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

Annual Report on Financial Assistance for Enlargement in 2014

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1 - INTRODUCTION

The policy objectives of the Commission in the field of enlargement are supported by the Instrument for Pre-Accession Assistance (IPA)¹. 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. In 2014 its successor, IPA II², was introduced. It builds on the results already achieved by dedicating EUR 11.7 billion for the period 2014-2020. Beneficiaries of assistance in 2014 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.

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.

Since IPA II was only recently introduced, implementation of programmes in 2014 still fell under its predecessor IPA. The present Staff Working Document accompanies the Communication presenting an overview of the achievements of IPA in 2014.

¹ Regulation 1085/2006 establishing an Instrument for Pre-Accession Assistance (IPA)

² Regulation 231/2014

2 - POLICY DEVELOPMENTS

The EU's enlargement policy contributes to mutual benefits of peace, security and prosperity in Europe. It reinforces the EU's political and economic strength and has a powerful transformative effect on the countries concerned. For the countries of the Western Balkans, the clear perspective of EU membership granted by the EU's Member States is a key stabilising factor. It supports progress towards fulfilment of the necessary conditions, including those of the Stabilisation and Association Process.

The accession process is rigorous, built on strict but fair conditionality, established criteria and the principle of own merit. This is crucial for the credibility of enlargement policy, for providing incentives to enlargement countries to pursue far-reaching reforms and for ensuring the support of EU citizens.

The Commission is increasing the focus in the enlargement process on addressing "fundamentals first". This approach prioritises reforms related to rule of law and fundamental rights, economic governance and improving economic competitiveness, and strengthening democratic institutions including public administration.

The rule of law and fundamental rights: The rule of law is a fundamental value on which the EU is founded and is at the heart of the accession process. Countries aspiring to join the Union need to establish and promote from an early stage the proper functioning of the core institutions necessary for securing the rule of law. This work is extensive and in addition to the necessary national support requires considerable technical and financial support from the European Union. The rule of law is crucial for a stable business environment, providing legal certainty for economic operators, supporting consumers and stimulating investment, jobs and growth. Three aspects of the rule of law are the subject of particular attention: Judicial reform, the fight against corruption and the fight against organised crime. In all three areas work is progressing across the board.

Concerning fundamental rights, the Commission carefully monitors the situation in the enlargement countries as regards civil, political, social and economic rights, as well as the rights of persons belonging to minorities. Fundamental rights are largely enshrined in law. However, more needs to be done to ensure they are fully respected in practice.

Economic governance and competitiveness: The Commission has been strengthening its support to improving economic governance and competitiveness in enlargement countries. This is key to addressing concerns of citizens in a persistently difficult economic environment, with high unemployment and low investment. It is also particularly important for the Western Balkan countries since none of them is yet considered to be a functioning market economy. Commission support will build on the experience of EU Member States in the European Semester with an increased emphasis on structural reforms which are sectoral in nature.

Public administration reform: Together with rule of law and economic governance, public administration reform (PAR) is a pillar of the enlargement process. All three 'pillars' are closely linked, cross-cutting issues of fundamental importance for success in political and economic

reforms and building a basis for implementing EU rules and standards. A well-functioning public administration is necessary for democratic governance. It also directly impacts governments' ability to provide public services and to foster competitiveness and growth.

The current enlargement agenda covers the countries of the Western Balkans and Turkey³. 2014 was a significant year for a number of the countries of the Western Balkans:

Montenegro: took further steps in accession negotiations. Twelve chapters were opened. Implementation of rule of law reforms had started.

Serbia: The opening of accession negotiations in January was a turning point in the country's relations with the EU, with the focus turning to the need to deliver on reform priorities in a sustained manner, notably on rule of law and the normalisation process with Kosovo⁴

Albania: was granted candidate status in June as recognition for its reform efforts and progress made in meeting the required conditionality.

Kosovo: The initialling of a Stabilisation and Association Agreement in July was a major milestone in EU-Kosovo relations and sharpened the focus on delivering on key reforms, in particular the rule of law.

As regards the former Yugoslav Republic of Macedonia, the EU accession process is at an impasse. 2014 saw instances of backsliding, notably as regards freedom of expression and of the media and the independence of the judiciary.

Bosnia and Herzegovina remained at a standstill on its European integration path. Elections late in the year offered the prospect of a fresh impetus to tackle urgent socio-economic reforms and to progress on its European agenda.

Implementation of certain reform commitments by Turkey continued. However, there have also been grounds for serious concerns regarding the independence of the judiciary and the protection of fundamental freedoms.

Good neighbourly relations and regional cooperation are essential elements of the Stabilisation and Association Process and of enlargement policy. In 2014 these were strengthened through intensified cooperation and contacts at bilateral level, including in sensitive areas such as war crimes, refugee return, including through implementation of the regional housing programme under the Sarajevo process⁵, with housing construction now underway, and on organised crime and police cooperation. Further steps have also been taken to increase connectivity and boost infrastructure investments across the region, including through the Western Balkans Investments Framework.

In all the areas outlined above the EU is supporting progress in the enlargement countries through the provision of EU technical and financial assistance. This contributes to a well prepared

³ Following a decision of Iceland's government in 2013, accession negotiations continued to remain on hold.

⁴ This designation is without prejudice to positions on status, and is in line with UNSCR 1244/99 and the ICJ Opinion on the Kosovo declaration of independence.

⁵ Croatia, Serbia, Bosnia and Herzegovina and Montenegro.

accession process, which not only helps the countries concerned to meet the necessary conditions, but also ensures that enlargement is not at the expense of the effectiveness of the Union.

3 - THE STRATEGIC FRAMEWORK FOR PRE-ACCESSION ASSISTANCE

The EU closely assists candidate countries and potential candidates with dedicated financial programmes. This assistance helps create stable, prosperous and well-functioning democratic societies and put them on a steady path towards EU integration.

The Instrument for Pre-accession Assistance (IPA)

EU financial assistance is channelled mainly through the Instrument for Pre-accession Assistance (IPA). IPA was launched in 2007, replacing a range of EU Programmes and instruments including PHARE⁶, ISPA⁷, SAPARD⁸, and CARDS⁹. IPA became the sole instrument fully dedicated to assistance to pre-accession countries, simplifying the assistance process.

Between 2007 and 2013, IPA included five different components:

Assistance for transition and institution building;

Cross-border cooperation (with EU Member States and other countries eligible for IPA);

Regional development (transport, environment, regional and economic development);

Human resources development (strengthening human capital and combating discrimination);

Rural development.

Components I and II were under the responsibility of the Directorate-General for Enlargement (DG ELARG), now DG NEAR, 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).

The IPA beneficiaries were divided into two categories. EU candidate countries at the time - Croatia, Turkey and the former Yugoslav Republic of Macedonia - were eligible for all five components. Potential candidates - Albania (which became a candidate country in 2014), Bosnia-Herzegovina, Montenegro (which became a candidate country in 2010), Serbia (which became a candidate country in 2012) and Kosovo - were only eligible for the first two components¹⁰.

IPA intervened both at country level and at a regional level, via national programmes, multi-beneficiary programmes, and cross-border cooperation.

⁶ Poland and Hungary: Assistance for Restructuring their Economies

⁷ Instrument for Structural Policies for Pre-Accession

⁸ Special Accession Programme for Agriculture and Rural Development

⁹ Community Assistance for Reconstruction, Development and Stabilisation

¹⁰ Candidate countries could implement programmes under Components III to V only after receiving accreditation for the Commission to manage assistance themselves. Serbia and Albania have not received accreditation yet. Montenegro received accreditation for components III and IV in 2014.

From 2011 to 2013, IPA also supported Iceland, addressing mainly institutional capacity building issues. After the Icelandic government's decision to suspend accession negotiations in May 2013, the Commission decided to end its support for Iceland.

Policy goals and priorities

Respect of the rule of law emerged as the top priority early in the implementation period of IPA. In most enlargement countries, the Commission found combating organised crime, corruption and dysfunctional justice systems were essential goals. Public administration reform also remained a constant area of need in all EU enlargement processes. As the initial IPA term came to a close, economic governance emerged as an area that needed improvement - not least because of the economic and financial crisis in the EU itself, whose impact was heavily felt in the Western Balkans.

All throughout the 2007-2013 period, a special effort was made to link political priorities with assistance programmes and funding, with the aim of concentrating assistance where it was most critical for the EU integration process.

Programming documents

IPA assistance was based on the broad political guidelines set out in the Commission's enlargement package. Planning and programming was based on "multi-annual indicative planning documents", or MIPDs, which covered a three-year period and were updated annually.

Annual or multi-annual programmes were then adopted by the Commission and implemented in three ways:

- directly by the Commission, mainly via the EU Delegation on the ground;
- by the beneficiary countries, applying the so-called "decentralised management system";
- via EU Member States, known as "shared management."

Decentralisation of financial management

Decentralised management, now referred to as "indirect management," was the preferred method of implementation under IPA. It implied that authorities in the beneficiary countries were responsible for managing IPA funds. Beneficiary countries were the contracting authorities, and they were also responsible for managing the tenders and paying contractors. This was a way to prepare the candidate countries and potential candidates to handle EU Structural and Cohesion Funds in the future. Before transferring management responsibilities to beneficiary countries, the Commission thoroughly assessed the countries' capacities through a number of system audits. Croatia, the former Yugoslav Republic of Macedonia, and Turkey were the countries that managed funds under the decentralised implementation system.

IPA II

In 2014 IPA II was launched. It covers the period 2014-2020 and represents the renewed commitment to enlargement. IPA II focuses on democracy and rule of law, as well as

competitiveness and growth. IPA II also introduces a sector approach, incentives for delivery on results, budget support and prioritisation of actions. Coordinated investments along the main infrastructure corridors and cooperation with international financial institutions (IFIs) are also important parts of IPA II. Assistance under IPA II is implemented by DG NEAR in all sectors apart from Agriculture and rural development in candidate countries, which are covered by DG AGRI.

Indicative Strategy Papers all countries were adopted in 2014. They cover the entire period 2014-2020 although a midterm review is foreseen. The programming process has been rendered more sector focused and sector planning documents form the basis of the process.

Other forms of EU support

While IPA unified many of the instruments for pre-accession assistance, enlargement countries continued to benefit from other forms of EU support. Particularly noteworthy are instruments with worldwide coverage, such as the European Instrument for Democracy and Human Rights, the Instrument for Stability, and the Common Foreign Security Policy missions and operations. The EU also extended the coverage of certain internal instruments to the enlargement area: enlargement countries had access to research programmes and selected educational programmes, such as Erasmus Mundus.

The EU also provided assistance to the enlargement countries through bilateral aid from EU Member States and investment loans delivered by the European Investment Bank (EIB). EU Delegations worked to ensure coherence between IPA support and other sources of EU support.

4 - ACTIVITIES FINANCED, RESULTS AND IMPACTS

ALBANIA

1. SUMMARY

The granting of candidate status to Albania by the European Council in June 2014 was a recognition of the fundamental reforms undertaken by the country to improve governance, enhance rule of law and expand the protection of human rights. IPA assistance has widely contributed to this EU integration mile-stone achievement with a number of successful projects to advice on key reforms (e.g. judiciary) and facilitate their implementation, as well as capacity building projects to strengthen public administration and service delivery.

2014 has been a transitional year for EU assistance. The Commission has undertaken an intensive dialogue with the Government to present the new strategic framework of IPA II and the emphasis on sector support to facilitate the implementation of national strategies, maintaining at the same time a strong focus on the country priorities for EU accession. As a result, a new IPA II country strategy paper for 2014-20 has been devised and the IPA 2014 programme includes a first sector budget support operation, which aims at supporting the Albanian public finance management reform strategy.

EU financial assistance continues to play a strategic role for the development process of the country, deploying a portfolio of projects amounting to approximately EUR 216 million and covering a number of sectors (e.g. transport, agriculture, SMEs, vocational education) with direct links to competitiveness and economic growth. Cooperation with IFIs continues to be productive with IPA operations able to leverage considerable amounts in loans, particularly for infrastructure development. Consequently, the EU remains by far the first donor in Albania.

2. STRATEGIC PLANNING AND PROGRAMMING

Indicative Strategy paper:

A country strategy paper (CSP) has been established for the duration of the multiannual financial framework, defining the priorities towards meeting the strategic objective of EU accession. The design of the CSP is the result of extensive consultation with the Albanian Government, development partners and civil society organisations in order to identify the main priorities EU assistance should tackle over the period 2014-20. The rounds of consultation have taken place during the first semester of 2014 at different levels, both political and technical, and have focused on the analysis of the most advanced national sector strategies. The CSP is designed on a sector by sector basis since IPA II assistance will be predominantly channelled via sector support programmes, possibly budget support. Therefore, the CSP spells out a range of priorities for each of the following sectors:

- Democracy and governance: creation of a professional and de-politicised public civil service; sound public finance management; empowerment of civil society.

- Rule of law and fundamental rights: creation of an independent and efficient justice system; fight against organised crime; eradication of corruption; protection of human rights in line with international conventions.
- Environment and climate action: alignment of policies and legislation with EU standards; functioning infrastructures for waste and water treatment; air pollution control; mechanisms to respond to natural disasters.
- Transport: functioning infrastructures; connectivity with regional networks; road safety; interoperability across transport modes.
- Competitiveness and innovation: access to finance for SMEs; enabling business environment; trade integration with neighbouring countries; tourism development.
- Education, employment and social policies: effectiveness of vocational education and training; labour market policy and functioning employment services; inclusion of vulnerable groups; efficiency of social and health services.
- Agriculture and rural development: competitiveness of agro-food producers; application of food safety standards; quality of life in rural areas.

Indicative allocation per year/sector:

Albania (EUR million)	2014	2015	2016	2017	2018-2020	Total 2014-2020
Democracy and governance	157.2				66.3	223.5
Rule of law and fundamental rights	69.0				28.0	97.0
Environment and climate action	34.0				34.0	68.0
Transport	18.0				38.0	56.0
Competitiveness and innovation	16.0				28.0	44.0
Education, employment and social policies	19.0				50.0	69.0
Agriculture and rural development	40.0				52.0	92.0
TOTAL	83.7	86.9	89.7	92.9	296.3	649.4

Programming exercise:

The IPA 2014 action programme mainly focuses on reforms in the broad sector of democracy and governance, more specifically public finance management (PFM) and public administration reform (PAR).

In coordination with the World Bank and the International Monetary Fund, the Commission has decided to assist the country in the reform process of its PFM institutions. The Albanian Government has acknowledged that the current system requires a substantial review, considering the high stock of budget arrears, the underperformance of the tax administration, the weak internal controls for the execution of the budget and the limited supervision of the budgetary process by the external audit institution and the Parliament.

The Commission is already providing assistance in key PFM sub-policy areas, such as the functioning of the treasury management, strategic budget planning and financial management control systems, and has envisaged capacity building support for the external audit institution. One of the limits of the on-going support is the absence of an overarching comprehensive framework for PFM reforms, which can provide long-term and systemic solutions for the current array of weaknesses. Therefore, the Ministry of Finance has devised a PFM strategy for 2014-20, the implementation of which will ensure an efficient process of budget planning, execution and oversight in view to enhance quality of public spending and achieve more savings and revenues for the national budget.

Under the IPA 2014 programme, the Commission plans to support the implementation of the PFM strategy with a sector reform contract of budget support, which will link the disbursement of tranches against a performance assessment framework of general criteria and indicators related to key PFM measures and reforms.

In the area of PAR, the Commission has devised two major interventions to further improve the efficiency of the overall public sector. (i) The EU Integration Facility will provide sector advice to prepare credible strategies and action plans. This support will facilitate the move towards a more systematic use of sector budget support, as envisaged under the IPA II CSP. The Facility will also prepare the Albanian administration for future accession negotiations and will support the effective translation and implementation of the EU *acquis*. (ii) The action 'Support to Public Administration Reform' will facilitate the application of transparent procedures for selection of officials based on open competitions and will establish an impartial human resource management system for merit-based careers of civil servants. The support will also include information and communication technology (ICT) development for e-governance and public services delivery.

With regard to fundamental rights, the IPA 2014 programme includes an action for the integration of minority groups in the labour market, notably Roma and Egyptian communities.

In view of the sector-based programming exercise related to IPA 2015-16, the Commission is facilitating the restructuring of the sector working groups to be led by the Albanian Government for policy planning and donor coordination. The review is covering four pilot sectors: (i) integrated water management, (ii) competitiveness and innovation, (iii) employment and social policies and (iv) public administration reform. Under the new approach, sector working groups will actively contribute to the policy making process by drafting sector strategies and actions plans and monitoring EU *acquis*-related reforms for the different sectors.

Allocation by sectors and management modes for the IPA 2014 Programme

Sector 1 - Democracy and Governance:

Direct Management		Amount EUR
1	Sector Reform Contract for Public Finance Management	42,000,000.00
2	Project preparation component of the EU integration facility (see action 3)	3,446,389.00
	Sub-total	45,446,389.00
Indirect Management with the Albanian Government		Amount EUR
3	EU integration facility	10,300,000.00
4	Support to public administration reform	6,000,000.00
5	Support to participation in Union Programmes	1,000,000.00
	Sub-total	17,300,000.00
Total per sector (direct + indirect management)		62,746,389.00

Sector 2 - Rule of law and fundamental rights:

Indirect Management with the United Nations Development Programme (UNDP)		Amount EUR
6	Economic and Social Empowerment of Roma and Egyptian Communities	4,000,000.00
Total per sector		4,000,000.00

3. IMPLEMENTATION OF ASSISTANCE

Transition Assistance and Institution Building (IPA component I):

The implementation of on-going IPA assistance is in first instance driven by the priorities identified in the Enlargement Strategy and in the annual Progress Report, notably the five key priorities in view of opening accession negotiations, i.e. (i) establishing a professional and depoliticised administration; (ii) enhancing the efficiency and impartiality of the judiciary; (iii) strengthening the fight against corruption; (iv) increasing the fight against organised crime; (v) reinforcing the protection of human rights.

The on-going assistance has been designed on the basis of the strategic orientations of the Multi-annual Indicative Planning Document (MIPD) 2011-2013, which 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.

Projects under each priority sector are in turn aligned with the objectives spelled out under sector strategies and action plans defined by the Albanian Government.

Justice and Home Affairs

Main areas of actions are the structural reforms, including the Constitution, regarding the independence and efficiency of the Judiciary, the Criminal Code and the Criminal Procedure Code to be achieved in line with the recommendations of the Council of Europe Venice Commission and EU peer assessments. The Commission is accompanying these reforms with the EURALIUS IV technical assistance mission to the Ministry of Justice, a pool of experienced international and national judges and experts on judiciary matters.

The EURALIUS team is also advising on changes to improve the case management capabilities of the Albanian courts. In parallel, the Commission has completed the design, testing and deployment of a computerised case management system for the General Prosecutor Office. Increased capacity and modern IT infrastructure will lead to an acceleration of the average duration of trials, for which the Albanian business community, as well as common citizens, have advocated since long time.

Other important developments in the sector driven by EU assistance relate to penitentiary infrastructure. The new pre-trial detention centre in Berat and the new penal institution in Fier have been inaugurated. These facilities will ensure better living conditions for detainees, thus contributing to the respect of their rights. The Commission has also financed the upgrading of the Police Education Centre in Tirana.

Public Administration Reform

Public Finance Management (PFM) is one of the core areas of cooperation. A number of operations are on-going to tackle the weaknesses of key elements of the system, starting from the accumulation of budget arrears. In the framework of macroeconomic stability programmes with the World Bank and International Monetary Fund, the Government is clearing the stock of unpaid bills to contractors of the administration. For its part, the Commission is financing an external audit to ensure that all bills paid by the Government reflect effective delivery of procurement service, supply and works. The external audit has also identified modalities to improve the arrears clearance process, as well as numerous systemic weaknesses for mid-term follow up, which will be addressed by the upcoming IPA 2014 PFM sector reform contract of budget support.

Another important operation covers the area of public internal financial controls, including financial management and internal audit function in line ministries, as well as financial

centralized inspections. Training and coaching activities are regularly taking place to increase capacities and ensure effective financial controls. The Commission is also contributing to the World Bank-managed multi-donor trust fund to roll out the integrated planning system, which aims at linking sector policy interventions with the medium-term budget plan of the Government.

Transport

The Commission is providing technical assistance to the Ministry of Transport and Infrastructure to align the regulatory framework with the EU *acquis*, as for example the implementation of the European agreement concerning the international carriage of dangerous goods by road and the agreement on the international carriage of perishable foodstuffs. Practices, procedures and standards related to maritime safety, security and environmental protection are also addressed. In addition, the staff of the Albanian Civil Aviation Authority is benefiting from training and coaching to enforce air traffic standards.

The Commission is also financing the construction of key segments of the road network. The works for the Rogozhina bypass have started while those for the Vlora bypass are in pipeline. These segments have been identified by the South East Europe Transport Observatory (SEETO) as strategic investments to increase regional connectivity.

Environment and Climate Change

As a result of EU support, the Ministry of Environment has been re-organized both at headquarter and field levels and is now better placed to enforce national environmental legislation. The National Environment Agency has been relocated in more suitable premises, thus increasing its visibility and facilitating the accreditation of its laboratory. In addition, the staffs of both the State Environmental Inspectorate and the Agency have increased.

The Commission is also financing key infrastructures to develop the sewage system and treat waste water. The water plants in the area of Durrës and Velipoja are now completed and in operation, thus protecting the sea and the coast from untreated waste water and increasing the quality of life for citizens and season tourists. The Government is now expected to build a proper secondary and tertiary sewerage network in both Durrës and Velipoja in order to increase the connection rates. Additional sewerage projects are ongoing in Vlora, Ksamil, Kavaja and Shëngjin.

Employment and Social Inclusion

Important institutional, legal and governance achievements have achieved through an EU project for the Ministry of Social Welfare: (i) finalisation of the employment and skills strategy 2014-2020, which is likely to receive EU budget support for its implementation under the IPA 2015 programme; (ii) better alignment of the legal framework to the EU Regulations and Directives on occupational health and safety; (iii) improvement of services offered by the administration through training of labour inspectors and dissemination of EU good practices for active labour market policies.

The Commission has accompanied the design process of relevant planning documents for social inclusion, i.e. the strategy on social protection and the action plan for Roma and Egyptian (R/E) communities. The design process was done in a very participatory manner with continuous

involvement of civil society, international organisations and other development partners. The Commission has also contributed to a number of practical results to improve living conditions of the Roman and Egyptian communities: new infrastructures for social services, preparation of local community development plans and small grants for fifteen Roman and Egyptian NGOs.

Agriculture and Rural Development

The Commission has provided advice on the design of the inter-sectorial strategy for agriculture and rural development, whose implementation will enhance the productivity of the agro-processing industry, increase the compliance of products with sanitary standards and improve living standards and income opportunities in rural areas.

The Commission has worked together with the National Food Authority to improve consumer protection, enhance the inspection function and expand the database for food establishments' registration. Besides technical assistance, significant support was provided to upgrade the laboratory infrastructure of the Authority. Nine regional offices and laboratories, as well as the central veterinary laboratory in Tirana, have been restructured. The veterinary laboratory has also been nominated for the European Union Prize for Contemporary Architecture – Mies van der Rohe Award 2015.

The Commission is also providing assistance to the veterinary sector with the aim of establishing an improved animal disease surveillance system and eradicating zoonotic diseases. Two massive aerial vaccination campaigns against rabies in foxes have been launched, as well as a vaccination campaign against brucellosis (a bacterial infection spreading from animals to people).

Cross-border Co-operation (IPA component II)

Albania is participating in three bilateral CBC programmes with other candidate countries or potential candidates (Montenegro and fYRoM since 2007, Kosovo since 2010) and in one bilateral CBC programme with one EU Member State (Greece since 2007). The three CBC programmes with candidate countries and potential candidates are mostly focused on specific measures to promote economic development with an emphasis on tourism, protect environment, and enhance social cohesion through "people-to-people" actions. The CBC programme with Greece provides measures to promote entrepreneurship, foster sustainable tourism, facilitate border accessibility through small scale infrastructure, as well as to protect environmental and cultural heritage along the border area.

The four current CBC programmes have so far been implemented via calls for proposals, which led to funding a number of small-scale projects across the border 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 related to the objectives of economic development, environment protection and tourism promotion has been lower than expected. Therefore, during the last two years of the programmes' lifespan, i.e. 2012-13, the Commission and the beneficiary countries have decided to switch from call for proposals to joint bigger scale/strategic projects.

4. IMPLEMENTATION MODALITIES AND STRUCTURES

Coordination meetings with the Ministry of European Integration are taking place on a regular (i.e. monthly) basis in order to monitor progress in the implementation of assistance and solve outstanding problems. The most important issues are also discussed in detail during the yearly IPA Monitoring Committee, which was held on 19 March 2014 and co-chaired by the Minister of European Integration and the relevant Director of the Commission. Overall, the Ministry is taking a more pro-active and proficient approach in monitoring implementation and addressing outstanding issues, which often refer to complex infrastructures projects. On its part, the Commission is devising monitoring maps, which will serve to establish a detailed operational plan based on the risk assessment carried out for each project/contract.

With respect to indirect management, in March 2014 the Commission conferred powers to the Albanian Government to manage funds under IPA Component I. The total amount of projects programmed under the decentralised implementation system (DIS) stands at EUR 30 million. Decentralized projects are part of the IPA 2012 and 2013 programmes and cover different types of implementation modalities (twinning, service, supply and works contracts, etc.) and a number of sectors (justice, agriculture, transport etc.). The capacity of the Central Finance and Contracting Unit (CFCU) within the Ministry of Finance to procure EU funds has been strengthened via a technical assistance project. The CFCU has developed a procurement planning system, including detailed rules and procedures to be followed by all actors involved in the implementation of projects (inputs from line ministries to define terms of reference and technical specifications; monitoring of projects; closure of contracts etc.). Procurement procedures are in the pipeline and are going to take place in the course of 2015.

5. SUCCESS STORIES

Consolidation of law enforcement capacities in Albania - PAMECA IV assistance mission

The mission has deployed a team of fifteen senior international and national police officials and prosecutors, who are working with the Albanian State Police (ASP) to improve its organisational, administrative, technical and resource management capacities and increase the coordination with the General Prosecutor's Office and other relevant law enforcement agencies.

With regard to prosecutions, the mission has identified the main critical areas of concerns and has provided important inputs to shift attention from low/medium to high profile cases, including pro-active high level anti-corruption investigations. As a result of training and coaching activities on road traffic management, the ASP is now strongly and consistently enforcing traffic laws. The PAMECA team has also advised the ASP border and migration department on the application of the Schengen Code, with particular regard to green and blue border surveillance.

In operational terms, the mission was directly involved in the preparatory works leading to successful anti-drug operations, such as the intervention in June 2014 to dismantle the marijuana-producing centre in the village of Lazarat near the Greek border. The operation gave a clear signal to drugs smugglers that the time of impunity and passivity in countering drugs production has ended.

The team has also worked on the re-definition of the container handling procedures in the port of Durrës, which is a junction point for smuggling activities and where increased controls are required to check containers. PAMECA was also involved in the preparation of the agreement on operational and strategic cooperation with Europol (ratified in May 2014), as well as in the formulation of the new ASP Law.

The day-to-day high level advice provided by the team leader to the Minister of Interior and the Director General of the State Police is likely to generate additional pro-active measures to fight organized crime and its links with cross-border criminal networks and to increase strategic cooperation with police and intelligence forces of neighbouring countries.

The Commission improves access to rural areas in Albania

With EU funds 250 km of secondary road connections have been rehabilitated. The Commission has allocated an overall amount of EUR 51.5 million to this endeavour, being able at the same time to leverage additional EUR 200 million in loans from the European Bank for Reconstruction and Development (EBRD), the Council of Europe Development Bank (CEB) and the German Development Bank (KfW).

Considering the country's mountainous landscape, almost half of the population lives in remote areas, where agriculture remains the prime source of employment and over a third of residents live in poverty. By upgrading the local road network, the Commission has opened up new employment opportunities and access to a wider range of public and social services to some of the poorest regions in the country.

Better roads are already making it easier – and cheaper – for farmers to reach urban markets. Patients can get to regional hospitals faster and emergency services can reach outlying villages. With upgraded infrastructures, traffic accidents, a major concern in Albania, are likely to decrease. Finally, improved access to urban area gives the chance to young generations to more easily attend schools and universities.

Remote places have been connected to national traffic arteries, rehabilitating roads where entire sections were often unpaved. Indeed, the programme for secondary road connections seeks the objective to establish a unified network, linking rural communities to the main national and regional transport lines, notably the east-west axis from Durres to Pogradec (Corridor VIII) and the north-south axis from Shkoder to Tepelene-Gjirokastra (Blue Corridor). Access to historic cities – notably Lezhe, Shkoder and the UNESCO World Heritage sites of Gjirokaster and Berat – has also been facilitated and *ad hoc* road-signs have been set up to attract foreign travellers.

As a result of this programme, according to statistics, 600,000 Albanians have now access to all-season roads; traffic volumes are up by 21 % and public transport costs are down by 8.5%. These are all encouraging signs of the improvements that road infrastructure is bringing to living conditions in rural Albania.

BOSNIA AND HERZEGOVINA

1. SUMMARY

Programming and implementation of IPA assistance in Bosnia and Herzegovina continued in 2014 in a challenging political environment and were heavily influenced by the disastrous floods that hit the country in May 2014.

The preparations for IPA II restarted after they had been interrupted in 2013 and led to the adoption of the IPA II Indicative Strategy Paper for Bosnia and Herzegovina in December 2014. However, the Paper covers only 2014-2017 and in the absence of a comprehensive EU Coordination mechanism, funds will only be allocated in four sectors where agreed strategies and sufficient coordinating structures exist.

Widespread, citizen-led protests in early 2014 underlined the fragility of the socio-economic situation. The Commission launched three initiatives to shift the focus towards reforms and issues of direct concern to citizens, among them a joint EU- Bosnia and Herzegovina Working Group to accelerate the implementation of EU funded projects. The group made only limited progress, despite involvement at Prime Ministers' level.

Following the floods of May 2014 the paramount challenge became to assist Bosnia and Herzegovina fast and effectively in addressing the impact of the flooding. The EU reallocated immediately EUR 42 million of IPA funds to assist recovery and reconstruction. Further EUR 41 million was allocated before the end of the year.

2. STRATEGIC PLANNING AND PROGRAMMING

Indicative Strategy paper

The Indicative Strategy Paper (2014-2017) was prepared in partnership with the authorities of Bosnia and Herzegovina. The State level and Entity Prime Ministers, the National IPA Coordinator (NIPAC), line Ministers at State and Entity level and representatives of the civil society as well as other donors contributed to the preparation of this strategy.

A lesson learned from the programming and implementation of previous and on-going EU assistance is that political commitment and ownership of the reform process is an indispensable precondition for success. In view of this lesson, and in accordance with the Paris declaration on aid effectiveness, support will be based on Bosnia and Herzegovina's own sector reform strategies. Where such strategies do not exist (e.g. energy, transport, environment), IPA II will support the development, the adoption and the implementation of the strategies.

The Indicative Strategy Paper foresees support to Bosnia and Herzegovina in the following four sectors: Democracy and governance, Rule of law and fundamental rights, Competitiveness and innovation: local development strategies, Education, employment and social policies.

In order to benefit from support through a sector approach, strategies should be based on a budget, a medium term expenditure and performance management framework, should address sector and donor coordination and should facilitate a countrywide harmonised implementation of

the EU acquis. None of the sectors envisaged for support appears at present suitable for support through a sector approach. However, the EU will continue to support the preparation and gradual implementation of suitable strategies. In particular, EU assistance aims to create the capacities for strategic planning and the preparation for sector support.

Indicative allocation per year/sector

Bosnia and Herzegovina	2014	2015	2016	2017	Total 2014-2017
a. Reforms in preparation for Union membership	11	17	18	18	64
Democracy and governance	31				31
Rule of law and fundamental rights	33				33
b. Socio-economic and Regional development	24.7	11.7	13.7	13.7	63.8
Competitiveness and innovation: local development strategies	63.8				63.8
c. Employment, social policies, education, research and innovation, promotion of gender equality, and human resources development	4	11¹¹	11¹	12¹	38
Education, employment and social policies	38				38
TOTAL	39.7	39.7	42.7	43.7	165.8

Programming exercise

The IPA 2014 programming was launched on 7 May with a kick-off meeting with the BiH authorities and representatives of civil society.

Following the floods of May 2014, EUR 15 million from the BiH IPA 2014 envelope (total: EUR 39.7 million) were reserved for flood recovery and flood risk management. EUR 2.1 million were allocated to the Civil Society Facility under the Multi-Country IPA programme 2014. The remaining EUR 22.6 million were programmed focusing on local integrated development. In addition, the programme includes support in the following areas: indirect taxation system, anti-corruption, identification of missing persons, transformation of care institutions and support to participation in EU programmes.

Country Action Programme Bosnia and Herzegovina 2014

¹¹ In addition, EUR 18 million for both 2015 and 2016, and EUR 12 million for 2017 are indicatively allocated to the Regional Housing Programme, which is implemented within the framework of the IPA multi-country programme.

Sectors	EUR
Democracy and Governance	5 831 834
Rule of Law and Fundamental Rights	1 750 000
Competitiveness and innovation: local development strategies	14 000 000
Education, employment and social policies	1 000 000
PROGRAMME TOTAL	22 581 834

In addition to the Country Action Programme for Bosnia and Herzegovina 2014 the Commission adopted a special measure for flood recovery and flood risk management. This special measure includes support to all IPA beneficiaries to develop flood prevention, preparedness and response but the majority of the funds are allocated to Bosnia and Herzegovina (EUR 26 million in addition to the EUR 15 million mentioned above) and Serbia for flood recovery, re/construction of embankments of different sections of the Sava and Drina rivers and improvements to the hydrological forecasting systems.

Special Measure for flood protection and flood risk management

Action No + Title	EUR
Support to flood protection and water management	15 000 000
Housing interventions	12 500 000
Strengthening SMEs' competitiveness	9 000 000
Support to civil protection	2 500 000
Support to civil society in awareness raising, advocacy and recovery assistance to flood affected areas	2 000 000
TOTAL	41 000 000
Multi-country	
Regional reconstruction and improvement of flood protection infrastructure in the Sava River Basin in Bosnia and Herzegovina and Serbia	20 000 000
Prevention, preparedness and response to floods in the Western Balkans and Turkey, Lot 2	4 000 000
TOTAL	24 000 000

3 IMPLEMENTATION OF ASSISTANCE

BiH and its political leadership continued to lack a common vision regarding the overall direction of the country. Disagreements about the division of responsibilities between different levels of governments remained the main obstacle to an effective implementation of EU financial assistance.

The failure of the authorities to address long standing social and economic concerns led in February 2014 to violent street demonstrations. The fragile economic situation was aggravated by massive floods that hit the country in May 2014. IPA supported in 2014 especially the recovery

following the floods (see section "success stories"). In addition, the following were among the results achieved in 2014:

The main achievements of the EU Support to law enforcement over 2014 were the agreement on a road map for improvement of data protection; a practical solution for covert identity developed and tested; the Europol Serious and Organised Crime Threat Assessment (SOCTA) Methodology adapted for BiH and used for the first BiH SOCTA; changes to the Law on Prevention of Money Laundering and Financing of Terrorist Activities (adopted in June 2014) elaborated and implementation capacities further developed through a holistic financial investigations training programme; institutional appraisals in view of preventing corruption were carried out in selected law enforcement agencies in cooperation with the Agency for Prevention of Corruption and Coordination in the Fight against Corruption as well as capacity building on detection/investigation of corruption cases; a review of the Criminal Procedure Code was carried out and further analysed aiming to identify future improvements of the police-prosecutor cooperation.

In light of the significant backlog of war crimes cases throughout BiH, extraordinary IPA budget support is provided from 2014 to 2018. As a result of the 142 additional prosecutors, judges and relevant legal support staff recruited to work alongside the domestically-financed staff, significant progress was noted. By the end of 2014, nationwide war crimes cases with known suspects were reduced by 23% in the prosecutors' offices. Such progress is unprecedented in BiH, and indicates that IPA support not only produced results but created also a positive case processing momentum.

In the SME and tourism sectors, the project "Support to introduction of Quality Management Systems (QMS) in Bosnia and Herzegovina" enabled 100 pilot SMEs to participate in the free preparation process for the certification of quality management system in accordance with ISO 9001 standards. Overall, the QMS certification performed with EU assistance is expected to create a long term positive impact on the business sector in Bosnia and Herzegovina, by reducing operational costs, better trained and educated employees, increased efficiency, better customer satisfaction and improved product quality.

"EU technical assistance to Support Tourism industry in BiH" (EU Tourism Project) delivered important recommendations on how to improve strategic and legislative framework, prepare investment projects and promote tourism development country-wide. The project also provided marketing support to the cities of Sarajevo and Eastern Sarajevo in their preparation for the European Youth Olympic Festival in 2017.

In the field of education, the project "Strategic Development of Higher Education and Qualification Standards" developed for the first time in Bosnia and Herzegovina a set of qualification standards and occupational standards for higher education.

The project "Promoting Competiveness through Higher Employment Capacity of Human Resources", implemented in Gorazde Canton can be used as a model for good cooperation between education, labour and employers parties. 197 unemployed persons were trained and certified (61 of them found a job already during the project implementation) and 131 workers already employed without adequate education were trained and certified.

As regards social inclusion and social protection, several ongoing projects are showing very good results so far. For example, the project “Socio-economic empowerment of mine victims and their families through provision of business trainings and employment opportunities in BiH” addresses the socioeconomic exclusion of 240 mine victims and improvement of living conditions of their families through provision of preparatory business training and business grants for job creation.

In the environment sector, the project "Strengthening of BiH's environmental institutions and preparation for pre-accession funds" (ENVIS) developed strategic documents which can ensure the harmonised implementation of the EU environment acquis throughout the country. There is still a risk that the outputs delivered will not be adopted or maintained if there is no political endorsement.

In the area of food safety, veterinary and phyto-sanitary, the twinning light project “Strengthening of the capacities of the phyto-sanitary services in BiH” increased the capacities of the phyto-sanitary service in BiH to control plant health and food safety by introducing internationally recognised methods and procedures for the phyto-sanitary sector in laboratories and by developing a Monitoring Programme for BiH priorities relating to crops and harmful organisms.

Campaigns of oral vaccination against rabies continued to be efficiently implemented in BiH. Since autumn 2011, the declining trend of reported cases of rabies has been pertained. In comparison to 47 cases reported in 2011 or 27 in 2012, in 2014, there was not a single case of rabies reported.

In the sector of culture, the works on the building Vijecnica in Sarajevo were completed in June 2014. The renovated building was intensively visited by BiH citizens and tourists. A similar example is the completion of the interventions on the Stolac cultural heritage.

The Cross-border co-operation (CBC) project between Croatia and BiH "It started with the sport..." allowed the construction and equipment of a sport field, and rehabilitation and equipment of school facilities in Dobretici. The project “Mobile Library Services for Life Long Learning (LLL) in Rural Communities” established the first mobile library in the Una-Sana Canton which serves as a platform to support the LLL in remote country-side communities.

The CBC Serbia-BiH project "Beekeeping - Activity for the Future" supported the beekeeping and horticulture development in Gorazde area. The project "Development and Promotion of Health Tourism Spas in Cross-border Area of BiH-Serbia - CROSS SPA" resulted in the development and placement of a new joint health tourism product. The "Agriculture Forecast-Reporting System (AFRS) in the Cross Border Region" established an innovative concept of integrated agriculture production based on IT weather forecasting and reporting.

4. IMPLEMENTATION MODALITIES AND STRUCTURES

IPA funds continue to be implemented by the EU Delegation to Bosnia and Herzegovina. Bosnia and Herzegovina's institutions have made no progress towards the establishment of a decentralised implementation system.

The CFCU (Central Finance and Contracting Unit) and the National Fund (NF) have maintained their staff levels but - in the absence of progress towards indirect management - without being able to play a role in the implementation of IPA programmes. The CFCU has continued however to perform the function of the First Level Control for the Cross-Border and Transnational Programmes implemented in shared management for the projects under IPA Adriatic CBC Programme, South-East Europe Programme and Mediterranean Programme.

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

5. SUCCESS SORIES

Floods recovery

The implementation of the Floods Recovery Programme (EUR 43.52 million, out of which EUR 42.24 million provided by the EU) launched in July 2014 has produced a whole range of tangible results in gradually restoring normal living conditions in local communities and ensure the provision of aid to the most vulnerable people affected by the May floods. The Programme, implemented by UNDP, in cooperation with UNICEF and IOM focused on the rehabilitation of public services and infrastructure, housing units for the most vulnerable people and for social and economic recovery of local communities.

In the first six months of the implementation the following results were achieved: 671 dwellings rehabilitated, 337 in progress; 66 public buildings rehabilitated, with additional 31 in progress and 19 in different stages of procurement or project design; 32 communal infrastructure projects completed and 26 ongoing; surveying of additional municipalities completed, with new infrastructure projects to be selected to continue implementation. As concerns the economic recovery component, 48 bank guarantees were received and accompanying payments amounting to total of EUR 1.27 million were made.

Waste water treatment

The project "Construction of the waste water treatment plant in Zivinice Municipality" (Tuzla Canton) was successfully completed in September with IPA assistance of EUR 3 million out of an overall investment of EUR 7.2 million. The plant will contribute to approximate local environmental standards to EU standards to the benefit of the 42000 citizens, allowing the implementation of the Drinking Water and Urban Waste Water Treatment Directives and the improvement of environmental protection through wastewater collection systems. In addition, it will promote a significant improvement in the water quality by reducing pollution, in particular through the treatment of wastewater from the settlements.

CROATIA

1. SUMMARY

During 2014 Croatia continued actively to implement the measures to further strengthen its capacity in order to meet the obligations of membership to the EU. Since 1 July 2013, Croatia is an EU Member State.

Under IPA component I and II, an adequate institutional set up for decentralised management of IPA funds already established in 2013 was consolidated over 2014 with the further development internal rules of procedure, and with functioning implementing and operational agreements between the 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 IPA management and control systems continued to be fully functional.

2. STRATEGIC PLANNING AND PROGRAMMING

As all programmes have been adopted in the previous years and no strategic programming was done over 2014. DG NEAR however involved in the approval of the requests for modifications of Project Fiches and in the approval of the projects financed from the Flexible Facility under IPA and Transition Facility programmes.

3. IMPLEMENTATION OF ASSISTANCE

Croatia continued throughout 2014 to implement the measures to further strengthen its capacity to meet the obligations of EU membership and to go well beyond the sheer transposition of the acquis. All national programmes have been adopted in the previous years, therefore the country focused on implementing the IPA component I 2008, 2009, 2010 and 2011 programmes in support of Croatia's preparation for the management and implementation of post-accession funds and for completing the reforms and building up capacity in the following areas:

- Justice, Freedom and Security,
- Environment, Transport and Energy,
- Internal Market and Economy, Public Administration Reform,
- Public Finance and Public Procurement,
- Cohesion Policy and Labour and finally
- Agriculture, Fisheries and Food, Veterinary and Phytosanitary

A particular attention has been given over 2014 to ensuring the sustainability of outcomes once the EU funded projects are completed. With regard to impact of the IPA national programmes, the programmed EU pre-accession support has provided the necessary assistance to Croatia in meeting the requirements for accession. The IPA assistance was better designed in later years, generally better structured, and often built on outputs and recommendations of previous

assistance. As a result, key improvements in legislative and administrative structures, systems, infrastructure and resources as a result of the provided IPA support have been noted.

With regard to administrative capacities, measures continue to be delivered in order to enhance administrative capacities of the bodies dealing with EU funds. During 2014 administrative capacities have been strengthened in a number of institutions and recruiting of new staff has been under way.

Justice, Freedom and Security

The Implementation of Judicial Development Strategy (2013-2018) is in progress. The Ministry of Justice together with the judicial authorities and national and international experts is continuously and intensively working on the achievement of its strategic goals, in particular to develop actions aimed at further reducing the total number of pending cases, to reduce the duration of court proceedings and to increase the overall efficiency of judicial bodies. The efforts for the courts rationalization and reorganization processes will continue, in line with the Judicial Development Strategy.

In parallel to supporting the judiciary, IPA also strengthened the capacity of the prosecutor's office and co-operation among various related agencies, particularly the Office for Combating Corruption and Organised Crime. As a result, the sector fight against corruption and organised crime has been strengthened, including the adequate legal and institutional framework.

As regards the Schengen Facility, of which the Ministry of Interior is one of the beneficiaries since July 2013 when Croatia became a Member State, after having received the total allocation of EUR 120 million, significant progress was reached in contracting.

As regards the general programme Solidarity and Management of Migration Flows (SOLID) out of four funds which are available under this programme, Croatia is using the European Return Fund and the European Refugee Fund. As for the European Return Fund, in 2014 the EC approved the multi-annual and the annual programme and co-financing for 2013.

Public Administration Reform, Public Finance and Public Procurement Sector

The implementation of projects proved a positive impact on the overall public administration reform and the assistance contributes to Croatia's fulfilment of Political Criteria in the field of Democracy and the Rule of Law and, in particular, to fully implement public administration reform measures on administrative procedures.

In respect of administrative procedures the goals were to simplify the General Administrative Procedures Act (GAPA), to reduce the number of special administrative procedures, to speed up and simplify procedures as well as increase the efficiency of public administration. The GAPA is now shorter, simpler, regulates administrative contract, actions of the providers of public services and any other actions taken by public authorities in the field of administrative law, guarantees legal protection against all forms of administrative action. Its better use was ensured with the support of an IPA 2008 contract meant to support Croatia in further enhancement of reliable, open, transparent and client-oriented public administration.

The project IPA 2010 FF RAC Support to Strengthening the Administrative Capacity through Development of the Competency Framework in Civil Service finalised in 2014 developed civil servants competency framework in order to define which competencies (knowledge, skills, abilities, attitudes, behaviours) should civil servants have on specific posts as precondition for administrative capacity building in civil service.

The assistance in the area of Public Finance contributed to the strengthening of competence of public internal auditors for auditing Structural Funds and Cohesion Fund, to provide support to Croatian Customs Administration (CCA) for the prevention of illegal traffic of goods, to ensure the adoption of EU standards and best practices in the field of customs laboratory analysis. Extensive support has been provided to the Croatian Tax Administration's (CTA) for aligning its procedures with EU procedures in the field of VAT and to strengthen its institutional capacity. The IPA 2010 project Enhancement of the CTA Administrative and Institutional Capacity in the Field of Application of VAT EU Common System (completed in April 2014) increased effectiveness of VAT function on the whole and provided the tax officials and tax payers with a more organised and more efficient way of implementing VAT procedures. Also, the CTA's project IPA 2010 FF RAC Supporting the Capacity of CTA for Further Development of EU Information Exchange Systems enabled further development of EU information exchange systems through improvement of relevant procedures, establishment of more efficient monitoring and managing system and strengthened capacity of relevant CTA employees.

Other two project completed in 2014 supported the Central Harmonisation Unit (CHU) within the Ministry of Finance in upgrading methodology for internal auditors in order to ensure effective and efficient internal auditing of Structural Funds and Cohesion Fund, respectively to ensure the adoption of EU standards and best practices in the field of customs laboratory analysis.

Transport

For the Transport sector projects, the main goal was to complete the alignment with the EU *acquis*. Furthermore, the goal is to enhance administrative capacity in the area of road transport, aviation and maritime transport and in the area of inland waterway transport. In the Pre-Feasibility Study project the goal was to assess which are the best options for possible connection of two separated parts of Croatian (EU) territory in Dubrovnik-Neretva County. The Roadside Inspections project directly improved road safety by implementation of digital tachograph database, harmonised road safety legislation with the *acquis* and use of equipment. The capacities of the Ministry of the Maritime Affairs, Transport and Infrastructure and the Ministry of Interior were improved in order to conduct required checks and to use the established database in order to keep the register of checks and infringements.

Also, a Croatian Maritime Strategy has been developed under the Maritime Strategy project. IPA 2009 equally contributed to the improvement of the air traffic safety. After having received the IPA assistance the data collection in transport sector has been improved as a crucial element for strategic planning, cost-benefit analysis and feasibility studies.

Environment and Climate Change

In the sector of Environment the projects continue to contribute to the transposition and implementation of the EU *acquis* with particular emphasis on waste management, water quality and flood protection, nature protection, integrated pollution prevention and control, strengthening

of administrative capacity in order to implement the environment *acquis* and ensure integration of environmental concerns into horizontal issues (access to justice, strategic environmental assessment, ecological network impact assessment).

Cohesion Policy and Labour

The EU assistance has made an important contribution to building up Croatia's capacity for managing post-accession funding in the cohesion sector, including through learning by doing. The projects assisted the Croatian administration and relevant state bodies to prepare for the implementation of the common EU cohesion policy post-accession.

The actions within the Cohesion Policy projects support the relevant Croatian institutions in the fields of programming, development and fine-tuning of the NSRF and specific sectorial OPs to be implemented within the framework of the EU structural funds, preparation for the waiving of ex-ante controls (EDIS), ex-ante evaluations of programming documents for both the EU financial perspective 2007-2013 post-accession and relating to the next period 2014-2020, strengthening of the overall institutional capacities in the area, relevant programme audit and setting up of the future SF audit system, adequate SF project pipeline and numerous other related activities.

Internal Market and Economy

The assistance covers a variety of sub-sectorial components such as Statistics, Consumer and Health Protection (Freedom to provide services) and Competition. A strong emphasis is put on institutional capacity building and enforcement of harmonised legislation.

Agriculture, Fisheries and Food, Veterinary and Phytosanitary Policies

Significant progress is met in connection to preparation Croatian administration for the use of EAFRD funds. The procedure related to the Strategic Environmental Assessment (SEA) of Croatian Rural Development Programme 2014-2020 (RDP) was finalised. SEA Report was finished in July 2014 providing the assessment of possible environmental impacts of implementation of the Rural Development Programme for Croatia.

The system approach to control and eradicate the rabies in Croatia that was supported by IPA 2008 and IPA 2010 projects starting from 2011, continued with the implementation of oral vaccination of foxes in the multiannual programme (2014-2018) by which additional two years of oral vaccination are secured. The 2014 spring campaign of oral vaccination has been successfully conducted, and the results of testing show that until September 2014 only one sample out of 1772 was positive to rabies.

Cross-border Co-operation (IPA Component II)

IPA Component II contributes to regional development activities, which aim to encourage the creation of cross-border networks, partnerships, development of joint cross-border operations, capacity building of local and regional units in implementing European Union programmes, as well as preparing them to manage operations within cross-border cooperation programmes over 2014-2020.

IPA Component II provides funding for three types of cross-border co-operation programmes:

1. CBC with neighbouring non-EU Member States - Serbia, Bosnia and Herzegovina and Montenegro. All three programmes share the same overall objective of building the capacity of local, regional and national institutions to manage EU programmes and preparing them to manage future cross-border programmes under objective 2 of the EU Structural Funds.
2. CBC with Member States (MS) - Slovenia, Hungary and IPA Adriatic, designed to create a dynamic cross-border area, facilitation of culture and knowledge based development on the basis of successful management of natural and cultural heritage and intense socio-economic interactions between the two sides in the eligible area and the strengthening of the sustainable development capacity of the Adriatic Region.
3. CBC in the framework of transnational programmes – South-East Europe (SEE) and Mediterranean Programme (MED), focused on facilitation of innovation and entrepreneurship, Protection and improvement of the environment, Improvement of accessibility and Development of transnational synergies for sustainable growth areas.

The Operating Structure is fully operational and well set up. The readiness of the Croatian structures do deal with the overall management of IPA II Component, is proven by successful management of the Programmes in the covered period. The absorption capacity and the interest to participate in CBC Programmes continue to be high on the local and regional level.

4. SUCCESS STORIES

Reorganisation and rationalization of the courts

One of the most important reform measures relates to the implementation of reorganisation and rationalisation of court network, which is currently under way. As the part of the given process and to serve as a ground for reorganisation and rationalisation, in October 2014 the new Law on the areas and the seats of the courts was adopted in the Croatian Parliament, which is to be applied as of 1 April, 2015 on municipal and county courts, and as of 1 July 2015 on misdemeanour courts. According to the Law, Croatian area is divided into 15 judicial areas, in a way that establishes 15 district courts, 24 municipal courts and 22 misdemeanour courts, which is 43 municipal courts and 39 misdemeanour courts less. This new organisation opens up the possibility of specialisation, greater mobility and more balanced workload of judges and the harmonisation of the court practice.

Also, this way the number of judicial managerial staff is reduced, which will enable cost savings as well as better functioning of the judiciary (i.e. more even workload, shortening the duration of the judicial proceeding, backlogs reduction, etc.). However, citizens will continue to be provided with access to municipal and misdemeanour courts identical to what they had before the new Law. The current municipal and misdemeanour courts that cease operating, as well as current services of the municipal and misdemeanour courts, will become a full-time offices of new municipal and misdemeanour courts.

Support for children from institutional care

Facilitation of transition of children from institutional care to independent living or reintegration in the family is an area where progress has been achieved and where IPA had an important contribution. The project “Improving experts’ capacities for the protection of rights and interests of children and youth placed in homes for children and youth with behavioural disorders” is an example.

New procedures and processes, ensuring that all children receive support and follow up in transition from institutional care to independent living or reintegration, have been developed and implemented as part of the activities of the working groups during the project IPA 2009 FPP RAC Improving experts' capacities for the protection of rights and interests of children and youth placed in homes for children and youth with behavioural disorders. This is done through adopted Procedures Protocol made in order to enhance collaboration between relevant institutions responsible for protection of rights and interests of children and youth with behavioural disorders. Data on the number of children successfully integrated in the community by 2014, the number of recidivists by 2014 and the number of complaints to the Ombudsman for Children by 2014 is yet to be obtained as statistical data on the above mentioned issues is still being processed.

De-mining

The implementation of the IPA 2010 De-mining project was completed during 2014. The project purpose was to create a safe environment and security pre-conditions for sustainable return of refugees and displaced persons and also socio-economic development in war affected areas in Republic of Croatia, by the removal of mine threat from war affected areas.

De-mining operations were performed under the project in Osijek-Baranja and Vukovar-Srijem County areas; in the Town of Osijek and Vukovar and Municipalities Draž, Stari Jankovci and Markušica. Under this project demining operations were performed in Vukovar-Srijem County and Osijek-Baranja County on the area of 3 444 930 m². As a result, an area of 3,4 km² was declared safe.

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA 2015

1. SUMMARY

IPA assistance has continued to play an important role in meeting the general objectives set in the DG Enlargement Annual Management Plan as regards the former Yugoslav Republic of Macedonia.

With regard to IPA II, the Indicative Strategy Paper for the country was adopted on 19 August 2014. The 2014 IPA II programme was adopted on 17 December 2014. The programme consists of one annual action programme and one multi-annual action programme.

The annual programme covers three sectors: democracy and governance; rule of law and fundamental rights; competitiveness and innovation, for a total amount of EUR 52.7 million.

The multi-annual programme covers the first three years of the implementation of Sector Operational Programmes for environment and climate action and transport for a total amount of EUR 81 million.

The Rural Development Programme under IPA II for the years 2014-2020 was also approved in December 2014. The budget for the 7 years is EUR 60 Million with modest allocations for the first four years and increasing amounts towards the end of the period.

As regards implementation of financial assistance under IPA I, de-commitments of funds and the future risks of loss of funds from programmes under the Decentralised Implementation System (DIS) have remained a source of concern. The contracting situation has worsened in comparison to 2013. In 2014, EUR 41.6 million were lost under all IPA Components. The Operating Structures in the country are facing numerous structural problems which negatively impact on their performance and ultimately on the timely absorption of IPA funds. The contracting of the remaining National Programmes for the years 2011, 2012 and 2013 did not start in 2014.

2. STRATEGIC PLANNING AND PROGRAMMING

Indicative Strategy Paper

The Indicative Strategy Paper covers the duration of the Multiannual Financial Framework, defining the priorities for accession-related actions for the benefit of the former Yugoslav Republic of Macedonia. The Indicative Strategy Paper was adopted on 19 August 2014, paving the way for programming assistance under IPA II.

The elaboration of the Indicative Strategy Paper has been an intensive and inclusive process. Numerous consultations have been conducted with development partners, government stakeholders, non-state actors and Member States. The Strategy Paper focuses on seven sectors and addresses notably (i) democracy and governance, (ii) Rule of law and fundamental rights, (iii) competitiveness and innovation, (iv) transport, (v) environment, (vi) education, employment and social policies and (vii) agriculture and rural development.

The consultation process identified key areas of intervention. As regards strategic priorities, reforms in the area of rule of law and fundamental rights are crucial for the overall development

of the country and its democratic institutions, by providing quality justice to the citizens, accountability and a favourable environment for economic growth. Support for strengthening inter-community relations in line with the Ohrid Framework Agreement will also be important. Reforms in the field of democracy and governance, particularly public administration reform and public finance management, will be vital to the country's accession process.

As regards competitiveness and growth, efforts will focus on achieving inclusive growth in line with the Europe 2020 priorities. In the field of transport, assistance will be provided to develop the main Trans-European Corridors. Assistance will further help to increase access to quality education and to the labour market for all citizens. Assistance in the environment and climate action sector will seek to support more sustainable growth, an energy-efficient economy, and to reduce the high levels of pollution in the country. Assistance will further address local governance, local economic development and private sector development with a view to supporting social cohesion and the country's democratic development. Lastly, assistance in agriculture, one of the country's most significant economic sectors, will support a more balanced territorial development of rural areas, better food safety and a more competitive agri-food sector.

Indicative allocations (million EUR) per policy areas and sectors

	2014	2015	2016	2017	2018-2010	Total 2014-2020	climate change relevant (%)
a. Reforms in preparation for Union membership	39.7	17.9	35.6	26.9	85.8	205.9	
Democracy and governance	66.1				56.8	122.9	
Rule of law & fundamental rights	54.0				29.0	83.0	
b. Socio-economic and Regional development	41.0	38.7	38.0	46.0	135.1	298.8	
Environment and climate action	61.3				51.6	112.9	100%
Transport	56.4				56.5	112.9	60%
Competitiveness and innovation	46.0				27.0	73.0	
c. Education, employment, and social policies	0.0	14.0	13.0	0.0	26.2	53.2	
Education, employment and social policies	27.0				26.2	53.2	
d. Agriculture and rural development	5.0	18.3	5.0	22.0	56.0	106.3	
Agriculture and rural development	50.3				56.0	106.3	10%
TOTAL	85.7	88.9	91.6	94.9	303.1	664.2	

Programming exercise

With the aim of concentrating IPA II financial assistance on a limited number of key priorities, the Annual Action Programme adopted in 2014 covers three sectors identified in the Indicative Strategy Paper: democracy and governance; rule of law and fundamental rights; competitiveness and innovation.

The **democracy and governance** sector will be addressed through two actions – the EU Integration Facility and participation in Union Programmes. Sector selection has been agreed upon with the national authorities on the basis of the priorities set in the Indicative Strategy Paper. The key objective is building up capacity for further developing the sector approach in selected sectors, preparing project pipelines, supporting EU *acquis* alignment, and financing studies and other short-term assistance aiming at increasing the administrative capacity of the beneficiary.

The sector **rule of law and fundamental rights** will be addressed through three actions: "Support for justice sector", "Home affairs: implementation of business continuity and disaster recovery system" and "Home affairs: further development of the capacities for crime scene investigation". Financial assistance will contribute to improving the independence, efficiency, accountability, professionalism and competence of the judiciary and prosecution with a view to ensuring a more accessible justice system, more efficient and fair criminal investigation, prosecution and trial and more efficient and effective criminal system. These issues feature prominently in the Commission's 2014 Progress report and have been shown, by events during 2015, to be key. Assistance will further focus on the fight against organised crime, through improved capacities for forensic expertise. Furthermore, the establishment of Business Continuity and Disaster recovery centre will be supported as a follow-up of a project started under IPA I.

Finally, the sector **competitiveness and innovation** will be addressed through one action in the area of local and regional competitiveness. The main objective of is to improve economic competitiveness of the country's regions and municipalities and to stimulate job creation. The action will focus on enhancing local competitiveness and integrated local development including through unlocking economic potential in the tourism sector.

INDICATIVE BUDGET TABLE IN EUR - COUNTRY ACTION PROGRAMME 2014

	Indirect Management with the IPA II beneficiary				Other management modes			
	EU Contribution	Beneficiary Co-financing	Total expenditure	EU Contribution	IPA II beneficiary Co-financing	Total expenditure	Management mode	Total EU contribution
Objective 1	Sector 1 Democracy and Governance			8,000,000		8,000,000		14,717,811
	Action 1 EU Integration Facility						Direct	
	Action 2 Participation in Union Programmes	6,717,811	2,604,603	9,322,414				
	Sector 2 Rule of Law and Fundamental Rights							
	Action 3 Justice Sector Programme	13,000,000	2,293,000	15,293,000			Indirect with beneficiary country	20,000,000
Objective 2	Action 4 Home Affairs: Implementation of business continuity and disaster recovery system-phase 2	5,950,000	1,050,000	7,000,000			Indirect with beneficiary country	
	Action 5 Further development of the capacities for crime scene investigation	1,050,000.00	0	1,050,000.00			Indirect with beneficiary country	
	Sector 6 Competitiveness and Innovation							18,000,000
	Action 6 Local and Regional Competitiveness				18,000,000	3,176,471	21,176,471	Indirect with International Organisations
	TOTAL	26,717,811	5,947,603	32,665,414	26,000,000	3,176,471	29,176,471	

Multi-annual Action Programme

This programme covers two sectors identified in the Indicative Strategy Paper for the former Yugoslav Republic of Macedonia, 2014-2020, namely environment and climate action and transport. Assistance to both sectors will be provided within the framework of multi-annual operational programmes with split commitments.

The overall objective of assistance under the environment and climate action sector programme is to contribute to a cleaner environment and improved quality of life through sound management of natural resources and reduction of pollution. The IPA II contribution amounts to EUR 44.4 million for the period 2014-2016. Support will focus on three core areas: approximation of environmental and climate change legislation, investment in water and waste management and sustainable development.

The overall objective of assistance under the transport sector programme is to support the conditions for sustainable development through improvement of the transport infrastructure. The Operational Programme has three core priorities: road, rail and horizontal measures. IPA II support in the period 2014-2016 will focus on two of them: road transport infrastructure (Action 4 in the Multi-annual programme), horizontal sector assistance (Action 5 in the Multi-annual programme).

Sector: Environment and Climate Action

INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS (INDIRECT MANAGEMENT DELEGATION AGREEMENT)	
Action 1 Approximation of environmental and climate change legislation in priorities areas	EUR 6,470,000.00	./.	./.
Action 2 Investments in water and waste management (except for Activity 2.1)	EUR 33,895,000.00	./.	./.
Action 3 Support to sustainable development – energy efficiency (except for Activity 3.1)		Action 3 / Activity 3.1: Implementation of pilot measures for sustainable use of natural resources	EUR 4,000,000.00
TOTAL	EUR 40,365,000.00	TOTAL	EUR 4,000,000.00

Sector: Transport

INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS	
Action 4 Road transport infrastructure	EUR 35,400,000.00		
Action 5 Horizontal sector assistance	EUR 1,506,609.70		
TOTAL	EUR 36,906,609.70		

3. IMPLEMENTATION OF ASSISTANCE

The country continued to implement its commitments under the Stabilisation and Association Agreement (SAA). Regular political and economic dialogue between the EU and the country continued through the structures set up by the SAA. Meetings of the Stabilisation and Association Committee and the Stabilisation and Association Council took place in June and July 2014, respectively. The former Yugoslav Republic of Macedonia is engaging in the reinforced multilateral economic dialogue with the Commission and with EU Member States, in order to prepare for participation in multilateral surveillance and economic policy coordination under the EU's Economic and Monetary Union. No meetings of the High Level Accession Dialogue took place in 2014.

IPA assistance has continued to play an important role in meeting the general objectives of the DG's Management Plan as regards the former Yugoslav Republic of Macedonia. With regards to IPA I, while the contracting and disbursement of funds under centralised management is largely on track, there were substantial de-commitments of funds managed by the beneficiary country under the Decentralised Implementation System (DIS). For the IPA 2010 national programme, the contracting deadline fell within the reporting period and 12 out of 31 procurement procedures did not succeed, leading to overall financial de-commitments of EUR 11.3 million. The main reason for de-commitment is the late start of procurement preparations. To date, no significant contracting achievements can be reported on national programmes 2011, 2012 and 2013 and further losses of funds are likely.

The implementation of EU financial assistance under (DIS) often faces problems of commitment, planning and sustainability. Many beneficiary institutions do not have the necessary human and material resources to successfully implement and follow up on the projects. This results in a situation where technical assistance often substitutes for the national administration instead of accompanying it. Several systemic challenges on the side of the national authorities, reported previously, persist. This also compromises the sustainability, impact, visibility and monitoring and evaluation of EU financial assistance.

The contracting and implementation of EU assistance under direct management is smooth, except for cross-border cooperation programmes. The complex type of procedures for selection and contracting of projects, as well as the lack of management capacities and

commitment by national counterparts, cause substantial delays. The on-going technical assistance contracts cannot compensate for the lack of staff in the national operating structure. Temporary assignments of external staff do not ensure sustainability of operations. Despite some improvements, it is important that the relevant Ministry further strengthens the coordination efforts and efficiency of the Joint Technical Secretariat.

Public Administration Reform

Technical Assistance to the Ministry of Information Society and Administration and Strengthening the Implementation of the National System for Training Coordination (contract amount EUR 1,095,000, of which IPA EUR 985,500)

The Project assisted the Ministry of Information Society and Administration in developing nine pieces of implementing legislation related to the new laws on administrative servants and on public employees. It provided administrative training in various areas to 1,250 civil servants, of which about half were from the minorities - people being employed through the programme for equitable representation but not deployed to final institution of employment. It developed ten micro-learning and six e-learning modules. The project increased capacities through trainings for various administrative purposes, but also for functional analysis and legislative drafting.

Enhancing the administrative capacities of telecom and media authorities for efficient regulation of new digital and multiple play services (contract amount EUR 854,900, of which IPA EUR 769,410) – service contract

The project helped to develop implementing legislation, providing the regulators with tools for policy-making and enforcement of decisions. The staff of the beneficiary institutions were provided with valuable information and tools which will be used in their everyday work. The project also contributed to the development of a quality management system, for monitoring hate speech and effectively managing digital rights.

Justice, Home affairs and Fundamental Rights

Integrated Border Management (total contract amount EUR 4,598,595, of which IPA EUR 3,568,736.25):

The project helped to complete the existing digital radio TETRA communication system. Within the frame of third phase implemented under IPA 2009 assistance programme, the full coverage of 90% was reached of the country and proper lines of communication were established between the police's operational branches which are expected to provide support for the day-to-day operation of the Ministry of Interior's services, optimising coverage in terms of population and territory, including main highways, green border lines and international border-crossing points.

Agriculture and Rural Development

Supply of rabies vaccines (contract amount EUR 1,700,000, of which IPA EUR 1,275,000):

Three vaccination campaigns were successfully implemented between 2012 and 2014. The project was completed successfully, contributing to the eradication of an animal disease which might have an impact on human health.

Transport

During the reporting period, the contracting rate increased with the signature of eight contracts: Rehabilitation of the Railway Station Skopje, Rehabilitation of road section Veles-Katlanovo, Reconstruction of the rail section Bitola Kremenica, Design study for rail section Kicevo-Lin and Road Safety. The IPA 2009 national programme contract for strengthening the administrative and operational capacity of the State Transport Inspectorate has been completed.

Environment and climate change

In the environment sector, progress has been achieved both in programming and in contracting. In 2014, ten contracts were signed including the contract for construction of a waste water treatment plant in Prilep. All contracts related to preparation of technical and tender documentation for the investment projects to be constructed within this OPRD are currently ongoing.

Social development

Social development sector has been addressed under the Operational Programme for human resource development (IPA Component IV). In the area of labour and social policy, a twinning project supported the Employment Service Agency in designing and implementing active labour market measures, in particular targeting youth as one of the most affected groups.

4. IMPLEMENTATION MODALITIES AND STRUCTURES

Decentralised (indirect) management

Under the decentralised implementation system (DIS), minor improvements were noted. The office of the National IPA Coordinator (NIPAC) continued its effort to monitor IPA implementation and secure higher commitment of involved ministries. The central finance and contracts department (CFCD) has, despite higher losses of funds, enhanced its autonomy and improved quality of procurement files, while relying less on the *ex ante* checks by the EU Delegation. Lessons learned included also the practice of earlier nomination of evaluation committees than in 2013, which should speed up tendering procedures.

Some weaknesses have, however, persisted. The administrative capacity remains weak. Procurement plans were not realistic, leading to significant delays. Tender procedures take too long and the time before contracting is excessive. Despite some improvements, there is insufficient capacity in some line Ministries to ensure adequate quality of tender documents. Inter-institutional coordination needs to be improved to allow for the whole system to learn from common and very often repetitive mistakes in procurement documents.

The Commission continues to address the challenges in a constructive manner with the national authorities, including training. The national authorities have prepared a DIS Action Plan in order to address key shortcomings leading to the reduced absorption of financial assistance. Several trainings on procurement were provided by the EU Delegation to national authorities.

5.- SUCCESS STORIES

TETRA project

In its three phases, the project helped to set up a secure digital police radio system ("terrestrial Trunked Radio – TETRA). Approximately 5,500 radio terminals of various types (fixed, vehicle installation, hand-held) have been supplied. The full coverage of 90% of the country was reached. Communication lines were established among the police's operational branches. It is envisaged that the Tetra system will be extended to all other emergency services, such as ambulances or fire brigades.

TETRA phase 1 (contract amount IPA EUR 5,145,143 under CARDS 2004)

TETRA phase 2 (contract amount IPA EUR 3,999,959 under IPA 2008)

TETRA phase 3 (contract amount IPA EUR 2,849,996.25 under IPA 2009)

Public Administratio Reform

The project **Strengthening the capacity of the Customs Administration** consists of three contracts (total EU contribution EUR 2,428,301.25). The project encompassed software development, support to the beneficiary institution in managing the software development project and establishing the required procedures and organisational set up in the area of integrated tariff environment, as well as a supply of the necessary hardware to support the use of the software application. The software design had to be readjusted and developed as a unique solution. The system which was developed will serve as a tool both to the Customs Administration and the economic operators in the process of customs clearance

KOSOVO

1. SUMMARY

In 2014 the Commission introduced IPA II and its programming process to the government of Kosovo and worked closely with all stakeholders to ensure that the new approach is well understood. Several meetings were organised to present and discuss the new framework for IPA II as well as the new financial regulation. The 2014 Annual Programme was prepared and approved by the IPA Committee in November 2014, and adopted in December 2014, with an allocation of EUR 66.05 million.

In 2014 the implementation of IPA I programmes continued smoothly, including the roll out of the IPA 2013 programme in support to the 19 April 2013 dialogue agreement between Pristina and Belgrade. The Palace of Justice, a major infrastructure project in support to the improvement of the rule of law in Kosovo, was completed at the end of 2014.

With regard to Cross-border Cooperation (CBC) programmes, a number of difficulties were encountered during 2014 which resulted in a failure to contract the 2011 allocations reserved to finance projects under the CBC programme Albania-Kosovo and the 2010 allocations reserved to finance projects under the former Yugoslav Republic of Macedonia – Kosovo programme. Measures have been introduced to prevent and to mitigate the risks related to management of CBC programmes. Nevertheless, the other allocations for the two programmes have been successfully contracted, and the awarded projects will start in 2015. The 2014-2020 CBC Programmes between Kosovo and the former Yugoslav Republic of Macedonia, Albania and Montenegro were adopted, as well as the respective allocations for the year 2014.

2. STRATEGIC PLANNING AND PROGRAMMING

Indicative Strategy paper

In 2014 the preparation of the Indicative Strategy Paper for Kosovo 2014-2020 was finalised. The Indicative Strategy Paper was developed with the view of 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. The Indicative Strategy Paper for Kosovo was adopted on 20 August 2014. A select number of sectors were identified in close cooperation with the Kosovo authorities and the donor community, and were consulted with stakeholders, including civil society organisations. The sectors selected are: democracy and governance, rule of law and fundamental rights; energy; competitiveness and innovation; education, employment and social policies; agriculture and rural development.

Objectives of the Democracy and Governance sector: to support Kosovo in creating a depoliticised, reliable, transparent and accountable public administration, able to provide an efficient service to the citizens and the business community, and in line with EU standards; to support the strengthening of the economic governance with a focus on strategic planning and preparation to the indirect management by Kosovo. This will include the strengthening of

public finance management and the reinforcement of tax administration and tax collection. An additional objective is to reinforce civil society, in order to stimulate participatory democracy.

Objectives of the Rule of Law and fundamental rights sector: to support creation of an accountable, independent, and efficient judicial system aligned to EU legislation and best practice; to enhance the capacity to prevent, investigate, prosecute and convict cases of organised crime and corruption; implementation of the legal framework for the protection of human rights and protection of minorities, including creating sustainable livelihoods and durable integration into society for returnees, internally displaced persons (IDPs) and refugees who want to settle in Kosovo.

Objectives in the Competitiveness and innovation sector: to improve the capacity to design and implement competitiveness related policies, increase the competitiveness of the Kosovan economy, including services sector, manufacturing as well as provision of public services related to the needs of the private sector.

Objectives in the Energy Sector: to support Kosovo ensuring a reliable energy supply to citizens and enterprises, and aligning its legislation to the EU energy standards. Regarding energy production, the objective is to contribute to the reduction of its environmental and health impact.

Objectives in the Education, employment and social policies sector: to support Kosovo in implementing the employment and welfare strategy and improving the institutional capacities to design and implement effective policies and active labour market measures. In education, within the Kosovo Education Strategic Plan 2011-2016, Kosovo identified the reduction of the number of shifts in schools as a key objective.

Objectives in the Agriculture and Rural Development sector: to increase substantially the competitiveness of Kosovo agriculture and food production; to raise the food safety standards of Kosovo products; to improve the living standards of Kosovo's rural population.

Kosovo	2014	2015	2016	2017	2018-2020	Total 2014-2020 (*)	Of which climate change relevant (%) (**)
a. Reforms in preparation for EU integration	37	34	31	36	99	237	0
Democracy and governance	66				48	115	0
Rule of law and fundamental rights	72				51	122	0
b. Socio-economic and Regional development	20	38	33	30	117	238	80
Energy	45				55	100	
Competitiveness and innovation	76				63	138	

c. Employment, social policies, education, promotion of gender equality, and human resources development	15	7	10	16	46	94	0
d. Agriculture and rural development	12	7	15	10	36	80	20
TOTAL	84	86	89	92	294	645	

Programming exercise

In 2014 the Annual Programme IPA 2014 has been developed and it was adopted on 11 December 2014. The overall envelope of the programme is EUR 66.05 million, covering five sectors: democracy and governance; rule of law and fundamental rights; energy; competitiveness and innovation; agriculture and rural development.

The actions included in the Annual Programme IPA 2014 will contribute to the implementation of existing sector strategies and help Kosovo address the challenges it faces in the respective policy areas. IPA 2014 also allocates funding to the creation of a project pipeline for future sectorial investment and includes an allocation for political priorities to support the continuing normalisation of Kosovo-Serbia relations. The programme is to be implemented partially in direct management and partially through indirect management with international organisations.

In 2014 Kosovo also started developing its first Sector Planning Documents, working documents used to steer the introduction of a fully-fledged sector approach, which will be the basis for mid-term programming of IPA assistance.

SECTOR	BUDGET
Democracy and Governance	EUR 17 300 000
Rule of Law and Fundamental Rights	EUR 20 600 000
Energy	EUR 5 500 000
Competitiveness and innovation	EUR 12 150 000
Agriculture and Rural Development	EUR 10 500 000

3. IMPLEMENTATION OF ASSISTANCE

In 2014 the implementation of the IPA I programmes went smoothly. During the reporting period the EU Office signed 212 contracts for a total of EUR 79.3 million. This 88.3% achievement represents a nominal 15% increase on the 2013 figures.

During the same period, for the contracts allocated to Kosovo, a total value of EUR 91.1 million was disbursed, 15% more than in 2013.

Part of the progress achieved in 2014 can be explained by achieving full staffing of the Finance and Contract Section although the situation towards the end of the year is more or less back at the end-2013 level with three posts vacant. The main reason is greater efficiency, improvement of procurement methodology and efficient use of resources. The main hurdle in procurement remains the delays experienced in the preparation of tender files: mitigation measures have been introduced, in particular by increasing cooperation between task and procurement managers at the earliest stage, contributing to speed up the process.

Justice and Home Affairs

IPA project support Kosovo in the process of strengthening the judiciary and its efforts in fighting corruption and organised crime, including in areas such as civil justice. The IPA 2013 intervention "*Support to Civil Code and Property Rights*" aims at strengthening the rule of law and approximate domestic legislation of Kosovo with the European standards in the area of civil law and property rights. The project is focussing in particular on: (a) conduct an overall analysis of the existing civil code related laws in Kosovo and, on the basis of that, to draft a comprehensive civil code in compliance with EU acquis, and to (b) conduct an overall analysis of property rights in Kosovo and, on the basis of that, to start the process of improving the overall coherency of the regulatory framework on property rights. The implementation started in July 2014, and started already delivering positive results, despite the political stalemate that characterised Kosovo during most of 2014.

The visa liberalisation dialogue continued in 2014 with the Commission issuing its second report on Kosovo's progress in July, following expert missions in the spring. Despite the political stalemate, work at technical level has continued also through IPA support.

IPA 2012 "*Strengthening criminal investigation capacities against organised crime and corruption*" project aims strengthening criminal investigation capacities on central and local level in order to effectively fight organised crime and corruption, including strengthening of the Kosovo Police internal oversight mechanisms as well as facilitating regional cooperation. The project directly addresses some of the key issues identified under Block 3 of the visa liberalisation dialogue.

Private Sector Development

In 2014 the IPA 2008 project "Extension of Water Treatment Plant at Shipol, Mitrovicë/Mitrovica" was finalised, for a total value of EUR 10 million. The project has managed to improve the potable water supply for approximately 250,000 inhabitants in Mitrovicë /Mitrovica region, both in the South and in the Northern part.

One of the main focuses of IPA assistance in the sector in 2014 has been the support to North of Kosovo, in particular to its socio and economic development.

"Support to Young Farmers and Semi-Subsistence Farms" in Northern Kosovo, through an allocation of EUR 0.25 million, contributed to improve the conditions of primary agriculture production for 9 small farmers, particularly in beekeeping, cattle breeding and vegetable production. Additional EUR 0.5 million allocated to "Support to dairy, meat, fruit and vegetables processing sub-sectors of agriculture" improved the overall capacities of 2 agri-food processing establishments of regional importance, in municipality of Leposavic and Zubin Potok.

Improvements are already evident in increased primary production, higher commercialization and income generation. Processing potential of the region is increased as well, particularly in enhanced capacities and better food quality and safety standards.

Moreover in 2014 the EU Office signed 67 grants contracts as part of the IPA 2013 part II programme, with a total of EUR 8.5 million in the areas of basic municipal infrastructure and support to private sector development. These grants will have a direct impact on alleviation of unemployment, strengthening agriculture, environment, business and civil society sector, improving economic situation, social cohesion, integration and cooperation.

Public Administration Reform

One of the major achievements in the relations between Kosovo and the European Union has been the completion of the negotiations on a Stabilisation and Association Agreement (SAA) between the Commission and Kosovo early in May 2014. Initialling of the SAA took place on 25 July 2014.

IPA supported and continues to support Kosovo in introducing the EU the standards and in preparing to implement future obligations stemming from the SAA. A number of projects have been implemented in 2014, in particular in the areas of strengthening human resources capacities of Kosovo public administration, public finance management, trade, and competitiveness.

The IPA 2013 "Support to Kosovo's policy and strategic planning" project has the precise aim to strengthen the capacities of the Strategic planning Office of the Prime Minister Office, in developing meaningful public policies and contributing to effective Government decision-making that integrates Kosovo's overall development agenda with the European approximation agenda and available resources. The activities under implementation are in particular supporting the Strategic Planning office and the other relevant stakeholders in the Kosovo administration in developing a Kosovo Development Strategy, which shall underpin the overall policy planning of Kosovo in the years to come.

Kosovo needs to address systematically public finance management reforms, in particular by improving the link between strategic planning and the budget preparation process. In this respect IPA is supporting Kosovo in addressing these key issues through a number of interventions, including the IPA 2012 projects " Support to the Ministry of Finance" and " Public Finance: Strengthened budget planning process". The support to the Ministry of Finance, under implementation since 2013, is contributing to the improvement of Kosovo's participation in more integrated economic and fiscal surveillance and to the improvement the fiscal decentralisation process in Kosovo, by ensuring a closer link between budget and service delivery at local level.

The support to the budget planning process on the other hand strengthen the budgeting process through supporting the systems' sustainability and improving the use of the Public Investment Programme (PIP) and Budget Development Management Systems (BDMS) by budget organisations.

4. IMPLEMENTATION MODALITIES AND STRUCTURES

In Kosovo all IPA assistance is delivered through direct management and indirect management with international organisations, International financing institutions and Member States Agencies.

Monitoring

Kosovo was included in the target area of the Result Oriented Monitoring (ROM) project managed by DG Enlargement's Regional and Horizontal Programmes Unit. Accordingly, all ongoing contracts with a value of more than EUR 1 million are subject to ROM which provides an independent opinion on the effectiveness, efficiency and the impact of project implementation.

During the reporting period 20 projects (corresponding to 20 contracts) of a total value of approximately EUR 29.44 million were subject to ROM. Overall, the performance of these projects has been assessed as high. In particular, 7 out of 20 projects achieved above-average ROM grades and were in ROM category I, while 4 projects were in ROM category IIa.

The EUO ensures that the ROM recommendations are taken on board.

Evaluation

Two evaluations were completed in 2014:

All projects in the energy sector funded under IPA I since 2007 were evaluated in terms of the effectiveness of the support provided to the capacity building pertaining to the implementation of the Energy Community Treaty.

Evaluation of the contribution of the IPA assistance provided to the regional development structures (Regional Development Agencies and Association of Regional Development Agencies) and through Regional Economic Development Grant Schemes to the economic development of Kosovo regions.

Both evaluations provided information and recommendations on the support given until now, the impact delivered and what further steps to undertake in the two relevant sectors. The Commission has taken on board these recommendations as the future assistance in these sectors is programmed.

5.- SUCCESS STORIES

IPA 2011: EU-Community Stabilisation Programme Phase II (EU-CSP II) - (EUR 3.0 million)

The project is towards its final stage of implementation and its specific objective of the action was to strengthen the socio-economic sustainability and integration of ethnic minority communities by supporting viable income and employment creation within the wider Kosovo economy and society. Under this intervention until now 284 community based projects have been supported, of which 220 were individual businesses and 64 community development projects, which resulted in creating/securing almost 800 jobs in community areas.

IPA 2008: Improving District Heating in Pristina - (EUR 14,0 million)

This project is part of the Western Balkans Investment Framework (WBIF), a joint initiative of the European Commission and IFIs to support investments for socio-economic development of the Western Balkans through combined grant and loan financing. This is one of the biggest projects in the energy sector in Kosovo and has pulled together funds from different donors including the EU contribution of EUR 14 million, contribution of the German Government and the KfW Development Bank with EUR 15 million, Pristina municipality and government of Kosovo with EUR 5 million, and the Swedish International Cooperation Development Agency (SIDA) and Luxembourg with EUR 3,4 million.

The project has linked the district heating network of Pristina with the cogeneration unit installed at Kosovo B power plant. The project became operational in November 2014. In the past the district heating plant used to burn heavy fuel oil in order to heat the water that was then circulated into the network to reach the consumers. The use of heavy fuel oil was very expensive; it increased the operating cost of the company and made it impossible for the company to invest on maintenance and on expanding the system. With the cogeneration project the company has reduced by half the operating cost. The environmental benefits are also evident because there is no longer air pollution in the city due to burning heavy fuel oil which contains sulphur.

In 2015 the project will deliver rehabilitation of about 15% of the pipes and substations in the network. The network is very old and over 60% of the pipes and substations need to be replaced in order to reduce and minimise the heat losses. The networks also need to be extended to take benefit of the full heat production capacity available from the cogeneration (140MWth). The existing network covers only 23% of the heat demand in Pristina and with the extension up to available heat supply capacity the district heating company will serve over 40% of the heat demand.

This project is not only important for Pristina, it has a much bigger impact on Kosovo's energy outlook and security of supply. The project has an impact on reducing the use of electricity for heating, which has positive implications on the electricity balance of Kosovo.

MONTENEGRO

1. SUMMARY

In 2014 Montenegro made further progress in the accession negotiations. During the year, ten additional chapters were open, bringing the total to sixteen chapters opened, out of which two chapters have been provisionally closed. The programming and implementation of EU financial assistance for Montenegro during 2014 took place in the context of on-going accession negotiations and transition to the IPA II framework for the financial period 2014-2020.

As regards the programming of IPA, efforts during 2014 were focused on the finalisation of the Indicative Strategy Paper (ISP) for Montenegro 2014-2020 and on the preparation of the 2014 Annual Action Programme. Furthermore, steps were taken towards the implementation of the sector approach, with the preparation of planning documents for all IPA sectors, as well as with the launch of preparations for future sector budget support interventions.

The implementation of financial assistance under IPA I continued in 2014. IPA 2007-2011 Component I Programmes have been fully contracted and IPA 2012-2013 is well underway. IPA Component II also showed a high rate of implementation. At the end of 2014, there were 212 ongoing IPA contracts for a value EUR 86.5 million.

In 2014, Montenegro has been indicatively allocated an amount of EUR 39.6 million. The funds allocated to 2014 Action Programme amount to EUR 35.7 million, while the rest has been assigned to Civil Society Facility and Regional Housing Programme.

During 2014, Montenegro made good progress regarding preparations for decentralised management the conferral of management for IPA Component III and IV was finalised in April and July 2014 respectively.

2. STRATEGIC PLANNING AND PROGRAMMING

Indicative Strategy paper

The Indicative Strategy Paper for Montenegro was finalized in the first half of the year and adopted by the Commission in August 2014. The document sets out priorities for EU financial assistance in the period of 2014-2020 with the aim to support Montenegro on its path to EU membership. In this respect, in providing financial assistance to Montenegro preference is given to those areas where reforms and investments are most needed to meet the accession criteria while taking into account the capacities of the country to meet these needs.

Therefore, Rule of law and fundamental rights and Democracy and governance continue to be priorities under IPA II. 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. In this regard, the Strategy Paper sets out that IPA II will contribute to the socio-economic development and implementation of structural reforms. 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.

Indicative allocation per year/sector

Montenegro	2014	2015	2016	2017	2018-2020	Total 2014-2020
Democracy and governance	29.1				17.8	46.9
Rule of law and fundamental rights	31.6				20.7	52.3
Environment and climate action	18.8				18.7	37.5
Transport	20.2				11.8	32.1
Competitiveness and innovation	12.3				8.9	21.2
Education, employment and social policies	15.3				12.8	28.1
Agriculture and rural development	24.7				27.7	52.4
TOTAL	39.5	35.6	37.5	39.6	118.5	270.5

Programming exercise

Programming activities in 2014 focused on the finalisation of the Indicative Strategy Paper (ISP) for Montenegro and the preparation of the 2014 Annual Action Programme. The Commission adopted 2014 Annual Action Programme on 10 December 2014. In addition, initial work was done in preparation for Sector Budget Support (SBS) Programme in 2015 and multi-annual Sector Planning Documents (SPDs).

In its 2013-2014 Enlargement Strategy, European Commission emphasised the need to address fundamental reforms first. This policy priority guided the selection of sectors for 2014 Action Programme. Therefore, emphasis was placed on democracy and governance; rule of law and fundamental rights and the improvement of economic governance and competitiveness. In the 2014 Action Programme, six out of eight sectors identified in the Indicative Strategy paper were addressed. The programme was adopted by the Commission on 10 December 2014.

The 2014 Programme includes actions in the Democracy and Governance sector that address the reform of the public financial management (PFM) system, which is an integral part of the public administration reform (PAR). Furthermore, the programme supports Montenegro its efforts to align with the EU acquis in the areas of taxation, customs and procurement. In the

Rule of Law and Fundamental Rights sector, the programme will support the implementation of the Action Plans for Chapters 23 and 24 with a focus on the judiciary and the fight against organised crime and corruption as well as on anti-discrimination and gender equality policies.

In the Environment and Climate Action sector, the programme will support the harmonisation of the national legislation, especially in relation with the water directive, and an improved administrative capacity in line with the requirements of EU *acquis* on environment. The Transport sector will aim, on the one hand, at improving the road transportation systems while, on the other hand, at promoting the connection Bar-Belgrade through the rehabilitation of a section of railways in Montenegro. The IPA II 2014 Action Programme will contribute in the Competitiveness and Innovation sector to improving the business environment and supporting Montenegro in aligning and implementing the EU *acquis* related to financial services and internal market. Lastly, in the Agriculture and Rural Development sector, two actions will address the subsectors veterinary and fishery.

Finally, EU integration Facility will support IPA II implementation and programming as well as the preparation of the negotiation process in the sectors not otherwise addressed in the Programme.

In addition to the actions included in this Programme, the Regional and Territorial Cooperation sector will be supported in 2014 through multi-country action programmes, Cross-Border Cooperation Programmes and ERDF trans-national cooperation programmes.

As regards Cross Border Cooperation under IPA II, 2014 was devoted to the process of programming of IPA II for three transnational programmes MED, Danube and the Adriatic-Ionian programme, two trilateral programmes (HR-ME-BiH and IT-ME-AL) and four bilateral CBC programmes. Montenegro will manage two bilateral programmes as single contracting Authority under indirect management.

Allocation by sector according to 2014 Programme

	Indirect management By IPA II beneficiary	Other implementation arrangements (Direct management by the EU Delegation)
Democracy and Governance	EUR 9 827 920.00	EUR 4 604 080.00
Rule of Law and Fundamental Rights		EUR 5 035 000.00
Environment and Climate Action	EUR 935 000.00	EUR 1 900 000.00
Transport	EUR 5 175 300.00	
Competitiveness and Innovation	EUR 5 350 000.00	
Agriculture and Rural Development		EUR 2 880 000.00

3. IMPLEMENTATION OF ASSISTANCE

Implementation of IPA projects advanced well in 2014: IPA 2007-2011 Component I Programmes have been fully contracted and IPA 2012-2013 is well underway. IPA

Component II also shows a high rate of implementation. At the end of 2014, there were 212 ongoing IPA contracts for a value EUR 86.5 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 contracts.

IPA financial assistance supported the preparation and implementation of the Actions Plans for Chapters 23 and 24 which is the key policy framework for the negotiations of these Chapters. The implementation of these funds also contributed to the opening of chapters in the accession negotiations during 2014, as most institutions involved in this process benefitted to some extent from pre-accession assistance.

There were 151 TAIEX events in Montenegro in 2014. The EU Delegation contracted one twinning and three twinning light projects with Member States for a total value of EUR 1.75 million. IPA also contributed to pay the entry ticket to five Union Programmes in which Montenegro participated: Europe for Citizens 2012-2013, Lifelong Learning programme (2007-2013) for the year 2013, Creative Europe for the year 2014, Horizon 2020 (for the year 2014) and ICT Policy Support Programme year 2013.

Sector I: Justice and Home Affairs and Fundamental Rights

During 2014, IPA financial assistance supported the preparation and implementation of the Actions Plans for Chapters 23 and 24 and specifically contributed to strengthening the administrative capacity of the law enforcement, judicial, anti-money laundering and prosecutorial authorities which resulted in the consolidation of the track record of investigations, indictments, prosecutions and convictions of organised crime and corruption cases. Other key deliverables obtained with IPA support include feasibility studies and gap-needs analysis for the adoption of the Schengen Action plan which is underway. In the area of fundamental rights, key achievements included amendments to the Laws on Anti-discrimination and Ombudsman, further aligning the national framework with EU standards and the strengthening of the institutional capacities of the Ombudsman and Constitutional Court. The Law on Gender Equality was also amended and activities in terms of combating violence against women and empowering women in economic and political life continued. Coordinators for gender equality were appointed in 105 institutions in Montenegro.

Sector II: Public Administration Reform / Market economy / Economic Governance

In the area of Public Administration Reform (PAR), IPA support resulted in the improvement of the legislative framework through adoption of the Law on General Administrative Procedures and the development of an awareness and training programme on the new legal provisions. In public finance, IPA support resulted in the conferral of management powers for the implementation of IPA Components III and IV as well as the gradual adaptation of the systems to the requirements of IPA II. Special focus was put on introducing an improved audit methodology of the Audit Authority. As regards state aid, IPA support resulted in the establishment of a modern state aid registry. Significant support was delivered in statistics to improve the national accounts, business and agricultural statistics. In the areas of economic governance and market economy IPA support was very successful in improving the capacity of the Agency for protection of competition and judiciary to work on anti-trust and merger cases, which resulted in a general improved enforcement record. The strategy and action plan for free movement of goods were adopted with IPA support. IPA financial assistance also resulted in the adoption a new Law on General Product Safety and in launching the harmonisation process for transposition of the Services Directive.

Sector III: Environment and climate change

The projects implemented during 2014 in the area of environmental protection were mainly related to preparation of National Waste Management Strategy and National and Local Waste Management Plans. A project related to construction of waste water treatment station in Pljevlja is still ongoing. Projects related to design of an Environmental Information System for the Environmental Protection Agency, preparation of a climate change strategy and provision of technical assistance to the Operating Structure for IPA Component III commenced implementation in 2014.

Sector IV: Transport

In the area of maritime safety, the Vessel Traffic Management Information System (VTMIS) and response to marine pollution incidents has enhanced the administrative and technical efficiency of the Maritime Safety Department (MSD) in the field of monitoring of vessels, with special regard to vessels carrying dangerous and polluting goods. This is the first phase of the VTMIS establishment in Montenegro, which will enable the country to fulfil the future obligation as a Member State to monitor the part of the Adriatic Sea between Montenegro and Italy and to actively participate in disaster prevention in the region. Due to very specific Montenegrin legislation in the area of water bound transportation, those activities led also to the first steps in the restructuring of the inland water ways legislation.

Sector V: Social development

The reform of the social protection system and development of the civil society sector have continued to be priorities under IPA in 2014 and concrete improvements have been achieved. Within the IPA financed Social Welfare System Reform project, the Institute for Social and Child Protection was established in the second half of 2014. The tasks of the institute will include performing advisory, research and professional activities, monitoring the quality of professional work and service provision in the area of social and child protection, providing supervisory support, organizing capacity development activities, licensing professionals, advising the relevant Ministries on enhancing existing and introducing new quality standards and social policies. The development of Local Social Inclusion Plans (LSIPs) with respect to social services and partnership building among different actors in the field of social protection on local level, has been facilitated in 15 (70%) of Montenegrin municipalities. The functioning of 23 community based social services in nine municipalities has enabled 3,000 beneficiaries to access social services. This included a Day Care Centre for children with disabilities in Podgorica which was reconstructed and fully equipped. The first small group home for children without parental care has been constructed and equipped in Bijelo Polje. Support was also provided to the Public Institution “Komanski most” in setting up a department for persons with heavy autism and persons with behavioural disorders and education of personnel to work with autistic persons.

Sector VI: Agriculture and rural development

In the area of rural development, IPA financial assistance continues to prepare the Montenegrin administration for future decentralised management of EU pre-accession funds dedicated to rural development. In the veterinary area, IPA is providing support to further align Montenegrin legislation with the EU legal and regulatory framework in areas of animal health and welfare, identification and registration of animals, import requirements for live animals and animal products and the use of veterinary medicinal products. With IPA support, the Animal Identification and Registration System has been extended to include pigs besides bovines and small ruminants introduced within previous IPA supports and the fifth and sixth oral rabies vaccination campaigns were successfully implemented thus the efforts in eradication of this zoonosis have continued.

Cross-border Cooperation

In Montenegro the implementation of the ongoing five bilateral CBC programmes, financed under the programming period 2007-2013, is approaching its final stage. So far around 190 bilateral and transnational cross-border projects with a total value of more than EUR 30 million have been implemented in Montenegro. The strategic project under the Cross-border programme Albania-Montenegro aiming to improve the infrastructure at two important border-crossing points was confirmed to have a significant impact for the cross-border traffic between two countries, specifically in terms of fostering economic relations, connectivity and reducing illegal border-crossing activities. The participating countries and EU Delegations are coordinating closely in the design and implementation of the related infrastructural works. During 2014 several bilateral CBC projects established fruitful synergies, either between projects or between partners. Overall, the Cross-border programmes in Montenegro, although mostly dealing with limited funds, proved to be an important instrument of preparation for the future management of structural funds due to its accessibility for small and medium size, public and private entities at local level. At programme level, the participating countries, on the other hand, achieved smooth cooperation schemes based on a joint political commitment

4. IMPLEMENTATION MODALITIES AND STRUCTURES

The Commission Decisions for conferral of management for Component III Regional Development and IV Human Resource Development were adopted respectively in April and July 2014. The Financing Agreements between the Government of Montenegro and the European Commission on the Operational Programmes "Regional Development 2012 – 2013" and "Human Resources Development 2012-2013" were signed and entered into force in December 2014. The two operational programmes "Regional development" and "Human Resource Development" are under implementation and benefit from substantial IPA technical assistance covering subject, technical, institutional, legislative and procedural aspects. The Sectorial Monitoring Committees for the two operational programmes took place in December 2014. The activities related to the preparation of projects are progressing well.

For internal reasons the Commission took a decision not to decentralise the management of the EU funds under Components I: Technical assistance and Institutional building and II: Cross-Border Cooperation, the latter regarding the last two annual allocations under IPA I, which are thus being managed by the EU Delegation.

As regards IPA Component V, Rural development, the institutional set up is now complete. The capacity of the IPARD agency - Directorate for payments in the Ministry of Agriculture and Rural Development, was upgraded. The accreditation package was audited by an external audit company. The major findings for the IPARD Agency and the Managing Authority are related to human resource management. IPA support is provided for the operating structure and the national fund. The programme has not yet been adopted.

In the reporting period, Results-Oriented Monitoring (RoM) missions were undertaken for 12 projects for a total EU primary commitment of EUR 6.06 million. Out of 12 projects, 6 were under implementation, and 6 projects had been completed and were monitored ex-post. Two projects had a primary commitment in excess of EUR 1m. The average score of the ongoing projects' performance was 2.77 on a scale from 1 (serious deficiencies) to 4 (very good), while the average score of the six ex-post monitored projects' performance was 2.94. The

2014 RoM report indicates that the projects monitored had good relevance (project design), efficiency and impact but lower potential sustainability.

There have been 57 monitoring missions by Programme Managers outside Podgorica in the reporting period. In addition to regular ongoing monitoring by Programme Managers and Joint Technical Secretariats, three external monitors, financed under the EUD ATA budget, visited and completed monitoring reports for 33 grant projects. 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 11 December 2014. This meeting was used to monitor the implementation of IPA funds and to identify jointly with the national authorities mitigating strategies/solutions were problems arose. The meeting was also an opportunity to take stock of the progress in preparing for Conferral of Management for all IPA Components.

5. SUCCESS STORIES

IPA 2010 Rehabilitation of the Pump Station Duklo in Nikšić (EUR 431,539)

This project aimed to improve the regularity of water supply for households and businesses in the upper part of the city. With the installation of a modern pumping station the project was successful in improving water supply. The project/This included procurement and installation of the Pump Station Duklo; works for replacement of existing roof construction, locks, floor and wall ceramic sanitary, replacing wiring and lighting, construction of electrostatics floor and inner paintworks and procurement of tank meter, flow meter, chlorometer, turbidimeter, cooling system, and two compressors. Furthermore, the project raised the awareness of citizens on rational use of water.

IPA 2008-2009 MARUBI: a cooperative model for tourist promotion (EUR 423,504)

The goal of MARUBI project was to enhance the economic development of the Shkodra-Ulcinj cross-border area by building on its tourism potential and emphasising the common cultural heritage and natural beauty of the area. The project sought to screen and classify famous photographs of the Marubi family and to design a concrete route, which would connect and valorise the rich artistic and historical heritage of the region, to add to the attraction and entertainment for tourists and visitors. The project has resulted in the Marubi path, and a permanent itinerant exhibition on the Marubi collection. In addition, it enhanced competences of local economic and tourism operators, developed instruments for tourism promotion and the Marubi patrimony was inserted within local and European networks.

The project encompasses/contains all aspects of good practice in cross-border cooperation including partnership, impact, networking, visibility as well as sustainability. It has been seen as particularly innovative and efficient, with excellent dissemination and fair sustainability prospects. As a whole, the project has been recognised by the cross-border stakeholders as extremely important for the economic prospects and cultural life of the local communities. Moreover, there are indications that the local tourist organisations and other relevant stakeholders will ensure the sustainability of the results.

IPA 2013 Development of quality infrastructure (QI) and metrology (EUR 637,500)

The project has strengthened the capacity of Montenegro to meet the EU legislative, regulatory and technical requirements for free movement of goods through significant

improvement in the strategic and regulative framework for free movement of goods indicated by the Adopted Strategy for the Implementation of the *Acquis* in the Field of Free Movement of Goods 2014-2018, and a five-year Action plan with annexes containing 253 technical and non-technical national legal acts which could contain unjustified barriers to trade. The project has also provided a significant improvement in the understanding of the free movement of goods and product safety through training of 380 public servants, market surveillance inspectors and other stakeholders. Three laboratories (pressure, electrical quantities and time and frequency) have been prepared for accreditation by the National Accreditation Body (ATCG) and an accreditation body that is a signatory to an EA MLA (Croatia). The project has also established capacities for meeting EU and WTO-related obligations.

SERBIA

1. SUMMARY

After being granted candidate country status in 2013, EU accession negotiations have been launched at an Inter Governmental Conference in January 2014. In August the Commission adopted the Indicative Strategy Paper for Serbia for the period 2014-2020. This was the results of an important consultation process to identify the key sectors of EU financial assistance for the financial perspective. In parallel the IPA 2014 Programme has been prepared and adopted in December. Serbian authorities continued to move towards sectoral approach by improving sector coordination through the sectoral working groups and the improvement of sectoral strategic frameworks. In order to improve selection and preparation of infrastructure investment, Serbian authorities adopted a methodology for developing a Single Project Pipeline.

In 2014, Serbia has been severely affected by floods in May. Important funds have been allocated for recovery and reconstruction from reallocation under previous programmes and part of IPA 2014 allocation for Serbia.

On management of EU funds, Serbia has been granted with conferral of management power in March 2014 and the financing agreement has been signed in June for the implementation of this part of IPA 2013 under de-centralised management. However, reshuffling of the Government in July created delays in implementation.

2. STRATEGIC PLANNING AND PROGRAMMING

Indicative Strategy paper

The Indicative Strategy Paper for Serbia for the period 2014-2020 has been adopted on 19 August. The Strategy Paper identifies the priority sectors for EU assistance for a period of seven years. After intense consultations with Serbian authorities, with civil society organisations as well as donors including International Financial Institutions, focus has been decided on eight sectors: democracy and governance; rule of law and fundamental rights; energy; environment and climate action, competitiveness and innovation, agriculture and rural development; and, education, employment and social policies. The Strategy Paper sets for each sector the objectives, results, actions and indicators foreseen for EU assistance.

Indicative allocations per policy areas and per sectors¹²

Serbia	2014	2015	2016	2017	2018-2020	Total 2014-2020
a. Reforms in preparation for Union membership	95.1	61.4	77.9	78.4	230.2	543.0
Democracy and governance	177.8				100.2	278.0
Rule of law and fundamental rights	135.0				130.0	265.0
b. Socio-economic and Regional development	85.0₁₃	75.0	85.0	80.0	240.0	565.0

¹² Indicative Strategy Paper for Serbia (2014-2020), COM(2014)5872, p. 40.

Environment and climate change	85.0				75.0	160.0
Transport	90.0				85.0	175.0
Energy	80.0				45.0	125
Competitiveness and innovation	70.0				35.0	105.0
c. Employment, social policies, education, promotion of gender equality, and human resources development	15.0	40.0	20.0	27.0	88.0	190.0
Education, employment and social policies	102.0				88.0	190.0
d. Agriculture and rural development	0	25.0	25.0	30.0	130.0	210.0
Agriculture and rural development	80.0				130.0	210.0
TOTAL	195.1	201.4	207.9	215.4	688.2	1508.0

Programming exercise:

During 2014, further efforts have been made by Serbian authorities to improve the sector strategic framework to ensure a more targeted and more focused EU co-financing of national strategies and reforms. This process was led by the sectoral working groups under the leadership of the secretariat of the National IPA Coordinator (NIPAC).

Based on the priorities identified in the Strategy Paper, the 2013 Progress report and taking into account already planned and on-going assistance, it has been decided with Serbian authorities to focus the IPA 2014 Programme to a limited number of sectors. The 5 sectors covered by 2014 Programme are democracy and governance with an emphasis on public financial management and capacity building on EU *acquis*; rule of law and fundamental rights with a focus on home affairs and border management; energy; competitiveness and innovation; and, education, employment and social policies.

The programme and proposed actions for EU co-financing have been discussed and consulted with national stakeholders, civil society organisations, and main donors including IFIs.

Allocations by sectors in the IPA 2014 National Programme for Serbia¹⁴

Sectors	Allocations	%
Democracy and governance	50,888,000	44%
Rule of law and fundamental rights	27,512,000	24%
Energy	12,650,000	11%
Competitiveness and innovation	5,000,000	4%
Education, employment and social inclusion	19,040,000	17%

¹⁴ COM(2014)9422, 11/12/2014,.

Total	115,090,000	100%
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In addition to IPA 2014 National Programme, a special measure programme has been prepared to support further the reconstruction and recovery efforts after the severe floods that hit Serbia in May. EUR 72 million have been allocated for medium to long term reconstruction and prevention. Additional support will continue for providing housing solutions, repairing public buildings and local infrastructures, as well as providing support for recovery of small and medium size enterprises including farmers. In addition to recovery, funds have been allocated to support increase of capacity building and floods preventions to prevent and mitigate future disasters.

3 IMPLEMENTATION OF ASSISTANCE

During the year 2014 the EU accession negotiations started with the Inter-Governmental Conference in January and by the screening process of the 35 Chapters of the negotiations framework. The Enlargement Strategy established the negotiations process addressing first the fundamentals, being rule of law and fundamental rights; public administration reform including public financial management; and, economic development.

Based on the fundamentals first approach, Serbian authorities have been intensively working on the development of action plans for the Chapter 23 and 24. Serbian authorities also adopted in December a strategy for public administration reform and started to work on the first Economic Reform Programme to be submitted early 2015. In addition, Serbia adopted in end 2014 the new energy sector development strategy for 2025.

This important effort to improve strategic framework for reforms constitutes a solid basis for future IPA co-financing.

The programming of IPA 2014 already took into account these elements and allocated funds for financing first actions contributing to the improvement of the fundamentals first approach, including with financing of investments for contributing to economic development.

Public administration reform

During 2014, IPA helped the continued training and capacity building of the administration in particular for the development of the system for professional training of civil servants. Important support has been also provided to support administrative capacities within the local self-government, through training and exchanges in particular for the improvement of planning and financial capacities. Key support has been also provided to supports the statistical office to further upgrade the statistical system in line with the EU standards, especially by upgrading the ICT system, improving the system of producing National Accounts and developing a set of Sustainable Development Indicators.

Justice and home affairs

Continued support has been provided in 2014 for the justice and home affairs sectors. This included in particular substantial trainings for judges and prosecutors to improve skills and capacities. Support has been also provided to develop alternative sanctions and better adapt judicial sanctions applications and also decrease number of detainees within prisons. In home affairs, support has been provided to improve border crossing points thus allowing faster and more efficient controls. Customs administration has also been supported with a new

computerized transit system which helps Serbia in its preparation to join the European customs union. The new system has neutralised the occurrences of delays at crossing points. Electronic goods declarations are issued and a new system for authorised economic operators ensures that declarations are forwarded electronically thereby also improving Risk Management at borders. Due to efforts of the customs administration of Serbia, at this moment all customs posts are using the new computerised transit system, 100 forwarding companies are electronically submitting NCTS transit declarations and more than 40.000 trucks passed through Serbia using this system.

Social development

Important support has been provided to Serbia in 2014 especially for education and health systems. IPA supported further a network of pedagogical assistants in about 180 schools, their role being to provide children with equal opportunities, children from marginalised groups in particular. Education support was also provided for vocational training in Serbia detention facilities to help detainees to be better integrate labour market. In the health sector, support was provided for the further development of community based services for children with disabilities. Several schools have been adapted and equipped for full day residence for primary and secondary school children with disabilities. In total, this project allows providing better quality life for 930 children and introduced 52 new services for children with disabilities. EU funds also allowed the purchase of 252 ambulances to hospitals in areas populated by national minorities, Roma and other unprivileged groups, whose access to the health care system has often proven difficult in the past.

Private sector development

Through the EU project “Strengthening of the Serbian system of market surveillance for non-food and food products” Serbia and EU jointly financed the development and application of new, sophisticated, two-part information management system. The first part is database that offers detailed information about inspections and economic entities. Second part of the system is in charge with dissemination of information regarding the not harmonised and/or dangerous products that should be prevented from entering the Serbian market, and/or withdrawn from it. This will allow enabling better consumer protection and ensuring fair competition free of unnecessary trade restrictions for the direct benefit of citizens. The EU also granted EUR 2,7 million for co-financing of the construction of a technology park in Vrsac. This attracted eight companies from pharmaceutical industry thus creating jobs and developing national economy.

Transport

Further support has been provided for the transport sector mainly for capacity building and progressive alignment with the acquis and EU obligations. In particular, support was provided to advance the completion, modernisation and sustainable development of the Serbian railway transport system within the pan-European corridor X, in order to meet the required capacity levels and quality standards relevant to the TEN-T network.

Environment, climate change and energy

Through its Municipal Infrastructure Support Programme, the EU, with a donation of EUR 5 million, has supported Subotica’s waste water treatment plant, thus improving environmental

protection in Subotica and its surrounding. The EU also supported the establishment of the EU Eco-Management and Audit Scheme (EMAS) for companies and other organisations to evaluate, report, and improve their environmental performance, its benefits and initial steps made to its introduction in Serbia. This will allow proper enforcement of the law in the field of industrial pollution control and prevention of chemical accidents. IPA also contributed to the energy sector by financing the reconstruction of electrostatic precipitators at the thermal power plant. This has for effect to improve the living environment and to decrease harmful gas emissions detrimental to the environment.

Agriculture and rural development

Continued support has been provided to raise capacity within national institutions. Important support has been also provided to farmers in order to increase competitiveness and employment opportunities. The project "Garden of Serbia" helped agricultural producers strengthen their cooperation within the region in order to improve access to regional and international markets. Improve the quality of existing agricultural products and make them more competitive on both the domestic as well as international markets.

Support for recovery and reconstruction after the floods

The Country was hit by severe floods in May which had a significant negative impact on the economy. The EU responded within the first days to support the relief efforts through the EU civil protection mechanism and humanitarian support. In addition, to respond to the short term needs for reconstruction and recovery after the floods, EUR30 million have been reallocated from tender savings under IPA 2012. The reallocation of funds has been adopted at the end of June and all contracts signed by beginning of July. By the end of 2014, 50% of the funds have been disbursed for activities implemented and finalised. This very efficient implementation has been made possible thanks to the support of all actors involved and also a very strong support from civil society organizations and international specialised organisations.

Component II: Cross-border Cooperation

In 2014, Serbia participated to three CBC Programmes IPA-IPA (with Croatia, Montenegro, Bosnia and Herzegovina), three shared management programmes (with Hungary, Romania and Bulgaria) and two transnational programmes (Adriatic and South East Europe). The accession of Croatia to the European Union in July 2013 will imply the transfer of this programme into shared management mode starting from the next financial perspective, while the two transnational programmes will be renamed respectively "Adriatic-Ionian" and "Danube" and their geographical coverage will be slightly adjusted.

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 enjoy a high degree of visibility at the local level. The year 2014 was focused on the implementation of grants selected under the second Calls for Proposals under IPA I, while the launch of the third Calls for Proposals, initially planned for summer 2014, was postponed for all three IPA-IPA Programmes.

Two new Programmes have been prepared for the period 2014-2020 with respectively Bosnia and Herzegovina, and Montenegro, and adopted in December with the first allocation of funds for 2014 yearly allocation.

4 IMPLEMENTATION MODALITIES AND STRUCTURES

In 2014 the EU Delegation to Serbia continued to implement large part of EU funds allocated to Serbia, including through joint management with Member States agencies or international organizations.

In March 2014 the Commission decided to grant Serbia the conferral of management power to implement part of EU funds under indirect management. In June, the Commission and Serbia signed the Financing Agreement related to the part of IPA 2013 to be implemented under decentralised management. However, due to resignations and reshuffling of the Government, the key position of Competent Accrediting Officer (CAO) and National Authorising Officer (NAO) remained vacant until December. This vacancy in high level responsibilities created delays in the implementation of IPA 2013. The Commission continued to monitor closely the development and progress and conducted in December an audit mission to support national authorities in ensuring a smooth and sound implementation of EU funds.

The Commission also continued to monitor the implementation of previous IPA Programmes in particular through the Sector Monitoring Sub-Committees (SMSCs) on regular basis, and in the context of the Joint Monitoring Committee held in October. This monitoring framework helped to ensure sound implementation of programmes as well as discussing projects facing difficulties and bottlenecks at a high level in order to identify operational conclusions.

In addition, the Results Oriented Monitoring (ROM) activities continued with some 40 independent monitoring reports produced covering an allocation of some EUR 200 million. The reports confirmed the overall good implementation of projects as well as their efficiency. The sustainability being in some cases an issue, in particular due to high turnover in the administration at national and local level.

The EU Delegation to Serbia also conducted on-the-spot visits to monitor and audit projects. Some 45 projects have been monitored in 2014

5 - SUCCESS STORIES

EU flood relief response in Serbia

In May 2014, Serbia was hit by devastating floods which took away at least 50 lives and caused an estimated damage of EUR 1,7 billion. The European Union, in an unprecedented show of solidarity, provided immediate assistance through its EU Civil Protection Mechanism. A total of 16 EU Member States offered assistance such as motor boats, helicopters, pumps, humanitarian kits and deployed over 300 relief workers to Serbia. An EU Civil Protection team was sent to Serbia to help with the coordination of relief efforts and assist rescue operations. The EU also released €1 million in humanitarian aid to help the most vulnerable population in Serbia. Among others, the funding was used to deliver food aid, provision of clean water, health and sanitation.

While the EU civil protection teams were on the ground, the Delegation of the EU to Serbia and the European Commission in record time reallocated EUR 30 million worth of IPA funds for an EU flood relief assistance programme. The programme was kicked off in July 2014 with the aim to help the reconstruction of schools, kindergartens, private houses as well as the rehabilitation of public buildings and roads in 24 most affected municipalities. Through the programme, the EU is also providing economic grants to small and medium sized enterprises as well as seeds and livestock to farmers who have suffered from the floods.

By the end of the year 93 new houses were built, 685 damaged houses repaired, 200 small and medium size enterprises supported to restore income generation activities, 13 schools

reconstructed for more than 11,000 children and students, 9,600 farming families received wheat seeds, fertilisers, fruits seedlings and animal feed; and, 11,5 km of roads have been reconstructed used by more than 500,000 citizens.

An additional package of EUR 72 million has been allocated in December to support medium term reconstruction and recovery efforts and long term capacity building, floods prevention and defenses as well as river management.

EU assistance for flood relief is the most recognisable EU funded project in Serbia. It increased visibility of EU assistance in general. A September poll showed that the number of people who are aware of some EU funded programme or donation rose to 26% from 9% in February. EU assistance for flood relief is recognised by 78% of respondents. EU and Delegation's effort have helped to maintain support for EU accession in Serbia stable at above 50% despite the traditionally strong sympathy for Russia in Serbia.

Construction of Substation 400/110 kV Vranje - 4 and Leskovac – 2

In the Vranje area, electricity supply is both insufficient and unreliable as it consists of two very long and old overhead lines. In this region of South-east Serbia, there has been an increase in population accompanied by an increase in local demand for electricity which is met by local distribution facilities. If the region's local industries were to expand and future economic investment promoted, adequate power supply was an absolute necessity. In addition, further increases in electricity demand were anticipated for Corridor X finalisation (Salzburg-Ljubljana-Zagreb-Beograd-Nis-Skopje-Thessaloniki, particularly when the "C" branch from Nis to Sofia shall be included).

This project is part of the southern Serbia electricity development network which provides improved and reliable power supplies for the region. It facilitates economic development in southern Serbia by providing power access for investments and economic activities along Corridor 10.

With these investments the hydro-power plants at Vrla (1/2/3/4) shall achieve optimal capacity and efficiency. Their locations (geographical and electrical) are at a midpoint between Leskovac and Vranje, so both facilities have equally favourable impact on the production regime of Hydro Power Plant Vrla.

The construction of the Vranje 4 trafo commenced in October 2012 and was completed in November 2014, all along according to plan. This was a joint effort of the EU and Serbian electrical networks – totaling in EUR 21 million, of which EUR 15.5 million was a EU donation. "Serbia now has a final product – a completely equipped object which is the pride of the Electrical Networks Utility Company and the whole country", as stated by one of the key stakeholders at its opening in December 2014.

TURKEY

1. SUMMARY

Building on the new strategic and result-oriented financial instrument for pre-Accession assistance, the Indicative Strategy Paper for Turkey covering the period 2014-2020 was adopted in August 2014. It provides a frame for the EU financial assistance to the country in line with the political priorities set out in the enlargement policy.

The first annual Action Programme 2014 and four sectoral multiannual programmes were also adopted. With the aim of concentrating IPA II financial assistance on a limited number of key priorities, the proposed annual Action Programme 2014 focuses mainly on the enhancement of democracy and governance, rule of law and fundamental rights. The sectoral annual programmes have been designed to contribute to the socio-economic development of Turkey by supporting investments in the areas of environment and climate change, transport, competitiveness, employment and social inclusion. The Rural Development Programme under IPA II for the years 2014-2020 was also adopted in December 2014. The budget for the 7 years is EUR 801 million.

The implementation of ongoing programmes continued, contributing to the reform process and the promotion of fundamental rights through activities such as supporting the improvement of the Turkish criminal justice system or accompanying the development of adequate schooling conditions for children with special needs. IPA also supported the socio-economic development of Turkey and helped address regional disparities with a strong focus of assistance on the South-East of Turkey. Equally, IPA has been instrumental for encouraging alignment with the *acquis*, providing funding in a wide range of areas such as energy, company law, enterprise and industrial policy, agriculture and rural development, statistics, science and research.

IPA is also playing an increasing role in helping Turkey to address the consequences on its territory of the crisis in neighbouring Syria and in Iraq. Turkey hosted more than 1.6 million Syrians and the EU, recognising the formidable efforts of Turkey, has been exploring all possible avenues for further assistance. In that context, at the end of 2014 a new additional IPA measure (EUR 40 million) was programmed in cooperation with the national authorities and UN agencies to support the authorities in responding to an ever growing influx of refugees, which seriously impacts on Turkey's migration management and asylum system, municipal infrastructure and services.

2. STRATEGIC PLANNING AND PROGRAMMING

Indicative Strategy paper

The Indicative Strategy Paper for Turkey setting out the priorities for EU financial assistance for the period 2014-2020 was adopted in August 2014. It builds on the political priorities set out in the enlargement policy framework identifying key areas where financial assistance is most needed and useful in helping Turkey meet the accession criteria: 1) rule of law and fundamental rights, 2) democracy and governance and 3) competitiveness and growth. Its preparation included several rounds of consultations with the national authorities,

international financial institutions (IFIs) and international organisations (IOs), EU Member States and local NGOs.

Reforms in the field of *rule of law and fundamental rights* continue to be strategic priorities in our cooperation with Turkey in order to advance political reforms and democratisation. Judicial reform needs to deepen along the principles of independence, impartiality, efficiency and effectiveness. Fundamental rights, including on the rights for different minorities, is an area that will also receive further attention under IPA II. Progress in matters related to migration and border management, as well as in the fight against organised crime, are particularly relevant for implementing the roadmap towards visa liberalisation, not least against the background of the Syrian crisis.

Support to reforms under *democracy and governance* will also continue, in order to strengthen the participation of civil society in policy and decision making mechanisms, to increase people to people exchanges with the EU and to support participation of the country in Union Programmes and Agencies. Moreover, anti-corruption measures and targeted public administration reform will be also pursued.

Given the country's internal income inequalities and need for *socio-economic development* and social inclusion, investing in education, employment and social policies has been retained as a priority. This includes a more substantial support to efforts aiming to address the gender gap issue. Particular attention will be paid to regional disparities with a particular focus on the East and South-East of Turkey.

In the areas of *environment, transport, and energy*, IPA II will focus on promoting development of a resource-efficient, low carbon economy and on increasing inter-connectivity between Turkey and the EU.

Under *competitiveness and innovation*, priority will be given to support to SMEs, with a view to facilitating their access to finance and international markets, and to increasing their productivity and innovation.

Finally, despite rapid urbanisation over the last decades, *agriculture* remains an important economic sector in need of modernisation, especially in the country's poorer East and South-East. Agriculture and rural development will therefore continue to receive support until 2020.

Turkey 2014-2020 -Indicative allocation per year/sector (in EUR millions)

Turkey	2014	2015	2016	2017	Total 2018-2020
a. Reforms in preparation for Union membership	355.1	196.6	240.3	137.2	652.2
Democracy and governance	540.2				416.3
Rule of law and fundamental rights	388.9				236.0
b. Socio-economic and Regional development	155.8	265.8	247.0	261.4	595.3
Environment and climate action	297.1				347.5

Transport	386.0				56.8
Energy	59.0				34.4
Competitiveness and innovation	187.8				156.6
c. Employment, social policies, education, promotion of gender equality, and human resources development	37.4	62.9	65.9	68.9	199.9
Education, employment and social policies	235.1				199.9
d. Agriculture and rural development	72.0	100.9	77.0	158.1	504.2
Agriculture and rural development	408.0				504.2
TOTAL	620.4	626.4	630.8	636.4	1,940.0

Programming exercise

Following the completion of the Indicative Strategy Paper, five new IPA programmes were adopted in December 2014, amounting to EUR 1.3 billion:

- The Action Programme 2014, with an overall budget of EUR 371 million, focuses on democracy and governance, rule of law and fundamental rights. It covers ten Actions and will be implemented mostly through indirect management by Turkey. The programme includes a specific Action on civil society, reflecting the importance the Commission gives to fostering effective pluralism and respect for fundamental rights and freedoms.
- The four multiannual Sectoral Operational Programmes over the 2014-2016 period cover respectively the areas of environment (EUR190 million), transport (EUR295 million), competitiveness and innovation (EUR136 million), employment, education and social policies (EUR174 million). It is foreseen to implement all those programmes under indirect management by the national authorities.

Furthermore, an additional measure of EUR 40 million to support Turkey in addressing the consequences of the Syrian refugee crisis was programmed within few weeks at the end of 2014, following the approval of the National Temporary Protection Regulation issued on 22 October 2014. The overall objective of this individual measure is to provide further support to Turkey in dealing with the medium term impact of the Syrian refugee crisis on migration management and the asylum system, municipal infrastructure, education and health services, as well as building resilience of affected Turkish institutions and host communities.

Allocation by sector/action according to 2104 Action Programme

Democracy and Governance

INDIRECT MANAGEMENT WITH THE IPA II beneficiary (in EUR millions)	
Action 1 - <i>Town Twinning between and Turkey and the EU</i>	4.05

Action 2 - <i>Regulatory Reform and Acquis Alignment</i>	32.40
Action 3 - <i>Support to participation in Union Programmes and Agencies</i>	167.30
Action 4 - <i>Civil Society</i>	20.19
Action 5 - <i>Jean Monnet Scholarship Programme</i>	14.46
TOTAL	238.40

Rule of Law and Fundamental Rights

INDIRECT MANAGEMENT WITH THE IPA II beneficiary (in EUR millions)		OTHER IMPLEMENTATION ARRANGEMENTS (in EUR millions)	
Action 6 - <i>Judiciary</i>	28.66	-	-
Action 7 - <i>Fundamental Rights</i>	8.23	Direct grant award with UNDP	5.40
Action 8 - <i>Home Affairs</i>	53.99	Two Delegation Agreements with IOM and UNHCR	15.27
TOTAL	90.88	TOTAL	20.67

Energy

INDIRECT MANAGEMENT WITH THE IPA II beneficiary (in EUR millions)	
Action - 9 <i>Energy</i>	13.09

Agriculture and Rural Development

INDIRECT MANAGEMENT WITH THE IPA II beneficiary (in EUR millions)	
Action 10 - <i>Agriculture and Rural Development</i>	2.99

3. IMPLEMENTATION OF ASSISTANCE

The assistance was provided in the priority sectors identified in the Multi-Annual Indicative Planning Document for the programming period 2011-2013:

- Justice, Home Affairs and Fundamental Rights;
- Private Sector Development;

- Environment;
- Transport;
- Energy;
- Social Development;
- Agriculture and rural development.

Projects under each priority sector are in turn aligned with the objectives spelled out under sector strategies and action plans defined by the Turkish Government.

Justice, Home Affairs and Fundamental Rights

In the field of justice, IPA contributed to the implementation of the reforms aiming at building an *independent, impartial and efficient judiciary system*. The assistance notably consisted in reinforcing the role of the Justice Academy of Turkey as an independent training provider, the strengthening of the institutional capacity of civil enforcement offices, allowing for enhancing confidence in the judiciary system, as well as improving the implementation of human right standards and efficiency of the criminal justice system. Through this last project, implemented jointly with the Council of Europe, over 2500 key actors of the criminal justice in Turkey improved their awareness of human rights.

The EU assistance also continued to support reforms in the *penitentiary field*. Projects focused on the individualisation of execution of sentences, improvement of mental health care and drug addiction treatment services in prisons, and design of specific intervention programmes for rehabilitation of inmates.

As regards the *fight against corruption*, IPA provided technical assistance to the newly established Council of Ethics for Public Service.

In the field of home affairs, actions were mainly focused on border and migration management.

Assistance in the area of *border management* concentrated on increasing the capacity of the surveillance of borders with the EU, setting up an electronic surveillance system, training of land forces in combating irregular migration and strengthening the custom enforcement capacity.

The EU significantly increased its support in the area of *migration management, including asylum*, in order to accompany the implementation of the visa liberalisation road map, and in particular the signature of the re-admission agreement. Major and complex interventions worth more than EUR 74 million were implemented, consisting, among others, in the construction of reception centres for asylum seekers and removal facilities for irregular migrants.

Private sector development

Although Turkey's preparation in the area of enterprise and industrial policy principles and instruments are advanced, better impact of the various interventions could be achieved through an integrated and comprehensive approach. To this end, IPA has provided significant

capacity building to the Ministry of Science, Industry and Technology. Through trainings and exchange of experience with their peers from EU Member States, the staff of the Ministry improved their knowledge in policy design and implementation, but also in terms of impact monitoring.

The improvement of the chemical metrology capacity was also supported, enabling the Turkish laboratories to produce traceable and comparable measurements results. Already in the course of implementation of the project, some certified reference materials were produced for some of Turkey's major export products such as dry figs, apricots and hazelnuts.

IPA also contributed to enhancing business environment through regional competitiveness investments such as logistical infrastructure, business support services, including product testing facilities. The issue of access to finance was also addressed with the creation of the first technology transfer fund in Turkey.

Environment

IPA supported alignment efforts in the environment sector. Technical assistance was provided in a wide range of areas such as air quality, water quality monitoring, integrated pollution prevention and control, waste management.

IPA was also mobilised to assist Turkey in undertaking the significant investments that will be necessary to implement the acquis related to water and waste management. In this respect, the implementation of 29 waste water treatment, two drinking water supply and seven solid waste management infrastructure projects continued.

Transport

IPA financial support plays an important role in driving the reform agenda in the Turkish transport sector, notably in terms of regulation of the market, safety, emissions and energy efficiency. In 2014, the majority of the institutional building efforts concentrated on legislative and institutional harmonisation in the railway sector, maritime and road safety and civil aviation.

In terms of infrastructure, the Köseköy-Gebze section of the high speed train line between Ankara and Istanbul was partly completed, and the rehabilitation of the conventional line Irmak-Karabük-Zonguldak has advanced.

Energy

In recent years, Turkey achieved significant reforms in the legal and institutional framework of the energy sector. The EU process and assistance significantly contributed to those developments, specifically to the full integration of the Turkish electricity system with that of EU's internal electricity network.

In 2014, two projects, providing technical assistance for structure and capacity improvement of Turkish electricity Transmission Corporation and for the harmonisation of transmission code to enhance the functionality in general power system operation, contributed to integrating the Turkish Electricity Market to the EU Internal Electricity Market.

Social Development

EU funding in this field has continued to support Turkey getting closer to the EU 2020 targets such as increasing employment rate, reducing early school leavers, and fighting poverty and discrimination.

The Women in business credit guarantee scheme has started supporting women entrepreneurs. Assistance to Turkey in its fight against unregistered / informal employment continued. In the field of vocational education, efforts to increase the quality were sustained, while mobility schemes with EU countries were established.

EU support to lifelong learning has focused on on-the-job trainings for both employers and employees in selected sectors (such as tourism) and in pilot provinces.

In terms of social inclusion, local governments started establishing social support centres for disadvantaged groups, while Turkey's national scholarship scheme for undergraduate students at risk of poverty was co-financed.

Agriculture and rural development

The IPARD programme is now running at a cruising speed with constantly increasing numbers of applications and smooth contracting, making it a successful IPA instrument, at least in terms of absorption. Significant payments to beneficiaries were made in December 2014 which exceeded the pre-financing. Smooth and rapid transition to IPARD II is of paramount importance.

4. IMPLEMENTATION MODALITIES AND STRUCTURES

Discussions have been initiated with Turkey and work is advancing in the Commission with a view to launching the process of entrustment of budget implementation tasks for IPA II and to moving from a reliance on 100% ex ante controls on procurement under indirect management (IM/DIS), to a risk assessment-based control system.

In 2014, some progress was made by the national authorities in terms of reducing contracting backlog, hiring additional staff and analysing reasons for delays in procurement, and de-commitments. Furthermore, the most experienced contracting authority, the CFCU, managed to commit 14% and pay 10% more than the average of the last five years.

However, sustained efforts will need to be pursued in order to absorb the accumulated backlog. To this end, the setting up of a joint NIPAC/EU Delegation Task Force has been proposed.

In September 2014, the NAO submitted to the Commission a report on the implementation of a comprehensive action plan on how to address all systemic issues, including concrete measures going in the right direction. Programming, management and monitoring capacities need to improve especially in view of the onset of IPA II period.

5. SUCCESS SORIES

Justice for Children

The project "Justice for Children", implemented by the United Nations Children's Fund (UNICEF) in cooperation with the Ministry of Justice, was completed in 24 pilot provinces of Turkey where it established child friendly judicial interview rooms and an individualised treatment system for juvenile rehabilitation services. The child friendly interview rooms are equipped with a special audio-video system that allows for single interviews with no need to re-interview the child throughout the prosecution or trial process. Furthermore, the project has helped to implement case-based, multi-disciplinary training programmes for more than 2,000 legal professionals.

Improving the Criminal Justice System

The objective of this project, worth EUR 3.9 million was to improve the application of human rights standards and strengthen the efficiency and confidence in the criminal justice system in Turkey. It was jointly implemented for a period of 33 months by the Council of Europe and the Ministry of Justice, the High Council of Judges and Prosecutors, the Justice Academy, the Union of Bar Associations and the law enforcement authorities. This EU project has greatly contributed to improving understanding, knowledge of and respect for human rights amongst over 2.500 key actors in the criminal justice system. A comprehensive needs assessment report, analysing the situation in the field of criminal justice was produced. Some legislative changes have already taken place in line with the findings of the report. The training curricula of the Turkish Justice Academy was developed and a pool of more than 300 trainers was established with the aim of increasing the training capacity of the Academy.

Change Management

"Increasing the Adaptability of Employers and Employees to the Changes in Global Economy project has strengthened the capacity of SMEs and the capabilities of employees and employers by providing them with work-based skills, as part of a wider aim to achieve more sustainable economic growth and help Turkey to get closer to the EU 2020 benchmark of 15% participation in lifelong learning activities (currently 3% in Turkey). The project has established training and consultancy centres in 6 different cities under the chambers of commerce and industry, aiming to serve the workforce and the enterprises. The project's activities were focused on fifteen growth centres in Turkey. New training modules were developed to meet the needs of companies, social partners, vocational organisations etc. Trainings were provided to 3000 workers and 2000 employers, some of whom were invited on study tours to EU countries. In addition, employers and employees were introduced to best practices through tours of successful SMEs in developed and industrialised provinces of Turkey. A training portal was established to make the training content accessible for all enterprises.



MULTI - COUNTRY

1. SUMMARY

Regional cooperation has continued within regional fora such as the Energy Community, the Central European Free Trade Area (CEFTA), the South East Europe Transport Observatory (SEETO) and the Regional School of Public Administration (ReSPA). Also, the role of the Regional Co-operation Council (RCC) as a body fostering regional integration was further strengthened in 2014. The RCC continued the implementation of its Strategy for 2014 - 2016, built around the South East Europe 2020 agenda (SEE 2020).

The "Berlin Process" launched with the Summit in Berlin on 28 August 2014 and the WB-6 Conference in Belgrade on 23 October 2014 that led to the adoption of a Joint Statement reflect the political commitment of the Western Balkans and their close neighbours to achieve progress on the connectivity agenda and to present more tangible results in the coming years.

In accordance with the priorities of the Enlargement Strategy, Multi-country financial assistance throughout 2014 supported progress in the area of rule of law, public administration reform and economic governance.

To underpin economic recovery in the Western Balkans, new projects in infrastructure were approved in the framework of the Western Balkans Investment Framework (WBIF), as well as projects in the field of competitiveness mainly through the Western Balkan Enterprise Development and Innovation Facility (EDIF) and in the field of human resource development/training.

2. STRATEGIC PLANNING AND PROGRAMMING

Indicative Strategy Paper

Whereas the bulk of IPA II support continues to be delivered through the national programmes, the multi-country programmes complement national programmes and strengthen multi-lateral relations in the Western Balkans and Turkey in areas relevant for European integration and stability in the region. Areas of intervention are only addressed through multi-country assistance where there is a clear need and added value for regional cooperation or horizontal action.

A number of problems and challenges are common to all IPA II beneficiaries, although to varying degrees and are best tackled at regional or horizontal level. This is the case where a beneficiary cannot achieve the desired results alone as they require close cooperation and support from other IPA beneficiaries (for instance for fighting organised crime), or where joint efforts are more cost-effective since they create synergies or economies of scale.

The Multi-country Indicative Strategy Paper 2014-2020 was adopted on by the Commission on 30 June 2014¹⁵ and sets out the priorities for EU horizontal and regional financial assistance. It translates the political priorities as defined in the Enlargement Strategy and the most recent Annual Progress Reports into key areas and sectors where multi-country assistance will be most useful to support the candidate countries and potential candidates to

¹⁵ C(2014)4293, 30.06.2014

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.

The Multi-country Indicative Strategy Paper sets out that assistance will be delivered under the following headings, each one presenting one dimension of the added value of the horizontal and regional programming:

- i. Horizontal support to sector policies and reforms;
- ii. Regional structures and networks;
- iii. Regional investment support;
- iv. Territorial cooperation.

Table 1: indicative allocations per year/dimension in million EUR

	2014	2015	2016	2017	2018-20	Total 2014-20
A. Horizontal support	152.0	122.5	136.5	115.5	395.5	922.0
TAIEX and Statistics	20.0	21.0	20.0	21.0	59.0	141.0
Advisory functions of international organisations	49.0	40.0	25.0	32.0	91.0	237.0
Civil Society and Media	25.0	5.0	30.0	5.0	60.0	125.0
Erasmus+ including the youth dimension	33.0	34.0	35.0	35.0	110.0	247.0
Horizontal measures	25.0	22.5	26.5	22.5	75.5	172.0
B. Regional structures and networks	9.0	27.0	31.0	10.0	57.5	134.5
C. Regional investment support*	158.1	181.9	177.9	216.3	772.8	1506.9
WBIF, EDIF, Green for Growth Fund and other blending instruments	148.1	91.9	177.9	216.3	772.8	1406.9
Regional Housing Programme	10.0	90.0	0.0	0.0	0.0	100.0
D. Territorial co-operation	28.9	33.6	44.6	68.6	219.5	395.2
TOTAL	348.0	365.0	390.0	410.4	1445.3	2958.6

* Including unallocated funds for Bosnia and Herzegovina

Programming exercise

The following programmes were adopted before the end of the year:

- i. Annual Multi-country Action Programme of EUR 152.6 million, with 17 regional and horizontal actions.
- ii. Civil Society Facility 2014-2015 of EUR 68.7 million with multi-country (EUR 25 million) and national actions (EUR 43.7 million);
- iii. Support measure for technical assistance for CBC programmes of EUR 3.42 million;
- iv. Monitoring programme of EUR 4 million;

Programmes for territorial cooperation were decided separately. A Special measure for floods of EUR 4 million (out of a total contribution to floods of EUR 50 million) was also decided.

The programmes were designed to respond to priority needs as identified in the Multi-country Indicative Strategy Paper 2014-2020. The Western Balkans and Turkey face important challenges to meet the political and economic membership criteria and to align with the EU *acquis*.

Challenges persist in the area of **democracy and rule of law**, including the functioning of institutions guaranteeing democracy, empowerment of civil society, the fight against organised crime, safeguarding fundamental rights, such as freedom of expression and the rights of persons belonging to minorities.

The focus of the programmes rests to a large extent on continuing actions supported under IPA I which were deemed necessary to support further and/or which enter into successive stages of implementation. For a number of regional structures and networks, IPA support continued in 2014 out of previously decided programmes.

The programmes also provide support for reforms and investments in line with the identified key challenges for **competitiveness and growth**, in complementarity with assistance provided under the national programmes.

When designing the programmes due account has been taken of activities implemented under the national programmes, the guidance provided in EU strategic documents, the lessons learned from the programming and implementation of previous EU assistance and the findings from consultations with, *inter alia*, the beneficiaries, International Financial Institutions (IFIs), the Regional Cooperation Council (RCC), EU Member States and civil society organisations.

The **lessons learned** from IPA I demonstrated that progress towards meeting EU membership criteria is best achieved by a mix of measures planned both at national and at regional level. The IPA interim evaluation and meta- evaluation recommended that the Multi-country programmes should develop more rigorous selection criteria for the supported actions and focus on areas with clear needs for a regional approach. It also concluded that further efforts are needed to involve regional stakeholders more in programming and that national administrations should be involved in project implementation as a way to improve ownership and coordination.

Other conclusions concern economies of scale in horizontal programmes versus efficiency risks, due to the complex organisation for implementation of multi-beneficiary assistance under IPA I.

Under IPA II, efficiency concerns will be addressed by more effective coordination, as illustrated already through the Western Balkans Investment Framework (WBIF), focusing on fewer priorities and comprehensive and longer-term planning.

Table 2: allocations by dimension according to 2014 programmes, in million EUR

A. HORIZONTAL SUPPORT	146.7
Of which:	
Annual Multi-country Action Programme 2014	65.7
TAIEX and Statistics	20.2
Advisory functions of international organisations (SIGMA, Economic governance and public finance management, fight against cybercrime, assessment of corruption, migration, EU agencies)	45.5
Horizontal measures (civilian administration, information and communication, monitoring, audit & evaluation)	23.0
Civil Society Facility allocation 2014	25.0
Erasmus+, including Youth (Youth - Action under Annual Multi-country Programme)*	33.0
B. REGIONAL STRUCTURES AND NETWORKS	9.3
Of which:	
Annual Multi-country Action Programme 2014 (Roma decade, transitional justice, Regional Rural Development Standing Working Group, Central European Free Trade Agreement)	5.9
Contribution to the Energy Community secretariat	3.4
C. REGIONAL INVESTMENT SUPPPOR	76.0
Of which:	
Annual Multi-country Action Programme 2014 (WBIF, EDIF)	64.5
Regional Housing Programme (Action part of Annual Multi-country Action Programme)	11.5
D. TERRITORIAL CO-OPERATION	29.32
Cross-Border Cooperation programmes IPA-IPA	11.4
Cross-Border Cooperation programmes IPA – EU Member States	12.0
Transnational Cooperation	2.5
TA for CBC	3.42
TOTAL	261.32

*Management of the allocations for Erasmus+ by EACEA

In addition, out of the Multi-country indicative allocation of IPA II for 2014, an amount of EUR 44 million has been allocated to Syria and EUR 50 million to mitigate the consequences of floods in the Western Balkans.

3. IMPLEMENTATION OF ASSISTANCE

The candidate countries and potential candidates face a number of common challenges to meet the political and economic membership criteria and to align with the EU *acquis*. In addition, impediments to regional cooperation in the Western Balkans such as unresolved bilateral issues may lead to assistance not achieving the desired objectives/results. This risk is compounded by lack of commitment to inclusive regional cooperation initiatives of some governments, weak administrative and financial capacities to implement and budgetary constraints/limited fiscal space of the beneficiaries. Appropriate mitigating actions have been taken, notably to resolve issues related to the status of Kosovo, resulting inter alia in the inclusiveness Ministerial meeting of the South East Europe Cooperation Process (SEECP) on 20 June, in Bucharest, with a declaration welcoming Kosovo as participant in the SEECP on a permanent and equal basis at all levels.

Discussions continued with the beneficiaries and EU Delegations to overcome potential obstacles and solve potentially contagious issues in regional cooperation, also in close cooperation with the Regional Cooperation Council as appropriate.

Technical and financial support in 2014 has been provided in the area of (1) Rule of Law (incl. Justice and home affairs), (2) The functioning of institutions guaranteeing democracy (incl. public administration reform), (3) Fundamental rights (incl. civil society organisations and media support) as well as (4) Economic governance and competitiveness, socio-economic development (incl. transport, energy, environment and social sector, human resource development and private sector development - SMEs), (5) Regional co-operation and reconciliation (incl. refugee return), and (6) Territorial co-operation.

Implementation of IPA assistance made good progress in 2014 with contracting of multi-beneficiary programmes adopted in 2013.

In the sector **public administration reform**, IPA assistance is delivered in cooperation with the Organisation for Economic Co-operation and Development (OECD) through the SIGMA initiative (Support for Improvement in Governance and Management). SIGMA finalised the Principles of Public Administration which outline the key requirements of a well-functioning public administration and provide a common analytical framework to measure and track progress over time, to be used for SIGMA's annual assessment. On 12 November 2014, Commissioner Hahn presented those Principles of Public Administration at a meeting in Brussels with Ministers for Public Administration and for European Integration from the Western Balkans and Turkey.

In the sector **rule of law**, a new contract has been concluded with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in partnership with the Centre for International Legal Cooperation and the United Nations Office on Drugs and Crime, to strengthen international cooperation in criminal justice through the Prosecutors' Network of the Western Balkans. Other actions aim at strengthening National Integrity Systems in the Western Balkans and Turkey and tracking developments of anti-corruption efforts in cooperation with Transparency International. EUR 5 million has been allocated to strengthen regional cooperation in the fight against organised crime and corruption.

Further disbursements have been channelled to the Regional Housing Programme's Fund which will be spent on investments, i.e. housing solutions financed through grants in the four participating countries – Bosnia and Herzegovina, Croatia, Montenegro and Serbia - to meet the needs of the most vulnerable refugees and internally displaced persons from the armed conflict in the 1990s.

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 the area of **private sector development** progress was made in strengthening the coordination efforts under the Western Balkan Enterprise Development and Innovation Facility (WB EDIF). 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).

In the sector of **Transport and energy infrastructure**, a new contract has been concluded to strengthen coordination with the International Financial Institutions. In the sector of **Environment and climate change**, regional projects have started implementation to further develop the 'Environment and Climate Change Regional Accession Network' (ECRAN), and support cooperation in disaster risk reduction in the Western Balkans and Turkey.

In the sector of **Social development**, implementation of the IPA 2013 Multi-beneficiary programme has continued previous practice and supported scholarships under the **Erasmus Mundus** Programme as well as the Youth in Action programme. Actions were implemented by the Education, Audiovisual and Culture Executive Agency (EACEA).

In the sector **Civil Society**, operating grants have been provided to selected civil society organisations. Long-term support to 18 thematic networks of CSOs was subject to a thorough mid-term review process. On 5 October, the European Commission has, for the first time, given awards for Roma integration to civil society organisations from Western Balkans and Turkey, underlining that support to Roma inclusion remains a regional priority.

The **Regional Cooperation Council** was also supported for the implementation of its Strategic Work Programme 2014–2016.

4. SUCCESS STORIES

Western Balkans Investment Framework

EU contribution: EUR 250 million

Start date: 2009 – ongoing

Results: Preparation of bankable investment projects; Technical Assistance, feasibility studies, Environmental Impact Assessments

The WBIF supports socio-economic development and EU accession across the Western Balkans through the provision of financing and technical assistance for strategic investments. It pools resources from the Instrument for Pre-accession Assistance (IPA) with those of

International Financial Institutions (IFIs), bilateral donors and the governments of the Western Balkans. The WBIF increases the region's capacity to finance crucial infrastructure and priority investments in line with accession priorities and enhances overall coordination of assistance. The WBIF seeks to maximise the impact of grant financing by using it to leverage lending by IFIs on priority strategic investments identified by the Western Balkan beneficiaries.

Since its launch five years ago, the WBIF has by far exceeded original expectations and, as of 31 December 2014, developed a pipeline of priority investments estimated at approximately EUR 13 billion. More than 180 grants have been awarded for a total of EUR 309.9 million and the priority projects are all supported by an IFI. As of 31 December 2014 almost 27% of the total WBIF pipeline has progressed to tendering or construction stage representing a total estimated investment value of EUR 4.5 billion. Out of those projects that are in the preparation stage (with a total estimated investment value of EUR 8.5 billion) 40% have a loan signed with an IFI.

Altogether, the European Commission has channelled around EUR 250 million in grants to the WBIF. Of this, almost half – 48% – has gone to finance traditional Technical Assistance; either through the Infrastructure Preparation facility - IPF (EUR 82.5 million) or the European Western Balkan Joint Fund - EWBJF (EUR 38.3 million).

Bosnia and Herzegovina motorway corridor Vc (corridor five, part c)

EU contribution: 2 grants totalling EUR 2.5 million

Start date: April 2009

End date: March 2014

Results: 37 km of motorway completed, with more under construction and design for further sections

The EU is funding works to extend Bosnia and Herzegovina's key north-south motorway. The route is part of the Pan-European network of inland corridor roads. It runs from the Port of Ploce, the main sea gateway for the Bosnian economy, via the capital Sarajevo, and onto Osijek, in the Republic of Croatia. This is the junction with the Pan European Corridor which runs from Austria to Greece and on to Hungary.

Bosnia and Herzegovina's authorities have identified the motorway as the top strategic development project of the country. National road communications are upgraded, which also helps build important links with neighbouring countries and the EU, thereby increasing the efficiency of major transport links for people and goods.

The motorway, running through Bosnia and Herzegovina and into Croatia, is also useful for the Member States. It helps to complete the Trans-European transport networks and it facilitates more efficient, safer and more environmentally friendly transport. Travelling time is shorter, there are fewer accidents, and drivers do not use as much fuel as they did before.

Joint EU and ICTY Training Project for National Prosecutors and Young Professionals from the former Yugoslavia

EU contribution: EUR 1 million

Start date: August 2012 End date: December 2014

Results: Better prosecution of war crimes; network of trained prosecutors; acceptance of international legal standards and best practice; improved regional legal cooperation.

The Action, which started in 2012, had two main components. First, experienced national prosecutors from Bosnia and Herzegovina, Croatia and Serbia are integrated directly in the ICTY Office of the Prosecutor as “liaison prosecutors”. The liaison prosecutors provide evidence, knowledge and advice to their national colleagues, directly supporting prosecutions of war crimes in their national courts. Second, young professionals are placed as interns in the ICTY Office of the Prosecutor. Together, the liaison prosecutors and interns have substantially developed their knowledge and skills, as well as assisted the investigation and prosecution of hundreds of cases of serious breaches of international humanitarian law, both in The Hague and at home.

The feedback from the interns’ supervisors at the ICTY has been very positive. Young professionals show a high level of skills and the assistance they provide to the trial and appeals teams has helped speed up the whole process.

The project contributes to enhancing the knowledge and skills of prosecutors and professionals; increasing the application of international legal standards and best practice in the Western Balkans region; and increasing support for regional legal cooperation.

The EU's funding for national war crimes prosecutions in Bosnia and Herzegovina, Croatia and Serbia should result in an increase in the number of successfully prosecuted cases. The Action will possibly be extended until 2016 and will continue to support the investigation and prosecution of the many remaining cases of war crimes that are still open in the former Yugoslav countries.

Management of sealed radioactive source, including radioactive lightning rods

EU Contribution: EUR 454,000

Start date: March 2013 End date: March 2014

Results: Reduced threat of radioactivity to public health

From the sixties to the eighties, thousands of radioactive lightning rods (lightning conductors) were installed in the former Yugoslavia. This was under the mistaken assumption that the higher energy of gamma emitters would make the rods work better.

The lightning rods were installed on the roofs of public buildings including schools, kindergartens and factories. Due to the lack of maintenance, some radioactive lightning rods started collapsing, hence potentially threatening public health. Some radioactive material from such rods was also found in scrap metal, including on the border between Kosovo and the former Yugoslav Republic of Macedonia. As part of the IPA programme on nuclear safety, EU support was provided to improve the nuclear waste management of the Western Balkans. The first stage in tackling the regional problem of radioactive rods was implemented in Montenegro when a contract was awarded to the Centre for Ecotoxicological Research, licensed by the Environmental Protection Agency of Montenegro. This was part of a regional project to manage radioactive materials covering Montenegro, Kosovo and the former Yugoslav Republic of Macedonia.

A full inventory of sites with radioactive rods was taken and site visits made. Many of the locations were difficult and dangerous to get to and could only be accessed with a crane and extreme caution. The materials were safely removed, processed and placed in an approved

storage area. As well as reducing potential radiological risks in Montenegro, the project provided valuable training for personnel in the country's nuclear regulatory bodies, and a reference for operating procedures for similar future work in other countries of the former Yugoslavia.

Regional Housing Programme

EU contribution: EUR 110 million to the Fund, EUR 28 million to implementation costs

Start date: April 2012 on-going

Results: Start of construction phase

The RHP consists of four Country Housing Projects (CHPs), in Bosnia and Herzegovina, Croatia, Serbia and Montenegro, and will assist about 27,000 households or 74,000 individuals. The total budget of this housing programme is estimated at EUR 584 million with a planned duration of 5 years. Until the end of 2014, donors have pledged in total EUR 268.3 million to the RHP Fund, out of which EUR 148.1 million have been committed and 119.5 million paid. Out of these, the European Commission has disbursed EUR 84 million into the Fund.

Funds committed as direct contributions to the RHP Fund will be spent on investment, i.e. housing solutions financed through Grants to the Partner Countries. Grants are approved by the Assembly of the RHP Donors.

During the reporting period the actual physical implementation of the RHP started with the opening of the first construction site in Croatia (housing block for 29 refugee families). The other three Partner Countries also prepared and launched the first tender dossiers for the implementation of the first wave of housing sub-projects.

In addition to the twelve grant applications approved by the Assembly of Donors in 2014 for a total amount of EUR 60.9 million, additional five grant applications were approved in 2014 for a total amount of EUR 78.5 million. These include Bosnia and Herzegovina - one grant application of EUR 14.4 million; Croatia - one grant application of EUR 1.4 million; Montenegro - one grant application of EUR 4 million; and Serbia - two grant applications for a total amount of EUR 58.7 million.

Civil Society Facility – Framework Partnership Agreements

EU contribution: EUR 11.2 million;

Duration: December 2012 –December 2014

Results: A total of 172 civil society organisations from the Western Balkans and Turkey and from Europe are engaged in 18 networks, financially supported by IPA. The ongoing grants produced several outputs and some examples are as follows:

Coordinated efforts - toward new European standards in protection of women from gender based violence – Framework Partnership Agreement with a network of civil society organisations in the Western Balkans and Europe

Slovenia, as the fourth country in the region, has ratified the Council of Europe Convention on preventing and combating Violence against Women (VAW). A Programme against gender based violence (GBV) in the Autonomous Province of Vojvodina (Serbia) for the period of 2015-2020 was adopted, as the first action to implement the provisions of the Convention. A total of 34 policy proposals and legislative amendments submitted by women's organisations

in five countries were adopted.

The Balkans ACT (Against Crime of Trafficking) has developed a tool for monitoring national anti-trafficking policies, which contains around 200 detailed and clearly defined rights-based indicators enabling all anti-trafficking actors to make a true and reliable assessment of how things work in their respective countries and to take appropriate measures. During national and regional advocacy campaigns on access to compensation for trafficked persons, policy papers, proposals for legislative changes and guidelines for judicial authorities were produced. The network also advocated for making better usage of the existing legislation and for introducing new mechanisms that would enable victims to gain compensation in a quick and non-traumatic manner, all with support from state institutions and local CSOs that were included in the consultation process.

Partnership to Ensure Reform of Supports in Other Nations – PERSON. The first major achievement of the PERSON partnership, working in collaboration with the Croatian organisation SHINE, was to convince law reformers to abolish plenary guardianship under Croatian civil law. While plenary guardianship was designed to protect people with disabilities, the result was that they are stripped off any legal rights to make decisions in any area of their life — in other words; they become a legal 'non-person'. This was changed by the abolition of plenary guardianship. In Serbia, training for judges was organised by the partners of the project on how Article 12 of the UN Convention on the Rights of Persons with Disabilities could be applied under Serbian law. The event was attended by 35 Serbian judges, human rights lawyers and representatives of the Commissioner for Protection of Equality. It was approved as an ongoing training programme for Serbian judges in 2015, and the materials developed for the training can be used in different jurisdictions.

Civil Protection

EU contribution: EUR 2 million

Start date: November 2013 – ongoing

Results: Increased readiness to cooperate with the Union Civil Protection Mechanism.

The Civil Protection Cooperation with the candidate countries and potential candidates – Phase II (IPA CP Cooperation Programme II) has the overall objective to reduce risks and the vulnerability of beneficiaries to natural and man-made disasters at national and regional levels. Specific objectives are to increase their ability to effectively interact with the EU Civil Protection Mechanism and relevant EU institutions, and to increase their capability to further develop effective national civil protection / disaster response systems and to collaborate among each other in the region.

As a response to the floods which affected the Balkan region in 2014, a new programme on "Prevention, preparedness and response to floods in the Western Balkans and Turkey" was launched. The aim of the initiative is to increase their capability to develop effective national civil protection systems and collaborate in a coherent manner in dealing with floods at regional and European level (prevention, preparedness and response) and be better prepared to cope with the challenges posed by approximation to / implementation of the EU Floods Directive. Beneficiary countries will develop multinational civil protection modules for flood response - flood rescue using boats.

5 – EVALUATION FINDINGS

In 2014, DG Enlargement completed six evaluations; seven evaluations were launched and 8 evaluations were in the process of implementation at the end of the year.

An expenditure programme evaluation on the EU's support to **refugees and Internally Displaced Persons in Bosnia and Herzegovina, Kosovo, Montenegro and Serbia**¹⁶ was finalised, providing an assessment of both the intervention logic of EU assistance, as well as a judgement on the relevance, efficiency, effectiveness, impact and sustainability of assistance under CARDS 2004-2006 and IPA 2007-2011. Overall, it found that the financial assistance was relevant, effective and was contributing to achieving the objectives and priorities, with an economically sound use of resources. All programmes have achieved the strategic objectives – despite possible delays – thanks to precise and realistic objectives, a reasonably sound needs assessment and valuable empirical data, and a generally good linkage with national policies. In terms of weaknesses, the evaluation found difficulties in realizing an actual regional approach and a limited degree of flexibility in programming the assistance, together with a relative weakness of socio-economic measures oriented towards employment.

The **mapping of sector strategies**¹⁷ focused on studying the sectors' readiness for a Sector Approach in the Western Balkan countries and Turkey under IPA by analysing the state of the sector strategic planning, the existing institutional structures and the mechanisms for strategic planning. Several trends were identified, with 'Agriculture and Rural Development' categorized as 'ready for a sector approach, with some improvements' thanks to preparations for IPARD sectorial support. The 'Energy sector' was also categorised as "in progress towards sector approach" in most counties. The overall quality of sector strategies has been rated as good because addressing the EU accession priorities, involving stakeholders and allowing for active participation of CSOs. Overall this was found relevant and coherent with the accession strategy. Though, absence of a proper monitoring system, weak inter-institutional coordination as lack of action plans were considered common weaknesses in existing strategies.

The Political Economy of Donor Intervention in Western Balkans and Turkey: Mapping and Potential for Stronger Synergies¹⁸ analysed donor assistance, looking at data on over 18,000 project disbursements carried in the period 2010-2012 drawn from the OECD/DAC database on official development assistance. The evaluation shows that not only have the total flows of international assistance been falling but there are substantial inequalities and imbalances in the distribution of international assistance between countries. The analysis has also shown that donors are often active in more than two sectors, however relatively few regional initiatives liaise with National IPA Coordinator, with the exception of the WBIF, leading to donor fragmentation and incoherence. Other systemic weaknesses include the low level of ownership and insufficient inclusiveness in the strategy preparation, weak links with the budgetary planning, as well as weak coordination, implementation and monitoring mechanisms. The analysis revealed substantial gaps between beneficiary preferences and donor priorities, especially in the sectors of social policy, human rights, agriculture and rural development.

¹⁶ http://ec.europa.eu/enlargement/pdf/financial_assistance/phare/evaluation/2014/20140403-eu-support-to-refugees.pdf

¹⁷ http://ec.europa.eu/enlargement/pdf/financial_assistance/phare/evaluation/2014/20140714-mapping-of-sector-strategies-final-report.pdf

¹⁸ http://ec.europa.eu/enlargement/pdf/financial_assistance/phare/evaluation/2014/20141219_final_report_with_annexes.pdf

Another expenditure programme **Meta-Evaluation on Cooperation Instruments**¹⁹ assessed the relevance, EU value added and sustainability of the supplies and works in financial cooperation under IPA, covering five IPA countries and contracts concluded in 2005-2011. Overall it found that IPA work and supply projects seemed well targeted. There has been generally good relevance with most projects, which were well in line with the association, stabilisation and enlargement agreements and strategies. The overall added value of EU-funded works and supplies is seen in enhanced strategic planning, technical assistance and capacity building for beneficiaries, stakeholders and accredited procurement institutions. Stringent procurement rules, EC controls and supervision contracts on works tend to improve cost-efficiency and reduce risks for corruption compared to local procurement systems. In terms of effectiveness and impact, IPA assistance delivered tangible and sustainable results, especially in infrastructure and energy sectors. Finally, the administrative capacities of the final beneficiaries have the possibility of undermining the projects, because of inexperienced beneficiaries and vague technical specifications.

A **Capacity Development Project on Monitoring and Evaluation**²⁰ was carried out by the World Bank in order to strengthen capacities for Monitoring & Evaluation in the Western Balkans and Turkey. The project covered various stakeholders and sectors, contributed to raising awareness among policy makers on the importance of monitoring, indicator identification, target setting, and stimulated good exchanges among practitioners in the different countries. By developing 3-5 SMART indicators for each country and selected sector and supporting technical experts in the relevant departments it confirmed that overall the development of effective sector-level M&E systems is a long term iterative process which has only taken its initial steps. The project's impact depended largely on local ownership, leadership and coordination among the various stakeholders, along with a substantial link between the project's monitoring support and the country accession process.

Finally, an evaluation on **EU-Turkey Customs Union**²¹ was carried out by the World Bank to assess the impact of the CU and made solution-oriented recommendations for improvements in the CU with Turkey. Three interesting conclusions came out of the study. First of all, it confirmed that trade integration between the EU and Turkey increased dramatically over the last two decades, more than fourfold since 1996. Secondly, trade interests of both the EU and Turkey are changing as Turkey is diversifying its exports to new destinations. Lastly, further trade integration between the EU and Turkey is in the interest of both parties and various areas – such as agriculture and services – have the potential to bring welfare to both parties. Moreover, the evaluation clearly demonstrated that the CU brought about greater benefits than the ones that could have been generated by an FTA.

¹⁹ http://ec.europa.eu/enlargement/pdf/financial_assistance/phare/evaluation/2014/20140929-erpd-meta-evaluation-cooperation-instruments-works-and-supplies.pdf

²⁰ To be published shortly

²¹ http://ec.europa.eu/enlargement/pdf/financial_assistance/phare/evaluation/2014/20140403-evaluation-of-the-eu-turkey-customs-union.pdf

6 – FINANCIAL DATA

IPA I

Allocations						
	NEAR Comp I	NEAR Comp II	REGIO Comp II	REGIO Comp III	EMPL Comp IV	AGRI Comp V
IPA per country						
Albania	512,037,790	24,979,732				
Bosnia and Herzegovina	554,054,665	17,719,302				
Croatia	253,747,144	17,376,853		330,269,029	92,413,106	124,762,553
Kosovo	679,182,927	6,600,000				
The former Yugoslav Republic of Macedonia	241,768,542	17,761,117	16,952,994	192,157,615	41,610,555	32,593,535
Montenegro	163,561,021	20,109,865		22,235,679	5,583,000	
Serbia	1,213,237,326	21,567,024	132,204,840			
Turkey	1,566,306,894	6,887,614	25,079,059	1,606,679,114	433,278,905	789,633,030
Iceland	34,837,163	0				
Regional programmes	1,150,110,289	0	207,245,257			

Disbursements						
	NEAR Comp I	NEAR Comp II	REGIO Comp II	REGIO Comp III*	EMPL Comp IV	AGRI Comp V
IPA per country						
Albania	277,403,298	10,736,025				
Bosnia and Herzegovina	359,893,058	10,483,995				
Croatia	180,049,316	10,799,612		156,828,491	44,747,570	67,889,589
Kosovo	485,507,697	1,191,412				
The former Yugoslav Republic of Macedonia	115,713,673	8,844,929	14,006,810	101,431,162	20,686,555	12,365,912
of Macedonia	123,191,586	11,886,390		6,670,704	1,674,900	
Montenegro	791,339,885	12,623,892	102,256,467			
Serbia	1,058,446,055	4,475,820	18,274,503	845,584,823	258,914,977	392,565,366
Turkey	5,744,810	0				
Iceland	938,085,946	0	113,246,205			
Regional programmes	4,335,375,325	71,042,075	247,783,985	1,110,515,180	326,024,002	472,820,867

IPA per country	Allocations	Disbursements
Albania	537.017.522	288.139.323
Bosnia and Herzegovina	571.773.967	370.377.054
Croatia	818.568.685	460.314.577
Kosovo	685.782.927	486.699.110
The former Yugoslav Republic of Macedonia	542.844.358	273.049.040
Montenegro	211.489.565	143.423.580
Serbia	1.367.009.190	906.220.245
Turkey	4.427.864.616	2.578.261.545
Iceland	34.837.163	5.744.810
Regional programmes	1.357.355.546	1.051.332.151
Total	10.554.543.540	6.563.561.434
Split per DG		
NEAR	6.501.845.269	4.406.417.400
REGIO	2.532.823.587	1.358.299.165
EMPL	572.885.566	326.024.002
AGRI	946989117,7	472820867,1
	10.554.543.540	6.563.561.434

IPA II

NEAR		
IPA II 2014 per county	Allocations	Disbursements
Albania	66,746,389	0
Bosnia and Herzegovina	73,581,834	0
Bosnia and Herzegovina - OHR	3,532,478	3,532,478
Kosovo	66,050,000	0
The former Yugoslav Republic of Macedonia	71,717,811	0
Montenegro	35,707,300	0
Serbia	187,090,000	0
Turkey	545,600,000	0
Multi-beneficiary	222,442,000	1,098,159
Total		
IPA:	1,272,467,812	4,630,637

AGRI		
	Allocated	Paid
The former Yugoslav Republic of Macedonia	5,000,000	0
Turkey	69,000,000	0
TOTAL 2014-2020	74,000,000	0
Total IPA II: NEAR+ AGRI		
	Allocated	Paid
Albania	66,746,389	0
Bosnia and Herzegovina	73,581,834	0
Bosnia and Herzegovina - OHR	3,532,478	3,532,478
Kosovo	66,050,000	0
Macedonia	76,717,811	0
Montenegro	35,707,300	0
Serbia	187,090,000	0
Turkey	614,600,000	0
Multi-beneficiary	222,442,000	1,098,159
Total IPA:	1,346,467,812	4,630,637

Allocations for IPA I: Amounts of adopted Financing Decisions during 2007–2013 (minus unused funds returned to the EU budget).

Allocations for IPA II: Amounts of adopted Financing Decisions in 2014

Disbursements: Amounts effectively paid up to 31 December 2014 by the European Commission to the contractor (in case of direct management) / beneficiary country or international organisation (in case of indirect management).

In the case of Croatia, former IPA assistance covered by DG REGIO and DG EMPL (components III and IV, and part of component II) is now governed under the Structural Funds regulations as provided for in the Treaty of Accession and disbursement figures are up to the date when the country became a Member State (1 July 2013). Assistance under the other components remains under IPA and disbursement figures are with cut-off date end of 2014.