment of Ombudsman Institution in Turkey" (IPA 2011, EUR 2 million) since it is supporting Turkey during the inception phase of an entirely new institution. It is therefore important to underline that the EU supports Turkey in the establishment of an institution that not only corresponds to the requirements of the political criteria for EU accession, but also aims at introducing new forms of conflict resolution and dispute settlement and thus ultimately make a contribution to a new culture of compromise.

During the reporting period, OECD - SIGMA activities focused in the areas of external audit, financial control, public expenditure management, parliamentary oversight and public procurement. The bi-annual Public Internal Financial Control (PIFC) Regional Conference organized by SIGMA in collaboration with the host country took place in Ankara in June 2013.

The peer review for the Turkish Parliament started in 2012 and was completed in 2013.

### **3.1.2.2 Component II: Cross-border Cooperation**

Turkey has two ongoing programmes under IPA component II Cross Border Cooperation (CBC): the “European Neighbourhood and Partnership Instrument Black Sea Basin Cooperation Programme 2007-2013” (ENPI BSB CBC) and the "Cross-border Programme between the Republic of Bulgaria and the Republic of Turkey”.

Under the ENPI Black Sea basin Cooperation Programme, the major events in 2013 were:

- In 2013 the Joint Managing Authority finalized the contracting phase of the projects selected under the 2<sup>nd</sup> call for proposals. The Black Sea Basin Joint Operational Programme 2007-2013 has: 62 projects contracted (selected under the two calls for proposals) 9 projects with a finalized implementation period, 5 projects closed, and 48 projects under implementation; most of them finalizing in 2014 and 2015.
- 2013 Annual conference of the Black Sea Basin Joint Operational Programme 2007-2013 was held in İstanbul, on the 5th of December 2013.

Under the CBC Programme Bulgaria and Turkey, the major events in 2013 were:

- 45 projects were selected under the 2<sup>nd</sup> call for proposals. 24 were already contracted in 2012 and the remaining 21 contracts were signed in 2013. The 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.
- The third call was launched and the project proposals were received from 11 February 2013 to 29 April 2013. The assessment process of the project proposals under the 3<sup>rd</sup> Call for Proposals was finalized in the Joint Monitoring Committee (JMC) on 23 October for an amount of EUR 4.7 million. The selected projects aim at boosting sustainable economic development and at improving the quality of life in the cross border region. Contracting shall be completed in 2014.

### 3.1.2.3 Component III

After the achievement in 2012 of the accreditation process of the new Operating Structures (OS) of the three Operational Programmes, in 2013 tendering and contracting activities represented a challenge; especially in the Ministry of Sciences and Industry (MoSIT) and the Ministry of Environment and Urbanization (MoE), which were suffering from a high staff turn-over and weak political support. These two OSs appeared not to have fully exploited the resources available under ongoing technical assistance contracts to improve their capacities for IPA implementation. Starting implementation of projects was often difficult and slow; generating less expenditure than planned during the reporting period.

Cumulatively, 18 investment projects were under implementation in 2013 for a total of 22 major projects corresponding to an EU contribution of more than EUR 500 million. All this ensured payment requests exceeding EUR 64 million. Unfortunately, it was not enough to cover the N+3 target for disbursements which was set at EUR 95.24 million. The difference will be automatically de-committed in 2014.

The technical assistance component of the **Transport Operational Programme** has strengthened the capacities of the Operating Structure and end recipients; with a focus on managing ongoing railway contracts and on supporting the project pipeline preparation. As a consequence, the programme achieved a good absorption rate in 2013 with 56% of the forecasted amount actually contracted.

The absorption rate within the **Regional Competitiveness Operational Programme** was however, not as high as expected, because of the problems mentioned above (weak middle-management, high staff turn-over, ineffective use of technical assistance). Actual payments amounted only to EUR 18.7 million in 2013, or 17.7% of the forecasted amount.

### 3.1.2.4 Component IV

Limited progress could be achieved in the implementation of the Human Resources Development Operational Programme under IPA Component IV in 2013. The absorption of available funds continued to be a major issue. The contracting rate and the disbursement rate remained at a low level; reaching 35.2% and 28.3% respectively by the end of the year. The delays in the identification of new operations and the slow implementation of procurement procedures were the main reasons for the absorption problems. As a consequence, an amount of EUR 12.23 million was subject to automatic de-commitment by the end of 2013.

On the positive side, the total amount of contracts signed was EUR 51.2 million, significantly higher than in previous years (EUR 26.6 million in 2012, and EUR 17.8 million in 2011), although the bulk of this amount corresponds to a single direct agreement with the European Bank for Reconstruction and Development (EBRD) with a value of EUR 38 million. In addition, the results of evaluation and monitoring activities carried out in 2013 highlighted positive developments in the implementation of the programme; such as the reinforced administrative capacities of all institutions and organisations benefiting from the operations,

as well as inter-institutional relations among relevant line ministries.

### **3.1.2.5 Component V**

In 2013 the Programme for Agriculture and Rural development reached its cruising speed: four calls for proposals were completed by the IPARD Agency in 2013 (further to the seven done in previous years). 8,348 applications were received; overall requesting EUR 195 million of EU support. The full allocation of 2010 (EUR 134 million) was paid out to beneficiaries and a high number of relevant project proposals was regularly submitted to the IPARD Agency. The Programme became operational in all the selected 42 provinces in Turkey as the remaining regional offices of the IPARD Agency received a conferral of management.

The programme operates on the basis of full decentralisation by the Turkish IPARD Agency; which learned to work according to the standards of the EU Paying Agency; demonstrating great professionalism and dedication. They received positive recognition in Turkey as an impressive total number of almost 10,000 applicants such as farmers, food processing companies and rural enterprises; including those in remote rural areas in Turkey; requested co-funding for their modernisation projects and/or upgrading of EU standards. For many of these localities the IPARD set an example of successful projects in line with EU standards. It is worth mentioning the impressive growth in the number of project proposals from 41 in the first call in 2011 to 5,845 in the last call in 2013. Nevertheless, the rejection rate of applications still remains high; at more than 50%.

So far, IPARD accounts for more than EUR 540 million of public-private investment in the sector responsible for bringing food production up to EU standards and for generating alternative sources of income in the rural economy. In 2013, the following projects were already completed: 527 farms upgraded their standards/restructured, 95 food processing enterprises successfully improved competitiveness/upgraded standards and 1,695 farms/microenterprises diversified their activities. This rate of success is due to some major programme modifications, extension of the programme to all selected provinces, but also simplifications of procedures to allow for more flexibility, publicity effort and a positive involvement of the banking sector as well as improved performance of consultancy services and, finally, to the mobilisation of the IPARD Agency.

## **4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES**

A positive sign showing the more active involvement of the National Authorising Officer (NAO) Office in horizontal issues was the Comprehensive Action Plan prepared in 2013 in order to make real progress in addressing the deep-rooted systemic weaknesses affecting decentralised management (DIS), and continue capacity building efforts. Issues like management of irregularities, capacities of internal audit units, recruiting and training of staff, review of tendering progress and rejection rate trends with the contracting authorities and monitoring, were covered in a more systematic manner.

Furthermore, in line with the findings of a verification mission on the monitoring system conducted by DG ELARG in 2012, a draft version of a Protocol outlining the roles and responsibilities among main DIS bodies was submitted to the Commission in November 2013.

There were visible improvements in the NAO supervision capacity, although it has not evenly contributed to improving the functioning of the DIS system in Turkey. One of the main reasons for delays and tender dossiers' rejection seemed to be still related to the capacity of the line Ministries. Rather good progress could be observed for the authorities in charge of implementing IPA Component IV, through new recruitments and intensive training activities in 2013, after the transfer of responsibilities from the central contracting authority (CFCU) towards them in 2012.

Regarding IPARD, Conferral of management of EU funds was granted to a further 22 provincial offices of the IPARD Agency, meaning that 42 out of the 81 provinces in Turkey are implementing the programme. The third Commission Decision for accreditation was issued on 28 June 2013 relating to additional 17 provinces, including six with provisional status for review in 2014. This was shortly followed by the fourth Decision, on 25 July, granting accreditation to another five provinces. The geographical coverage foreseen in the Programme has been successfully reached. In addition, Turkey has submitted an application for accreditation of a fourth measure, Technical Assistance, for which a Decision is due to be granted in the second half of 2014, which will serve to strengthen the administrative capacity of the managing Authority. Preparations for a fifth measure, a pilot agri-environment scheme advanced well. Overall, staffing levels have remained consistent; approximately 1,950 are employed in the Agency and 40 in the Managing Authority.

### **3.1.4 Monitoring**

Monitoring remained an area of concern where NIPAC and NAO were expected to take more responsibility in their respective roles, and to follow-up in a proper manner to decisions made by the monitoring committees. This is recognised by the national authorities and it was one of the main features included in the Protocol outlining the responsibilities among main DIS bodies (see above).

So as to facilitate information sharing and cooperation among relevant DIS authorities in relation to their monitoring activities, the NAO, MEUA, CFCU and Commission agreed in 2013 to:

- Encourage joint missions/coordination of on spot checks via information sharing
- Sharing of Annual Monitoring Plans
- Sharing of major findings identified during the on the spot monitoring by any of the parties during the DIS coordination meetings on quarterly basis

Project level Steering Committees have proven to be functional throughout 2013. The MEUA facilitated the establishment of these committees in its letter of 6 September 2013 to all beneficiaries. The Steering Committees' meetings play a crucial role in terms of bridging the communication gaps between project stakeholders, following up progress under different

components of projects and facilitating effective information flow among parties. Improvement is still needed in defining responsibilities of the committees; in particular their role in decision making.

In line with the decision made during the March IPA Component I -TAIB MC, the frequency of the Sectorial monitoring committees' meetings was decreased to once a year for 2013.

There was an improvement in terms of the focus of the discussions, and participation of a wider range of stakeholders and civil society representatives. Nevertheless, problems persist as regards the level of participation, dissemination of information to participants and stakeholder involvement. In view of this situation, the Commission reiterated the need to strengthen the role of these committees.

There was an increase in the number of joint missions conducted in 2013 compared with 2012. However, the institutions were less successful in sharing information; especially the CFCU that failed to provide procurement tables to the MEUA on a regular basis and other documentation required for the monitoring committees prior to the meetings.

DIS coordination meetings became a more relevant and efficient tool for monitoring; although the system of follow-up to audit recommendations and conclusions needs to be improved.

**Table 4: Status of implementation of IPA financial assistance (Component I) as at 31<sup>st</sup> December 2013 (in EUR million) per annual programme and distribution of total committed funds (2007 – 2013 allocations)**

	Committed	Contracted *	% Contracted	Paid*	% Paid
<b>IPA 2007</b>	256.20	233.21	91.03%	188.89	73.73%
<b>IPA 2008</b>	256.13	246.74	96.34%	213.94	83.53%
<b>IPA 2009</b>	204.55	193.42	94.56%	142.51	69.67%
<b>IPA 2010</b>	218.29	113.89	52.17%	90.84	41.62%
<b>IPA 2011</b>	229.97	81.72	35.53%	76.77	33.38%
<b>IPA 2012</b>	225.75	79.63	35.28%	73.73	32.66%
<b>IPA 2013**</b>	236,75	0		0	
<b>TOTAL</b>	1,390.88	948.60	68.20%	786.68	56.56%

\* Including Union Programmes and programmes' pre-financing to the Turkish National Fund

\*\* FA ratified in May 2014.

**Status of implementation of IPA financial assistance (Component II, implemented by Regional Policy DG) as at 31 December 2013 - in million EUR**

IPA CBC	Committed	Paid until 31 December 2013	Percentage



<b>Bulgaria-Turkey</b>	27.27	11.06	<b>45%</b>
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***Status of implementation of IPA financial assistance (Component III) as at 31 December 2013 (in million EUR) and distribution of total committed funds (2007-2013 allocations) Operational programme***

<i>Country/Operational programme (OP)</i>	<i>Committed</i>	<i>Paid</i>	<i>% (with advance payment)</i>
<i>OP Environment</i>	682.47	219.00	32%
<i>OP Transport</i>	584.72	228.25	39%
<i>OP Regional Competitiveness</i>	468.77	157.33	34%
<i>Total Turkey</i>	1,735.95	604.58	35%

***Status of implementation of IPA financial assistance (IPA Component IV, implemented by DG Employment, Social Affairs and Inclusion), as at 31 December 2013 – in million EUR***

<b>Countries</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>Percentage contracted</b>	<b>Percentage paid</b>
<b><i>Turkey</i></b>	473.85	168.56	157.17	35.57	33.1

***Status of implementation of IPA financial assistance (IPA Component V, implemented by Agriculture and Rural Development DG ), as at 31 December 2013 – in million EUR***

<b><u><i>Committed</i></u></b>	<b><u><i>Paid</i></u></b>	<b><u><i>Percentage paid</i></u></b>
<b><u><i>789.63</i></u></b>	<b><u><i>147.03</i></u></b>	<b><u><i>19</i></u></b>



## ICELAND

### 1. SUMMARY

The government of Iceland announced its decision to put accession negotiations on hold on 22 May 2013. By that time substantial progress had been made in the negotiations: 27 chapters had been opened and 11 were provisionally closed. As a consequence of this decision, the Commission stopped engaging on new commitments under IPA and started to phase out ongoing IPA projects. In agreement with the government, all preparatory work on IPA II was also suspended.

The implementation of funding to projects both under the 2011 and the 2012 programmes had been ongoing at the time when the decision was taken to discontinue all IPA funding to Iceland. Although Programming for the National Programme 2013 had been completed with a unanimous approval by the IPA Committee in November 2012 and adopted on 2 December 2012, with three projects envisaged within a total value of EUR 10.8 million, no funds were disbursed under the 2013 programme.

### 2. STRATEGIC PLANNING AND PROGRAMMING

#### 2.1 Multi-annual Indicative Planning Document

Prior to the decision by the Icelandic government to put the accession negotiations on hold and the subsequent decision by DG ELARG to terminate IPA funding to Iceland, the global objective of EU financial assistance to Iceland had been 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 had set 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.*

Table 1: MIFF<sup>17</sup> allocations per component, in EUR million

Component	2011	2012	2013	2011-2013
I – Transition Assistance and Institution Building	12	12	5.81	29.81
<b>TOTAL</b>	12	12	5.81	29.81

<sup>17</sup> 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.

## **2.2 Programming**

### **2.2.1 Component I**

Prior to the decision by the Icelandic government to put the accession negotiations on hold, the 2013 National Programme had been presented to the IPA management committee in November 2012. The 2013 programme, for a total value of EUR 10.8 million had been adopted on 2 December 2012 and the additional national contribution had amounted to EUR 7.7 million. The 2013 Programme covered 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*). No funds had been disbursed under the 2013 national programme at the time when the decision was taken to put the accession negotiations on hold.

The programming of National Programmes 2011-2013 had been completed by the end 2012 with all three annual programmes adopted. The national programmes 2011-2013 foresaw 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 was sizable and stood at 33% overall for the 2011-2013 National Programmes.

## **3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2013**

Prior to the government's decision to put the accession negotiations on hold, financial support to Iceland had been exclusively implemented under IPA Component I "Transition Assistance and Institution Building", through centralized management by the Commission headquarters. Grants constituted a substantial part of the pre-accession assistance in Iceland.

Implementation of the national IPA assistance started in 2012. As of 31 December 2013, 75% of the funds had been contracted and 8% paid. The implementation of the 2013 Programme had not yet started when the decision to terminate IPA funding to Iceland was taken.

Whilst IPA funding was ongoing, good progress was reported and was confirmed by independent monitoring carried out under the external monitoring contract 2012/297-352. Generally, the Icelandic beneficiaries had a good administrative capacity to implement the projects and there was a high project ownership rate. The first IPA Monitoring Committee had 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. Following the government's decision to put the accession negotiations on hold, there were no any other meetings of the IPA Monitoring Committee.

As regards technical assistance, support had 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 had also been reinforced through a technical assistance contract, until the decision was taken to terminate IPA funding to Iceland. TAIEX continued to play a key role in providing technical assistance to Iceland in 2013; but TAIEX assistance was suspended, following a request by the Icelandic government in June 2013 to this effect, in-line with the government's decision to put the accession negotiations on hold.

#### FINANCIAL DATA (EUR and %)

##### Status of financial implementation (IPA Component I), as at 31 December 2013

<b>IPA- ELARG</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>% Contracted</b>	<b>% Paid</b>
<b>Iceland</b>					
IPA 2007					
IPA 2008					
IPA 2009					
IPA 2010					
IPA 2011	12,000,000	9,033,958	3,246,881	75.28%	27.06%
IPA 2012	11,997,400	1,000,000	373,691	8.34%	3.11%
IPA 2013	10,839,763	0	0	0.00%	0.00%
<b>Total</b>	<b>34,837,163</b>	<b>10,033,958</b>	<b>3,620,572</b>	<b>28.80%</b>	<b>10.39%</b>

## B. MULTI - BENEFICIARY

### 1. SUMMARY

**Regional cooperation** has continued within regional fora; such as the Energy Community, the European Common Aviation Area, the Central European Free Trade Agreement (CEFTA) and the Regional School of Public Administration (ReSPA). The Regional Cooperation Council (RCC) has further consolidated its role as a platform for the promotion of issues of importance to the whole region and its EU perspective; thus further mainstreaming regional cooperation in the countries' political agenda. Progress on inclusiveness in the regional cooperation process has been made following Kosovo's admittance as a full and equal participant in the RCC in February 2013 and in ReSPA in November 2013.

The adoption of the **South East Europe 2020** strategy by the Ministers of Economy of the region in November 2013 set a clear framework for achieving smart, sustainable and inclusive growth.

In accordance with the priorities of the Enlargement Strategy, Multi-Beneficiary financial assistance throughout 2013 supported progress in the area of **rule of law, regional cooperation in criminal justice, public administration reform** and by building networks of **civil society organisations**.

In the area of **regional cooperation and reconciliation**, the renewed commitment to the Sarajevo process was confirmed through the launch of the Regional Housing Programme (approved housing projects worth EUR 60 million in 2013, with an EU contribution to the Fund of EUR 84 million).

To underpin **economic recovery** in the Western Balkans, new investments in infrastructure and support to private sector development were approved in the framework of the **Western Balkans Investment Framework**, as well as projects in the field of competitiveness and human resource development/training.

## 2. STRATEGIC PLANNING AND PROGRAMMING

### 2.1 Multi-annual Indicative Planning Document

The Multi-Annual Indicative Planning Document (MIPD) 2011-2013 sets the strategic framework for Multi-Beneficiary (MB) assistance programmed during 2013 and provided through component I of IPA.

Whereas the bulk of IPA support to the beneficiaries was delivered through the national programmes; around 9 % of available funds were 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 were only addressed through MB assistance where there was 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.

A new draft **Multi-country Strategy Paper 2014-2020** was prepared in 2013 which sets out the priorities for EU horizontal and regional financial assistance for the coming 7-year period. It translates the political priorities as defined in the Enlargement Strategy and the most recent Annual Progress Reports, into key areas and sectors where cross-border and multi-country assistance will be most useful to support the enlargement countries preparing to meet the accession criteria. It is designed to be consistent with the national strategies as set out in the Country Strategy Papers and to complement and enhance them by supporting regional cooperation, facilitating coordination and effective horizontal implementation mechanisms.

Table 1: MIFF<sup>18</sup> allocations per component, in million EUR

Component	2011	2012	2013	2011-2013
<b>I – Transition Assistance and Institution Building</b>	187.86	207.03	171.23	566.12
<b>II – Cross-border cooperation</b>	5.29	5.67	6.06	17.02
<b>TOTAL</b>	<b>193.15</b>	<b>212.70</b>	<b>177.29</b>	<b>583.14</b>

## 2.2 Programming exercise

### 2.2.1 Component I

The MB 2013 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.

Private Sector Development, higher education, 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 2013, adopted on 15/02/2013, amended on 13/11/2013;

<sup>18</sup> 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.

Tempus Programme 2013, adopted on 28/02/2013.

In addition, a number of amendments have been processed; notably to commit additional funds to the Regional Housing Programme's 2013 allocation (increased by EUR 28 million).

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

<b>MULTI-BENEFICIARY</b>	<b>2013</b>
<b>I. Transition Assistance and Institution Building</b>	<b>236.51</b>
<b>Of which:</b>	
<b>Multi-Beneficiary programme 2013</b>	<b>120.76</b>
<b>Tempus Programme*</b>	<b>11.70</b>
<b>Civil Society Facility allocation 2013</b>	<b>14.80</b>
<b>Regional Housing Programme (Sarajevo process) allocation 2013</b>	<b>55.50</b>
<b>Support to the operation budget of the office of the High Representative (OHR) in Bosnia and Herzegovina</b>	<b>3.75</b>
<b>Sarajevo 2014</b>	<b>2.00</b>
<b>Contribution to the Energy Community secretariat</b>	<b>3.16</b>
<b>TAIEX</b>	<b>12.00</b>
<b>Information and Communication</b>	<b>10.00</b>
<b>ERDF</b>	<b>1.34</b>
<b>Evaluation and audit</b>	<b>3.50</b>
<b>TOTAL</b>	<b>238.51</b>

\*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 of defining 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 learned of past and ongoing programmes.

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



A regional project for international cooperation in criminal justice with a budget of EUR 5 million has been approved to enhance the fight against organised crime and corruption. It aims to improve the capacities of the beneficiaries for international judicial and police cooperation through the support for international investigations and prosecutions, the promotion of secured exchange of information and intelligence, the use of modern communication technology and data protection mechanisms aligned to EU standards. In the same sector, a follow-up project to strengthen **networks for regional cooperation of prosecutors** has been developed with an allocated amount of EUR 5 million.

With a view to maintaining the momentum of Public Administration Reform and improve public governance, the **SIGMA** project has been further supported with an allocation of EUR 10 million to develop roadmaps for comprehensive reform strategies that are properly prioritised and sequenced and will be subject to performance-oriented monitoring and assessment.

An amount of EUR 12 million has been allocated to **TAIEX**, the **Technical Assistance and Information Exchange Instrument**, which delivers tailor-made assistance to the beneficiaries for the approximation, application and enforcement of EU legislation as well as alignment with EU best practices. In total 2,118 events and assignments have been organised across all beneficiaries - the highest figure ever recorded for the instrument. Under IPA in particular, TAIEX events (including multi-country events), underwent a significant 15% increase compared to 2012. Such quantitative achievement was matched by a strong alignment of TAIEX with the main thrust of the enlargement policy and assistance priorities. This is evidenced, for example, by the highest ever number of events for the benefit of Croatia in the run-up to, and just after, accession (180 events, a 34% increase on 2012); the highest ever number of events in the Justice and Home Affairs sector (556, a 17% increase on 2012); and the support to Montenegro's screening process and follow-up.

Following the launch of **Western Balkan Enterprise Development and Innovation Facility** (WB EDIF) on 5 December 2012, a further EUR 34.2 million has been allocated to WB EDIF. EDIF is embedded in the Western Balkans Investment Framework and is the first initiative in the Private Sector Development area. Better coordination with IFIs with the aim of boosting competitiveness provides incentives for achieving sustainable economic growth and embracing the Europe 2020 strategy. In the sector of Environment and climate change, the regional project '**Environment and Climate Change Regional Accession Network**' (ECRAN) started in October. It ensures support to the cooperation of the national civil protection authorities of the Western Balkans and Turkey with the Union Civil Protection Mechanism and the further development of their disaster management capabilities through the Programme on **civil protection cooperation**.

In an effort to help achieve the SEE 2020 Strategy targets and promote the sound recovery from the economic and financial crisis, support has been provided to the **Regional Entrepreneurial Learning Centre** (SEECCEL) located in Zagreb, to the **regional competitiveness initiative** (OECD) and to the **European Training Foundation** (ETF).

With a view to fostering reforms and regional cooperation in education, the IPA 2013 Multi-beneficiary programme has continued previous practice in supporting scholarships under the **Erasmus Mundus Programme** as well as the **Youth in Action** programme. Actions are implemented by the Education, Audiovisual and Culture Executive Agency (EACEA).

**Cross-border cooperation** continued to strengthen good neighbourly relations and contributed to overcoming the legacy of the past, by assisting the capacity of local, regional and national institutions within the IPA countries to manage EU programmes and to prepare them for the management of future Structural Funds. Assistance has been provided to different types of programmes; notably cross-border cooperation at intra-Western Balkan borders, as well as bilateral cross-border programmes between IPA countries and Member States and a multilateral programme called "IPA Adriatic". In addition, the participation of IPA countries in the transnational cooperation programmes "South East Europe" and "Mediterranean", managed by DG Regional Policy, continued to be ensured.

Support to **Civil Society** and **Refugee Housing** was provided by separate multi-annual programmes.

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 in 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 geared towards ensuring complementarities, avoiding overlaps and enhancing, as far as possible, local ownership of the choices, content and design of the programmes.

Table 3: Indicative financial allocations for the year 2013 under the Multi-beneficiary Programme, per sector and per project, in EUR million

MIPD sector	Projects	Budget
<b>Public Administration Reform</b>		<b>10.00</b>
	SIGMA	10.00
<b>Justice and Home Affairs</b>		<b>65.50</b>
	Int. cooperation in criminal justice	5.00
	Prosecutors' network	5.00
	Refugee Housing Programme allocation 2013	55.50
<b>Private Sector Development</b>		<b>42.50</b>
	EDIF	34.20

	SEECEL, Regional Competitiveness Initiative	8.30
<b>Transport and energy infrastructure</b>		<b>5.60</b>
	WBIF – IFI Coordination	5.60
<b>Environment and Climate Change</b>		<b>7.15</b>
	Disaster Risk Reduction	2.00
	ECRAN	5.00
	Sava river	0.15
<b>Social Development</b>		<b>34.70</b>
	Erasmus Mundus Action 1	8.00
	Erasmus Mundus Action 2	12.00
	Youth in Action	3.00
	Tempus	11.70
<b>Other</b>		<b>22.51</b>
	Strengthening European Integration	11.61
	RCC	10.90
<b>Civil Society Support</b>		<b>14.80</b>
	Civil Society Facility allocation 2013	14.80
<b>Supporting programmes</b>		<b>33.75</b>
	Support to the operation budget of the office of the High Representative (OHR) in Bosnia and Herzegovina	3.75
	Contribution to the Energy Community secretariat	3.16
	TAIEX	12.00
	Information and Communication	10.00
	ERDF	1.34
	Evaluation and audit	3.50
<b>TOTAL</b>		<b>236.51</b>

### **3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2013**

#### **3.1 Success stories**

##### ***Western Balkan Enterprise Development and Innovation Facility (IPA 2011, IPA 2012 and IPA 2013)***

Following the launch in December 2012 of the Western Balkan Enterprise Development and Innovation Facility (EDIF), its components and governance architecture started taking shape in the course of 2013. EDIF gradually develops into a regional Private Sector Development hub bringing together activities of various and complementary key players in the region.

The European Investment Bank (EIB), the European Investment Fund (EIF) and the European Bank for Reconstruction and Development (EBRD) are all involved in the financial instruments roll-out with EIF also providing the Secretariat to the entire initiative; bringing together the beneficiaries, International (Financial) Institutions, individual donor countries (such as Italy and Germany) and the Commission.

Importantly, 2013 saw the first guarantee agreements signed with the banks in Albania, Bosnia and Herzegovina and Kosovo allowing improved access and lending to SMEs in these economies. In April 2013, EIF launched a Call for Expression of Interest to financial intermediaries in the region. Quality banking groups have expressed interest and EIF approved the first three transactions which should result in approximately 400 loans disbursed in Albania, 160 in Bosnia and Herzegovina and 250 in Kosovo of an approximate value of EUR 20 million each. The next batch of applications came from the former Yugoslav Republic of Macedonia, Croatia and Serbia and were being examined by EIF. In the future the funds available could be increased for the region and/or for individual countries to further the capacity of this regional Facility.

##### ***Improving economic governance in the Western Balkans and Turkey (TAIEX instrument)***

To improve economic governance in the Western Balkans and Turkey, annual TAIEX multi-country seminars on applied EU Economic Policy related to European Monetary Union legislation have been organised since 2004 in cooperation with DG ECFIN. The events have targeted high-level officials from the candidate countries and potential candidates.

Around 300 participants from the Ministries of Finance and the Central banks from IPA countries have been trained on EU economic policies by speakers from DG ECFIN, the European Central Bank and EU Member States.

The sessions have been instrumental in raising the participants' awareness and understanding of the European Monetary Union legislation, including monetary and exchange rate regimes, fiscal and macroeconomic surveillance with the macroeconomic imbalance procedure, the

economic aspects of EU enlargement, and the ECB monetary policy and Euro system among others.

### ***TAIEX: Reinforcing the national anti-drug policy of the Croatian Office for Combating Drug Abuse***

Through a series of TAIEX events in 2013, supported by the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), the Croatian Office for Combating Drug Abuse succeeded in reinforcing the national anti-drug policy in several ways. Specific guidelines were developed for psychosocial treatment of drug users in the healthcare, the social security and the prison systems. Guidelines are also being drafted on harm reduction related to drug addiction, which will contribute to overdose prevention and reduction of health-related risks. In addition, a study was launched on mapping drug-related costs in order to offer concrete evidence for further policy development. In the area of the Early Warning System (EWS) new developments were identified. Awareness was raised among different stakeholders on the need to cooperate more closely in monitoring the phenomenon of new psychoactive substances (NPS) with the purpose of protecting public health and preventing potential fatalities related to NPS use, for which purpose a new and more effective operational protocol will be developed. Another result of TAIEX assistance will be a clinical and toxicology network within the EWS. Overall, with TAIEX support Croatia has strengthened available treatment and harm-reduction for drug users while heading for a more targeted policy on reduction of costs and a new coordination system to tackle the dangers of new drugs.

### ***TAIEX support for Albania Customs Reform***

The General Directorate of Albanian Customs personnel benefited from a series of 11 events (3 Multi countries, 1 Workshop, 5 Study Visits and 2 expert missions), contributing further to the Albanian customs reform. The TAIEX actions allowed the beneficiary to learn about the technical and practical implementation of the EU legislation in the field of Customs. TAIEX assistance combined on-the-spot training in EU Member States with advice from EU experts. The events aimed at reforming the Albanian Customs Administration by improving procedures, customs controls systems, communication with the stakeholders and the implementation of international conventions.

With the aim of achieving benchmarks to comply with EU standards in the field of Customs, Albania has undergone a reform identifying key priorities to be addressed in order to improve the performance of the Albanian Customs Administration. Tangible achievements include: the adoption of an internal regulation on security policy for the customs IT system; the ratification of the Regional Convention on Pan-Euro-Med preferential rules of origin and the implementation of the ATA Convention on Temporary Importation. The TAIEX events reached approximately 152 civil servants.

### ***Systematic Electronic Exchange of Data (CN 244-972) (EUR 1.3 million)***

The Systematic Electronic Exchange of Data (SEED) project has established IT connections between all regional customs agencies for the exchange and analysis of customs data. A specialised IT system is helping catch exporters who deliberately falsify export data in the Balkans.

The region's first systematic approach has been designed and developed on the basis of good examples of the EU e-Customs systems (NCTS, ECS, ICS, etc.). The project generates benefits for the Western Balkans as well as for the EU as it helps to speed up customs procedures and facilitate legitimate trade, prevent smuggling and improve the fight against organised crime, increase the collection of customs duties, prevent corruption and improve the overall technical capacity of beneficiary administrations. The project also helps to improve border protection at the external EU borders; thus allowing the protection of the financial interests of the European Union and its Member States.

***Police Cooperation: Fight against organised crime, in particular illicit drug trafficking, and prevention of terrorism (CN 222-617) (EUR 2.5 million)***

International Law Enforcement Units (ILECUs) have been set up in the countries of the Western Balkans and cooperate with the main international law enforcement agencies such as Europol, Interpol and Frontex. They are the national coordination points for exchanging information in international investigations; especially into drug trafficking and terrorism as well as other forms of organised crime that operate across borders in the region.

The coordinated exchange of information between national and international law enforcement agencies has led to a significant increase in the number of arrests for organised crime in the Western Balkans. The project activities have directly facilitated the establishment of international communication channels, contacts and the building of trust between police authorities in the region.

***Regional Cooperation in Criminal Justice: Strengthening capacities in the fight against cybercrime - CyberCrime@IPA (CN 247-988) (EUR 2.5 million)***

This regional project is to enhance the ability of the countries in the Western Balkans and Turkey to prevent and control cybercrime as well as to strengthen the capacities of law enforcement authorities to cooperate effectively. Thus, the project is contributing to an increased number of successful investigations in the region; including making use of the 24/7 cybercrime points of contact.

The project came to an end in June 2013 and now shows its first concrete results:

- After several attacks on Government computers and Internet sites, between April 2011 and May 2012, the Serbian specialised cybercrime authorities, in close cooperation with the Ministry of Interior of Croatia, carried out investigations which resulted in the arrest and prosecution of a Croatian hackers group.

- The practical cooperation between Serbian and Montenegrin special units on cyber-crime led to the arrest and prosecution of an organised group specialised in credit card and on-line account transfer fraud worth millions of Euro.
- In the "Credit Card Skimming" case (June – August 2012) the cooperation between the Special Prosecutors Office for Cybercrime in Belgrade and the Organised Crime Prosecution Office in Skopje led to the identification of two criminals believed to be operating a system of credit card skimming and fraud. In both countries the financial loss caused by their fraud amounted to hundreds of thousands of Euro.

***Regional cooperation in Criminal Justice: Witness Protection in the Fight against Serious Crime and Terrorism – WINPRO II (CN 305-554) (EUR 7.0 million)***

The project aims to combat organised crime and corruption by reinforcing the institutional capacity of the Witness Protection Units to offer protection to witnesses and collaborators of justice, before, during and after a trial, within and/or outside their territory.

Work on harmonising witness protection legislation in the region is ongoing and so far the project has had a significant impact on the Units across the region in terms of:

- Development/strengthening of international co-operation (protocols and procedures);
- Development of effective lines of communication with regard to international cooperation;
- Planning and preparation of practical cross-border exercises to move witnesses.

**FINANCIAL DATA**

**On implementation of assistance at 31 December 2013**

**IPA Multi-Beneficiary – EUR million**

<b>Multi-beneficiary</b>	<b>Allocated</b>	<b>Contracted</b>	<b>Paid</b>	<b>% Contracted</b>	<b>% Paid</b>
IPA 2007	94,880,091	94,302,829	91,257,078	99.39%	96.18%
IPA 2008	145,571,374	142,406,308	129,962,968	97.83%	89.28%
IPA 2009	204,512,974	198,940,778	193,721,367	97.28%	94.72%
IPA 2010	110,507,900	107,809,373	95,245,055	97.56%	86.19%
IPA 2011	168,207,400	161,925,329	121,463,691	96.27%	72.21%
IPA 2012	222,058,150	218,634,041	104,510,957	98.46%	47.06%
IPA 2013	207,152,000	105,800,568	58,398,462	51.07%	28.19%
<b>Total</b>	<b>1,152,889,888</b>	<b>1,029,819,227</b>	<b>794,559,578</b>	<b>89.33%</b>	<b>68.92%</b>

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

### **Evaluation findings**

In 2013, DG Enlargement completed five evaluations; five new evaluations have been launched and three evaluations were in the process of implementation. Two reports were postponed to be delivered in the first quarter of 2014 due to contract extensions.

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**<sup>19</sup> was finalised at the beginning of 2013. The evaluation was focused on evaluating the relevance, efficiency, effectiveness, impact and sustainability of EU pre-accession financial assistance; most notably IPA funds and EU-supported reforms and institutional setting in the areas of Rule of Law, Judicial Reform and Fight against Corruption and Organised Crime.

The evaluation confirmed the importance of the rule of law and highlighted major improvements made by all Western Balkan countries in the fundamental institutional and organisational frameworks in the sector due to the EU support. It was acknowledged that legal and institutional frameworks were put into place as a result of EU assistance. The restructuring of the broad institutional settings have been the most important and sustainable results. More, and more appropriate, laws have been passed, and in some cases the entire legal philosophy underlying the legal system has changed; being informed by the principle of separation of powers and the acceptance of the importance of independence, effectiveness and quality of the judiciary.

The fact that these processes have largely taken place is a major achievement, and the EU through the years has clearly been a driving force both at the political/policy level, and with funding. Moreover, as a consequence of the EU assistance, important results at output level were produced; e.g. in some countries, court systems were restructured, modernised; structures in the justice sector have generally improved; overall organisational development has taken place.

Despite the positive changes EU and IPA assistance brought to the countries, the further effectiveness of the programmes depends on stronger political will; increase in the ownership of the programmes, and local administrative capacity. They remain crucial conditions for a sustainable judicial reform. The report also calls for increase in the EU financing to the Rule of law sector, as it found out that at the aggregate financing level, the share of available IPA funding allocated to addressing the judiciary and fight against corruption and organised crime

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<sup>19</sup> [http://ec.europa.eu/enlargement/pdf/financial\\_assistance/phare/evaluation/2013\\_final\\_main\\_report\\_lot\\_3.pdf](http://ec.europa.eu/enlargement/pdf/financial_assistance/phare/evaluation/2013_final_main_report_lot_3.pdf)



is uneven across countries.

DG Enlargement shares the vision of attaching importance to the sectors dealt with, and confirms its strong commitment to maintaining reforms of the judiciary and the fight against corruption as key priorities of the accession process. However, judiciary reforms and fight against corruption are sectors which are addressed only by financial means, programming or IPA-related matters; but rather with policy dialogue and political will.

The **second interim evaluation of IPA assistance**, finalised in September 2013, brought a consolidated analysis and assessment resulting from 7 Country Programme Interim Evaluations (namely Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo, Turkey and Croatia) and Multi-beneficiary programmes under IPA and other thematic contributory evaluations. It provided a valuable assessment of the efficiency, effectiveness, impact and sustainability of IPA programmes Component I in 2007-2010. The evaluation provided relevant lessons learned to the Commission to enhance the programming of IPA II 2014-2020. The evaluation itself is a good example of the new orientation of DG Enlargement's evaluation policy; emphasizing on strategic and policy-oriented evaluations which contribute to evidence-based decisions in programming and implementation of IPA assistance. In addition, it implements effectively the "evaluate first" principle.

The evaluation was conceived as strategic, and as a complementary tool to ensure a coherent assessment of the EU assistance. It was designed to get evidence from past and ongoing activities and provide lessons learned that can be used for both adjusting ongoing operations and modifying the design of future policies and operational interventions; therefore playing a strategic role.

The overall conclusions from the second meta evaluation are that the delivery of outputs is generally good; especially in those countries operating under centralised management. However, translating project level outputs into results and impact has not been as good as it could have been. In addition, the assistance has been substantially effective and performs best when it has been driven by *acquis* as this provides a politically accepted institutional structure and professional mandate. IPA has been a useful facilitator of change and it was acknowledged that it must be accompanied by a clear political process and steady progress in the accession process to generate sustainable results. Timeliness is a key factor in ensuring ownership; and multi annual programming can do much to engender this.

With regard to efficiency, IPA was contracted and implemented mainly in line with planned expectations and using appropriate mechanisms. According to the evaluation, project implementation is not sufficiently flexible, and greater flexibility in project scaling is needed; especially in providing more rapidly deployed assistance. Beneficiary management capacity takes time to improve after management power has been conferred to national contracting structures; meaning that ownership therefore needs to be improved.

Analysis of sectoral performance to determine the impact of the IPA shows that substantial progress has been made towards sectoral policy objectives established at the beginning of programming, although the contribution of earlier assistance and other actors should not be

discounted. Again, impact has been most positive in areas driven by the *acquis* harmonization process. In more horizontal areas of reform that lack these drivers, impact has been more difficult to achieve. The integrated nature of project design - with a number of mutually dependent components to achieve an overall objective - has reduced impact where contributory elements were not successfully achieved on time. Moreover, in some cases the insufficient national ownership has reduced the capacity to attain the expected objectives.

Sustainability is likely to be lower in those areas that had difficulty generating planned results and impacts. Sustaining the results and impacts achieved by IPA relies on the national level political priorities remaining in line with programme objectives and this is not always the case. Although financial commitments for institution building are usually assured through government budgets; capital investments for socio economic development frequently face financing issues that have the potential to affect sustainability.

Overall, the evaluation added value in providing relevant recommendations and lessons learned to the Commission to enhance the implementation of IPA II 2014-2020. Some of the recommendations have already been taken into account in the programming process; such as ensuring a better link between the political dialogue and IPA funding; encouraging a strong ownership and commitment from the beneficiaries while financing their activities; undertaking a rigorous assessment of the beneficiary capacity when scaling up the assistance.

**An ex-post evaluation on the CARDS programmes** was completed and the evaluation report was disseminated and presented in Serbia and Brussels. The purpose of this evaluation was to assess the impact and sustainability of CARDS (Community Assistance for Reconstruction, Development and Stabilisation) funded interventions, and provide lessons learned and recommendations for decision-making on improvements of future financial assistance where relevant. The evaluation looked at the programming strategic framework to assess how effectively priorities/needs of the countries in the region had been translated into programming of assistance; it assessed the efficiency and effectiveness of the assistance, achieved results and impact, their sustainability and factors that hampered the impact. Apart from delivering lessons learned from the implementation of assistance, the evaluation provides useful recommendations for the further IPA programming.

The evaluation concluded that the main strengths of the assistance were the efficiency of the European Agency for Reconstruction in programming and delivering support; the good quality results of CARDS assistance and the CARDS contribution to raising awareness among beneficiary officials and policy makers of new concepts and establishing them in practice. The main weaknesses of CARDS were the lack of involvement of the beneficiary institutions in the programming; monitoring and evaluation of the programme; its over-ambitious institution building interventions and the lack of a co-financing element in institution building; which represented a missed opportunity to promote “ownership” and sustainability.

**An ex-post evaluation on the assistance provided by the EU’s Turkish Pre-accession instrument, 2002-2006** was also completed in the reporting period. It assessed the impact and sustainability of pre accession funded interventions in Turkey and provided recommendations on improvements of future financial assistance. The importance of high level commitment on

the use of results of evaluations; continuing the development of capacities and the ownership of the beneficiary countries have been confirmed. The evaluation recommends that the budget allocations for IPA II need to be better aligned with the IPA objectives; ensuring their achievement. In addition, the evaluation recalls that the project intervention logic and its design need to be based on a specific needs assessment.

**A thematic evaluation on assessing of the EC's support to Private Sector Development in Turkey** was finalized in 2013 and presented both in Turkey and in Brussels. Its main conclusion was that overall the EU-funded projects to private sector development in Turkey have been successful. However, there is room for improvement in terms of focus in the next programming cycles, also in reflecting the dynamisms of the Turkish private sector and evolving needs. The evaluators recommend that the Commission should put more emphasis on continuous project monitoring and frequent evaluation for assistance funded by EU and other donors. To enhance aid effectiveness and added value of EU assistance in the Turkish private sector, it was proposed that the Commission should better apprehend and assess the absorption and replication capacity of the beneficiaries in designing EU interventions and should strengthen donor coordination. The recommendations were generally approved and a follow-up action plan on DG Enlargement's response to the recommendations and planned steps is expected to be disseminated in March 2014.

All reports of completed evaluations are available on the DG Enlargement web-site:

[http://ec.europa.eu/enlargement/news\\_corner/key-documents/index\\_en.htm?key\\_document=08012624887bedda](http://ec.europa.eu/enlargement/news_corner/key-documents/index_en.htm?key_document=08012624887bedda)

**Some other evaluations** were launched by DG Enlargement and were still ongoing at the end of 2013 (Capacity Development project on Monitoring and Evaluation with the World Bank; Evaluation of the Customs Union between the EU and Turkey; Thematic evaluation of EU's support to Refugees; Mapping of sector strategies; Mapping of Donor intervention, Ex-post evaluation of PHARE programmes; Third Interim Evaluation of IPA assistance; Meta-evaluation cooperation instruments).

Results of evaluations were instrumental in reorienting the approach to implementing the financial cooperation (with result orientation, more strategic sector approach, multi-year programming, simplification of the ex-ante control system, strengthening of the monitoring platforms and mechanisms). They also confirmed the decision of the Commission to put renewed emphasis on the Rule of law sector; taking on board specific findings and recommendations of the Rule of law evaluation, as well as those of the European Parliament on this matter.

Lessons learned, as well as the recent Commission Communication on evaluation<sup>20</sup>, also led to developing new orientations on the evaluation function in DG Enlargement; together with the adoption of an indicative multi-annual evaluation plan 2014-2020. The plan is foreseen as a strategic tool to streamline the Smart Regulation cycle and promote the evaluation culture in DG Enlargement. An evaluation programme under the IPA -Transition Assistance and Institution Building Component for the year 2013 was adopted (Financing Decision 2013/23-681).

#### **D. PHARE, CARDS, TURKEY PRE-ACCESSION AND TRANSITION FACILITY FINANCIAL DATA AT 31<sup>ST</sup> DECEMBER 2013 :**

##### **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. An ex-post evaluation has been launched in 2013 to take stock of the PHARE experience with the support of the accession process 10 years after the big accession of 2014.

Meanwhile, the closure of programmes, with some marginal decommitments and payments continued. In 2013 the accounts for 62 programmes representing an amount of EUR 1,689 million were closed. In addition, around EUR 5.1 million were decommitted. By the end of 2013, 95.57 % of all EU-12 programmes were cleared. The remaining 4.43 %, representing 53 programmes with a total amount of EUR 3,722 million remains to be cleared until 2015. The table included reflects the updated situation.

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<sup>20</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Strengthening the foundations of Smart Regulation – improving evaluation, COM(2013) 686 final, Brussels, 2.10.2013

<b>PHARE Programmes - implementation at 31/12/2014</b>				
<b>Bulgaria</b>	<b>Contracted</b>	<b>% Contracted</b>	<b>Paid</b>	<b>% Paid</b>
PHARE 2001	151,563,149	93.04%	151,563,149	93.04%
PHARE 2002	91,687,806	89.23%	91,524,362	89.07%
PHARE 2003	147,198,771	96.59%	147,198,771	96.59%
PHARE 2004	229,827,176	94.70%	229,663,206	94.63%
PHARE 2005	189,858,649	98.14%	190,189,941	98.31%
PHARE 2006	77,882,982	81.10%	77,882,982	81.10%
PHARE 2007	19,028,523	88.31%	19,028,523	88.31%
<b>Total</b>	<b>907,047,056</b>	<b>93.34%</b>	<b>907,050,933</b>	<b>93.34%</b>
<b>Croatia</b>	<b>Contracted</b>	<b>% Contracted</b>	<b>Paid</b>	<b>% Paid</b>
PHARE 2005	61,342,158	92.38%	61,342,158	92.38%
PHARE 2006	53,633,720	95.47%	53,633,720	95.47%
<b>Total</b>	<b>114,975,878</b>	<b>93.80%</b>	<b>114,975,878</b>	<b>93.80%</b>
<b>Cyprus *</b>	<b>Contracted</b>	<b>% Contracted</b>	<b>Paid</b>	<b>% Paid</b>
PHARE 2001	8,434,133	93.04%	8,434,133	93.04%
PHARE 2002	8,328,944	93.48%	8,328,944	93.48%
PHARE 2003	23,140,352	99.61%	23,140,352	99.61%
PHARE 2004	9,991,108	98.49%	9,991,108	98.49%
PHARE 2005	8,502,451	98.58%	8,502,451	98.58%
PHARE 2006	253,247,802	96.43%	220,581,906	84.00%
<b>Total</b>	<b>311,644,790</b>	<b>96.61%</b>	<b>278,978,894</b>	<b>86.48%</b>
<b>Czech Republic</b>	<b>Contracted</b>	<b>% Contracted</b>	<b>Paid</b>	<b>% Paid</b>
PHARE 2001	80,409,385	94.57%	80,409,385	94.57%
PHARE 2002	92,709,514	95.39%	92,709,514	95.39%
PHARE 2003	100,758,612	90.40%	100,759,530	90.40%
PHARE 2004	12,132,439	92.87%	12,132,439	92.87%
PHARE 2005	9,716,916	95.15%	9,716,916	95.15%
PHARE 2006	6,153,845	95.47%	6,153,845	95.47%
<b>Total</b>	<b>301,880,711</b>	<b>93.35%</b>	<b>301,881,630</b>	<b>93.35%</b>
<b>Estonia</b>	<b>Contracted</b>	<b>% Contracted</b>	<b>Paid</b>	<b>% Paid</b>
PHARE 2001	26,315,356	95.32%	26,315,356	95.32%
PHARE 2002	26,332,905	95.08%	26,332,905	95.08%
PHARE 2003	35,763,302	96.07%	35,763,302	96.07%
PHARE 2004	7,237,557	90.51%	7,237,557	90.51%
PHARE 2005	4,212,374	94.03%	4,212,374	94.03%
PHARE 2006	3,205,446	91.97%	3,205,446	91.97%
<b>Total</b>	<b>103,066,941</b>	<b>95.00%</b>	<b>103,066,941</b>	<b>95.00%</b>
<b>Hungary</b>	<b>Contracted</b>	<b>% Contracted</b>	<b>Paid</b>	<b>% Paid</b>
PHARE 2001	97,705,199	95.35%	97,705,199	95.35%
PHARE 2002	118,998,832	94.47%	118,998,832	94.47%
PHARE 2003	111,372,163	90.87%	111,370,324	90.86%
PHARE 2004	13,964,567	95.71%	13,964,567	95.71%
PHARE 2005	9,196,272	96.30%	9,196,272	96.30%
PHARE 2006	5,270,786	97.45%	5,270,390	97.44%
<b>Total</b>	<b>356,507,819</b>	<b>93.68%</b>	<b>356,505,584</b>	<b>93.68%</b>

<b>Latvia</b>	<b>Contracted</b>	<b>% Contracted</b>	<b>Paid</b>	<b>% Paid</b>
PHARE 2001	29,864,365	95.03%	29,864,365	95.03%
PHARE 2002	30,385,251	92.54%	30,385,251	92.54%
PHARE 2003	38,756,784	88.87%	38,756,784	88.87%
PHARE 2004	5,475,097	85.03%	5,475,097	85.03%
PHARE 2005	7,270,094	90.06%	7,270,094	90.06%
PHARE 2006	3,753,615	93.82%	3,753,615	93.82%
<b>Total</b>	<b>115,505,206</b>	<b>91.39%</b>	<b>115,505,206</b>	<b>91.39%</b>
<b>Lithuania</b>	<b>Contracted</b>	<b>% Contracted</b>	<b>Paid</b>	<b>% Paid</b>
PHARE 2001	98,000,189	93.41%	98,000,189	93.41%
PHARE 2002	137,815,381	97.40%	137,815,381	97.40%
PHARE 2003	89,247,766	98.73%	89,247,766	98.73%
PHARE 2004	18,930,014	92.55%	18,930,014	92.55%
PHARE 2005	7,782,631	93.42%	7,782,631	93.42%
PHARE 2006	3,580,690	96.08%	3,580,690	96.08%
<b>Total</b>	<b>355,356,672</b>	<b>96.22%</b>	<b>355,356,672</b>	<b>96.22%</b>
<b>Malta</b>	<b>Contracted</b>	<b>% Contracted</b>	<b>Paid</b>	<b>% Paid</b>
PHARE 2001	6,250,042	87.85%	6,250,042	87.85%
PHARE 2002	8,852,732	93.08%	8,852,732	93.08%
PHARE 2003	10,214,850	97.72%	10,214,850	97.72%
PHARE 2004	9,978,298	90.21%	9,978,298	90.21%
PHARE 2005	4,976,409	96.62%	4,976,409	96.62%
PHARE 2006	2,950,552	94.80%	2,950,552	94.80%
<b>Total</b>	<b>43,222,884</b>	<b>93.15%</b>	<b>43,222,884</b>	<b>93.15%</b>
<b>Poland</b>	<b>Contracted</b>	<b>% Contracted</b>	<b>Paid</b>	<b>% Paid</b>
PHARE 2001	418,919,326	92.93%	418,919,326	92.93%
PHARE 2002	386,084,365	94.15%	386,084,365	94.15%
PHARE 2003	393,609,968	96.22%	393,609,968	96.22%
PHARE 2004	40,566,928	89.16%	40,566,928	89.16%
PHARE 2005	32,036,339	91.14%	32,036,339	91.14%
PHARE 2006	15,552,787	91.85%	15,552,787	91.85%
<b>Total</b>	<b>1,286,769,713</b>	<b>94.10%</b>	<b>1,286,769,713</b>	<b>94.10%</b>
<b>Romania</b>	<b>Contracted</b>	<b>% Contracted</b>	<b>Paid</b>	<b>% Paid</b>
PHARE 2001	247,662,875	95.31%	247,653,702	95.30%
PHARE 2002	223,661,466	89.71%	223,631,266	89.70%
PHARE 2003	253,162,773	93.66%	253,162,773	93.66%
PHARE 2004	364,811,698	92.02%	364,654,383	91.98%
PHARE 2005	378,309,264	90.22%	376,607,089	89.81%
PHARE 2006	305,742,540	89.80%	302,475,635	88.84%
PHARE 2007	28,772,786	91.11%	28,772,786	91.11%
<b>Total</b>	<b>1,802,123,401</b>	<b>91.60%</b>	<b>1,796,957,634</b>	<b>91.34%</b>
<b>Slovakia</b>	<b>Contracted</b>	<b>% Contracted</b>	<b>Paid</b>	<b>% Paid</b>
PHARE 2001	71,420,936	99.20%	71,420,936	99.20%
PHARE 2002	73,440,416	96.52%	73,440,416	96.52%
PHARE 2003	84,809,485	96.70%	84,809,485	96.70%
PHARE 2004	12,850,125	95.61%	12,850,125	95.61%
PHARE 2005	8,237,098	92.94%	8,237,098	92.94%
PHARE 2006	4,566,407	98.17%	4,566,407	98.17%
<b>Total</b>	<b>255,324,468</b>	<b>97.18%</b>	<b>255,324,468</b>	<b>97.18%</b>

<b>Slovenia</b>	<b>Contracted</b>	<b>% Contracted</b>	<b>Paid</b>	<b>% Paid</b>
PHARE 2001	25,442,978	96.75%	25,442,978	96.75%
PHARE 2002	35,524,027	95.60%	35,524,027	95.60%
PHARE 2003	42,253,880	97.00%	42,253,880	97.00%
PHARE 2004	7,753,479	99.56%	7,753,479	99.56%
PHARE 2005	3,803,517	93.30%	3,803,517	93.30%
PHARE 2006	2,335,268	89.43%	2,335,268	89.43%
<b>Total</b>	<b>117,113,150</b>	<b>96.39%</b>	<b>117,113,150</b>	<b>96.39%</b>
<b>Turkey</b>	<b>Contracted</b>	<b>% Contracted</b>	<b>Paid</b>	<b>% Paid</b>
PHARE 2001	179,835,172	98.49%	179,835,172	98.49%
PHARE 2002	122,724,408	93.97%	122,556,624	93.84%
PHARE 2003	121,818,207	94.78%	121,703,328	94.69%
PHARE 2004	188,798,762	94.36%	188,315,558	94.11%
PHARE 2005	225,239,506	96.64%	224,956,986	96.52%
PHARE 2006	373,393,726	96.61%	373,047,265	96.52%
<b>Total</b>	<b>1,211,809,782</b>	<b>96.07%</b>	<b>1,210,414,933</b>	<b>95.96%</b>
<b>PHARE Region (Multi-beneficiary)</b>	<b>Contracted</b>	<b>% Contracted</b>	<b>Paid</b>	<b>% Paid</b>
PHARE 2001	189,886,338	100.00%	184,742,095	97.29%
PHARE 2002	250,165,352	99.81%	244,985,524	97.74%
PHARE 2003	178,157,220	98.72%	170,099,584	94.25%
PHARE 2004	66,020,333	99.85%	66,020,333	99.85%
PHARE 2005	108,924,232	99.45%	98,689,425	90.11%
PHARE 2006	187,945,712	99.28%	176,267,509	93.11%
<b>Total</b>	<b>981,099,188</b>	<b>99.51%</b>	<b>940,804,470</b>	<b>95.42%</b>
<b>PHARE Total</b>	<b>Contracted</b>	<b>% Contracted</b>	<b>Paid</b>	<b>% Paid</b>
PHARE 2001	1,631,709,444	95.31%	1,626,556,027	95.01%
PHARE 2002	1,606,711,401	94.50%	1,601,170,143	94.17%
PHARE 2003	1,630,264,133	95.28%	1,622,090,699	94.81%
PHARE 2004	988,337,581	93.61%	987,533,092	93.53%
PHARE 2005	1,059,407,911	94.23%	1,047,519,701	93.17%
PHARE 2006	1,299,215,879	94.04%	1,251,258,016	90.57%
PHARE 2007	47,801,309	89.97%	47,801,309	89.97%
<b>Total</b>	<b>8,263,447,657</b>	<b>94.57%</b>	<b>8,183,928,987</b>	<b>93.66%</b>

## 2. Candidates and Potential Candidates - CARDS (and PHARE for HR) or Turkey Pre-accession Assistance - FINANCIAL DATA

The main objectives of the 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 the CARDS annual Action Programmes, which aimed at helping Candidates and Potential Candidates prepare for EU accession..

In this regard, an ex-post evaluation of CARDS has been finalised in 2013. The CARDS evaluation concluded that the main strengths of the assistance were the efficiency of the European Agency for Reconstruction in programming and delivering support; the good quality results of CARDS assistance and the programme contribution to raising awareness among beneficiary officials and policy makers of new concepts and establishing them in practice. The main weaknesses of CARDS were, according to the external evaluators, the lack of involvement of the beneficiary institutions in the programming, monitoring and evaluation of the programme; its over-ambitious institution building interventions and the lack of a co-financing element in institution building, which represented a missed opportunity to promote “ownership” and sustainability.

### Management performance : Status of financial assistance at the end of December 2013 (in million EUR) – CARDS /PHARE annual programmes

The following figures reflect the clearance process of accounts that has progressively taken place (final payments made, closure of contracts and decommitments), which explain why both contracting and payment rates converge towards 100%.

#### CARDS - Total commitments, contracts and payments:

CARDS Total	Allocated	Contracted	% Contracted	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	484,386,938	99.87%	484,000,541	99.79%
CARDS 2004	545,803,874	540,744,602	99.07%	537,872,434	98.55%
CARDS 2005	411,760,483	407,849,173	99.05%	405,416,846	98.46%
CARDS 2006	376,224,823	370,103,982	98.37%	363,041,098	96.50%
<b>Total</b>	<b>3,297,462,683</b>	<b>3,281,155,618</b>	<b>99.51%</b>	<b>3,267,887,868</b>	<b>99.10%</b>



CARDS Programmes	Allocated	Contracted	% Contracted	Paid	% Paid
<b>Albania</b>					
CARDS 2001	31,691,507	31,691,507	100.00%	31,691,507	100.00%
CARDS 2002	41,391,925	41,391,925	100.00%	40,902,952	98.82%
CARDS 2003	37,833,463	37,398,843	98.85%	37,398,843	98.85%
CARDS 2004	58,025,834	55,996,545	96.50%	53,340,743	91.93%
CARDS 2005	38,067,639	37,603,738	98.78%	35,882,948	94.26%
CARDS 2006	40,850,678	40,054,328	98.05%	35,733,909	87.47%
<b>Total</b>	<b>247,861,047</b>	<b>244,136,885</b>	<b>98.50%</b>	<b>234,950,902</b>	<b>94.79%</b>
<b>Bosnia and Herzegovina</b>					
CARDS 2001	98,117,166	98,117,166	100.00%	98,117,166	100.00%
CARDS 2002	56,529,756	56,529,756	100.00%	56,529,756	100.00%
CARDS 2003	46,085,409	46,067,415	99.96%	46,067,415	99.96%
CARDS 2004	60,180,346	60,077,086	99.83%	60,077,086	99.83%
CARDS 2005	43,164,384	42,268,058	97.92%	42,268,058	97.92%
CARDS 2006	42,700,762	41,735,947	97.74%	41,701,447	97.66%
<b>Total</b>	<b>346,777,824</b>	<b>344,795,429</b>	<b>99.43%</b>	<b>344,760,929</b>	<b>99.42%</b>
<b>Croatia</b>					
CARDS 2001	52,615,606	52,615,606	100.00%	52,615,606	100.00%
CARDS 2002	52,513,381	51,928,223	98.89%	51,928,223	98.89%
CARDS 2003	56,680,518	56,680,518	100.00%	56,680,518	100.00%
CARDS 2004	73,116,793	73,116,793	100.00%	73,116,793	100.00%
CARDS 2005	0	0		0	
CARDS 2006	0	0		0	
<b>Total</b>	<b>234,926,298</b>	<b>234,341,140</b>	<b>99.75%</b>	<b>234,341,140</b>	<b>99.75%</b>
<b>Kosovo</b>					
CARDS 2001	154,950,000	154,950,000	100.00%	154,950,000	100.00%
CARDS 2002	131,300,000	131,300,000	100.00%	131,300,000	100.00%
CARDS 2003	58,224,976	58,164,496	99.90%	57,798,005	99.27%
CARDS 2004	70,481,886	69,258,859	98.26%	69,256,334	98.26%
CARDS 2005	72,896,766	72,696,117	99.72%	72,424,440	99.35%
CARDS 2006	45,675,954	44,538,489	97.51%	44,329,344	97.05%
<b>Total</b>	<b>533,529,583</b>	<b>530,907,962</b>	<b>99.51%</b>	<b>530,058,123</b>	<b>99.35%</b>
<b>Macedonia</b>					
CARDS 2001	55,484,948	55,484,948	100.00%	55,484,948	100.00%
CARDS 2002	34,000,000	34,000,000	100.00%	34,000,000	100.00%
CARDS 2003	32,220,000	32,220,000	100.00%	32,220,000	100.00%
CARDS 2004	48,615,829	48,615,829	100.00%	48,615,829	100.00%
CARDS 2005	35,817,548	35,460,480	99.00%	35,460,480	99.00%
CARDS 2006	30,120,998	29,803,052	98.94%	29,743,032	98.75%
<b>Total</b>	<b>236,259,322</b>	<b>235,584,308</b>	<b>99.71%</b>	<b>235,524,288</b>	<b>99.69%</b>
<b>Montenegro</b>					
CARDS 2001	16,299,543	16,299,543	100.00%	16,299,543	100.00%
CARDS 2002	11,500,000	11,500,000	100.00%	11,500,000	100.00%
CARDS 2003	11,892,582	11,892,582	100.00%	11,892,582	100.00%
CARDS 2004	16,344,015	16,344,015	100.00%	16,344,015	100.00%
CARDS 2005	20,220,581	20,180,519	99.80%	20,180,519	99.80%
CARDS 2006	19,398,283	19,398,283	100.00%	19,398,283	100.00%
<b>Total</b>	<b>95,655,003</b>	<b>95,614,940</b>	<b>99.96%</b>	<b>95,614,940</b>	<b>99.96%</b>
<b>Serbia</b>					
CARDS 2001*	193,800,000	193,800,000	100.00%	193,800,000	100.00%
CARDS 2002	164,987,990	164,987,990	100.00%	164,987,990	100.00%
CARDS 2003	213,788,265	213,670,875	99.95%	213,650,969	99.94%
CARDS 2004	200,637,884	199,189,990	99.28%	199,139,711	99.25%
CARDS 2005	143,930,931	142,852,506	99.25%	142,835,718	99.24%
CARDS 2006	144,562,312	142,465,197	98.55%	140,482,771	97.18%
<b>Total</b>	<b>1,061,707,382</b>	<b>1,056,966,559</b>	<b>99.55%</b>	<b>1,054,897,160</b>	<b>99.36%</b>

\* including YS0103-C Add Sup. Prg. Serbia 2001 and YS0104-C Add Sup Prg Serbia 2001 (Dec 930 & 931) not included in 2010 report (50,3 MEUR)

CARDS Region (Multi-beneficiary)	Allocated	Contracted	% Contracted	Paid	% Paid
CARDS 2001	348,982,994	348,982,994	100.00%	348,982,994	100.00%
CARDS 2002	34,491,263	34,491,263	100.00%	34,466,263	99.93%
CARDS 2003	28,292,209	28,292,209	100.00%	28,292,209	100.00%
CARDS 2004	18,401,288	18,145,486	98.61%	17,981,924	97.72%
CARDS 2005	57,662,633	56,787,755	98.48%	56,364,683	97.75%
CARDS 2006	52,915,836	52,108,688	98.47%	51,652,313	97.61%
<b>Total</b>	<b>540,746,224</b>	<b>538,808,395</b>	<b>99.64%</b>	<b>537,740,386</b>	<b>99.44%</b>

CARDS Total	Allocated	Contracted	% Contracted	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	484,386,938	99.87%	484,000,541	99.79%
CARDS 2004	545,803,874	540,744,602	99.07%	537,872,434	98.55%
CARDS 2005	411,760,483	407,849,173	99.05%	405,416,846	98.46%
CARDS 2006	376,224,823	370,103,982	98.37%	363,041,098	96.50%
<b>Total</b>	<b>3,297,462,683</b>	<b>3,281,155,618</b>	<b>99.51%</b>	<b>3,267,887,868</b>	<b>99.10%</b>