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**BACKGROUND DOCUMENT TO THE REPORT FROM THE COMMISSION TO  
THE PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND  
SOCIAL COMMITTEE**

**2009 ANNUAL REPORT ON THE IMPLEMENTATION OF THE INSTRUMENT  
FOR PRE-ACCESSION ASSISTANCE (IPA)**

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## INTRODUCTION

### The IPA instrument

Since 1 January 2007, EU pre-accession funding has been channelled through a single, unified instrument, the Instrument for Pre-accession Assistance (IPA), designed to deliver focused support to both candidate countries<sup>1</sup> and potential candidates<sup>2</sup>. IPA (Council Regulation No 1085/2006 of 17 July 2006) is the successor to the former pre-accession instruments PHARE<sup>3</sup>, ISPA<sup>4</sup>, SAPARD<sup>5</sup>, the Turkish pre-accession instrument<sup>6</sup> as well as the financial instrument for the Western Balkans, i.e. CARDS<sup>7</sup>.

In order to achieve each country's objectives in the most efficient way, IPA is structured in *five different components*:

I. *Transition Assistance and Institution Building*, aimed at financing institution building measures and associated investment;

II. *Cross-Border Co-operation (CBC)*, to support cross-border cooperation between candidate countries/potential candidates and with EU Member States. It may also fund relevant participation in trans-national co-operation programmes (Structural Funds) and Sea Basin programmes (European Neighbourhood and Partnership Instrument - ENPI);

III. *Regional Development*, which finances investments and associated technical assistance in areas such as transport, environment and economic cohesion;

IV. *Human Resources Development*, to strengthen human capital and help combat exclusion;

V. *Rural Development*, which finances rural development-type measures and contributes to the sustainable development of rural areas. It also provides assistance to the restructuring of agriculture and its adaptation to EU standards in the areas of environmental protection, public health, animal and plant health, animal welfare.

Components I and II are open to all beneficiaries. Components III, IV and V are open to candidate countries only, and are designed to mirror Structural, Cohesion and Rural Development Funds in order to prepare candidate countries for the management of such EU funds upon accession. This requires beneficiary countries to have adequate administrative

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<sup>1</sup> Croatia, the former Yugoslav Republic of Macedonia and Turkey. As Iceland became formally a beneficiary of IPA assistance only in 2010, this annual report does not yet cover for programming and implementation of IPA assistance to Iceland. References to candidate countries in the text of this report and in the background document must be understood to refer only to Croatia, the former Yugoslav Republic of Macedonia and Turkey.

<sup>2</sup> Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo under UNSCR 1244/99.

<sup>3</sup> Council Regulation (EEC) No 3906/89 of 19 December 1989.

<sup>4</sup> Instrument for Structural Policies for Pre-Accession, Council Regulation (EC) No 1267/1999 of 21 June 1999.

<sup>5</sup> Special Accession Programme for Agriculture and Rural Development, Council Regulation (EC) No 1268/1999 of 21 June 1999.

<sup>6</sup> Council Regulation (EC) No 2500/2001 of 17 December 2001.

<sup>7</sup> Community Assistance for Reconstruction, Development and Stabilisation, Council Regulation (EC) No 2666/2000 of 5 December 2000.

capacity and structures to take responsibility for the management of assistance. For potential candidates, regional-, human resources- and rural development-type measures can be implemented through Component I.

Within the Commission, DG Enlargement (ELARG) manages component I and part of component II. DG Regional Policy (REGIO) manages the part of component II under shared management with Member States and is responsible for component III. DG Employment, Social Affairs and Equal Opportunities (EMPL) is responsible for component IV and DG Agriculture and Rural Development (AGRI) has responsibility for component V. DG ELARG leads in the coordination of the instrument as a whole and defines the overall Enlargement strategy (the Enlargement Strategy Paper and the annual Progress Reports that constitute the so called 'Enlargement package', published every autumn).

As part of the 'Enlargement package', and in accordance with Article 5 of the IPA Regulation, the *Multiannual Indicative Financial Framework (MIFF)* provides the indicative breakdown of the overall IPA envelope by country and by component for a three year rolling period. The MIFF acts as the link between the political framework within the 'Enlargement package' and the budgetary process.

Based on MIFF allocations, and on the priorities identified within the political framework defined by the accession strategy, *Multi-annual Indicative Planning documents (MIPDs)* are established for each country and for the multi-beneficiary programme. They give a three-year strategic perspective and represent the Commission's view of major areas of interventions and main priorities that beneficiary countries are expected to develop in detail in the programming documents. The MIPDs are reviewed annually.

*Annual or multi-annual programmes* are then designed in accordance with the relevant MIPDs.

Component I assistance is programmed by the Commission in the form of annual/national and multi-beneficiary programmes, managed either by the Commission, directly or indirectly, or by the beneficiary, or jointly with other donors, as appropriate. Annual/national programmes consist of Financing Proposals prepared by the Commission on the basis of Project Fiches submitted by the IPA beneficiaries, or prepared by the Commission in the case of regional and horizontal Multi-beneficiary programmes, following consultation with stakeholders and donors and after the positive opinion of the IPA Management Committee.

IPA Component II cross-border cooperation encompasses two strands: cross-border cooperation between candidate countries/potential candidates and cross-border cooperation between them and neighbouring EU Member States. Additionally, IPA Component II may also support the participation of candidate countries and potential candidates in Structural Funds' transnational cooperation programmes (financed by the European Regional Development Fund – ERDF, in the context of the European Territorial Cooperation objective) and in the European Neighbourhood Policy Instrument (ENPI) Sea-Basin cooperation programmes.

Assistance to cross-border cooperation under Component II is delivered on the basis of multi-annual cross-border programmes currently covering the period 2007-2011, jointly drawn up by the participating countries, and is granted through annual financing decisions which are also subject to the positive opinion of the IPA Management Committee. Concerning participation in the ERDF transnational programmes or the ENPI Sea-Basin

programmes, IPA assistance is granted through annual Financing Decisions on a country-by-country basis.

Similarly to Structural Funds, programming of Components III and IV is made through multi-annual programmes, prepared initially for three years, but which can be extended to cover additional years. On the basis of the Strategic Coherence Frameworks and in consultation with relevant stakeholders, candidate countries draft multi-annual operational programmes per component (Component IV) or per theme (transport, environment, regional competitiveness - Component III) which are then agreed with the Commission for formal adoption, following consultation of the relevant Member States Committee: Coordination Committee for the funds (COCOF) for Component III and COCOF and European Social Fund (ESF) Committee for Component IV.

Based on the approach used for preparing the rural development programmes for the Member States, Component V assistance is programmed on a multi-annual basis covering the period 2007-2013. However, in line with the MIPD, the financial envelope was initially specified for the years 2007-2009 only and is subject to a yearly update in order to include financial allocations for the subsequent years. After consultations with stakeholders, the programmes as well as the modifications are adopted by the Commission following consultation of the EU Member States in the Rural Development Committee (RDC).

In view of the time necessary to set up the fully decentralised implementation system on the basis of which assistance under component V can be delivered, and based on related SAPARD<sup>8</sup> experience, financial allocations for Component V follow normally a phasing-in approach with a back loading of IPA Rural Development funds. Funding for the first four years of the implementation period (2007, 2008, 2009 and 2010) therefore represents a lower percentage of the full Component V allocation, which is due to increase considerably in the following years. Croatia represents the only exception to this rule as it was the only candidate country which set up the SAPARD system to profit from SAPARD funds prior to the implementation of the IPA Rural Development component.

### Implementation modalities

Pre-accession assistance is implemented through a variety of management modes which take into account the different levels of preparedness of the beneficiary countries. In practice, by the end of the reporting period seven different kinds of management modes could be distinguished:

- Centralised *direct – central*: funds are managed by the Commission services in Brussels (e.g. horizontal and multi-beneficiary programmes such as Nuclear Safety and Tempus, parts of the Multi-beneficiary-programme proper);
- Centralised *direct – de-concentrated*: funds are managed by the EU Delegations under the supervision of Commission services in Brussels (e.g. most of Component I and Component II for Albania; Component I for Serbia, Components I and II for Montenegro, Component I for Kosovo, Components I and II of IPA 2007 and 2008 for Bosnia and Herzegovina);
- Centralised *indirect*: management of funds is delegated to third parties such as specialised EU bodies or national or international public sector bodies (some projects under IPA 2008 Component I for Albania and under IPA 2009 Component I for Bosnia and Herzegovina);

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<sup>8</sup> Special Accession Programme for Agriculture and Rural Development.

- Decentralised *with ex-ante* control: funds are managed by accredited national authorities of the beneficiary , but procurement is subject to *ex ante* control by the EU Delegation (Components I to IV in Croatia and Turkey and Components III and IV in the former Yugoslav Republic of Macedonia);
- Decentralised *without ex-ante* control: funds are managed by accredited national authorities of the beneficiary and are *not* subject to ex-ante controls by the EU Delegation (component V in Croatia<sup>9</sup>, Turkey and in the former Yugoslav Republic of Macedonia<sup>10</sup>);
- *Shared*: funds are managed by a managing authority located in participating Member States (Component II CBCs with Member States);
- *Joint*: funds are jointly managed with International Organisations, such as the EBRD, Sigma, UN agencies (e.g. part of the Multi-beneficiary-programme, infrastructure support projects in Albania and in Bosnia and Herzegovina under Component I of IPA 2009, parts of Component I for Kosovo).

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<sup>9</sup> For two measures out of seven.

<sup>10</sup> For three measures out of four under the IPARD Programme.

## PART I: COUNTRY SECTION

### 1. ALBANIA

#### 1.1. The year in review

Albania applied for EU membership in April 2009. After the Council requested the Commission on 16 November 2009 to prepare an Opinion on Albania's application, a Questionnaire was sent to Albania in December 2009. The Stabilisation and Association Agreement (SAA) entered into force in April 2009 and up to the end of the reporting period implementation was progressing smoothly on the whole. Albania continued to make progress in addressing the political criteria in line with the European Partnership. Parliamentary elections were held in June 2009, which were assessed by the OSCE/ODIHR as meeting most international standards, but further efforts were needed to address recommendations for future elections. According to the OSCE/ODIHR report, tangible progress with regard to voter identification, legal framework and voting took place, but the politicisation of technical processes, such as the vote count, remained to be addressed. After the elections, the opposition Socialist Party (SP) started a parliamentary boycott, which by the end of the reporting period had not yet come to an end. Political dialogue between the two main parties deteriorated and continued to be a major source of concern.

The main issues in Albania revolved around strengthening democracy and the rule of law, reforming the judicial system, and continuing with efforts to fight corruption. The capacity of the Albanian institutions in these areas remained to a large extent limited, in particular as regarded the judiciary's independence, transparency and efficiency, the implementation of public administration reform and the fight against corruption and organised crime, even if an important work was done in the framework of the visa liberalisation dialogue.

Some progress was registered regarding human rights and the protection of minorities, for which the legal framework was broadly in place. However, further efforts were needed in order to improve the enforcement of legislation in a number of fields. Areas of special concern were the situation of the Roma population and freedom of expression. In relation to the latter, the joint EU-Council of Europe Action plan on media reform aimed at improving the overall climate of media regulation in Albania.

In addition, the implementation of the SAA, which started after final ratification on 1 April 2009, demanded strong administrative capacities in almost all *acquis* related areas in order to meet the requirements identified in the SAA. Structural reforms were not yet fully implemented and more efforts were needed in the economic area to improve the business environment.

The economy of Albania maintained macroeconomic stability despite the global crisis. However, economic growth slowed down in 2009 as a consequence of reduced exports, remittances and credit growth. Nevertheless, Albanian growth rates exceeded those of regional neighbours.

In their assessment of Albania's implementation of the roadmap for visa liberalisation in June 2009, Commission services concluded that, despite the important progress made, Albania had not yet fully met all the agreed benchmarks. The Commission continued to monitor the implementation of benchmarks by the country, while intensifying cooperation with the

Albanian authorities. In this context, until the end of the year Albania made good progress in meeting the criteria.

For more details on developments in 2009 in Albania's preparation for EU membership, please refer to the Commission's *2009 Progress Report on Albania*<sup>11</sup>.

## **1.2. IPA programming and implementation in 2009**

### **1.2.1. MIPD 2009-2011**

As a potential candidate country, in 2009 Albania benefited from IPA Components I and II. The Multi-annual Indicative Planning Document (MIPD) 2009-2011 was adopted on 31 July 2009.

The indicative allocations to Albania under the Multi-annual Indicative Financial Framework (MIFF) for the period 2009-2011 amounted to EUR 269.4 million, as specified in Table 1 below. Assistance was in line with the recommendations of the 2008 Enlargement Strategy<sup>12</sup> and Progress Report as well as with the priorities stated in the European Partnership and addressed the requirements under the SAA.

More specifically for the period 2009–2011, EU assistance to Albania should address key issues such as public administration reform and rule of law enforcement, in particular as regarded good governance and anti-corruption measures. This emphasis was reflected in a further increase of funds allocated to the area of political requirements for the IPA 2009 envelope compared to previous programmes. Strengthening of the administrative capacity with a view to the implementation of the SAA was given a high priority, to support the Albanian authorities in fulfilling the requirements of that agreement. There was also a need to further support structural reforms in the country and invest in related infrastructure, in particular in the area of regional development and *acquis* related infrastructure.

The strategic objectives identified in the MIPD 2009-2011 responded to the European Partnership priorities, the 2008 Progress Report and the SAA requirements. Assistance was supposed to support the implementation of Albania's 2007 National Strategy for Development and Integration, the 2007-2012 National Plan for the Approximation of the Legislation and the SAA, as well as other relevant strategies in areas related to the EU integration process.

The 2009-2011 MIPD foresaw that IPA support under Component I for the corresponding period, amounting to EUR 237.9 million (see Table 1 below), should assist Albania in the following main areas:

*Political criteria:* Particular attention was paid to assisting Albania in addressing fundamental issues such as good governance and the rule of law. IPA support contributed primarily to improving the political system so as to ensure better functioning of the executive, legislative and judiciary, a more effective fight against corruption and organised crime, strengthened public administration, financial control and better involvement of civil society in the political process. The preparation for decentralised management of EU assistance also required intensive support.

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<sup>11</sup> Albania 2009 Progress Report, SEC(2009) 1337 of 14 October 2009, available at [http://ec.europa.eu/enlargement/pdf/key\\_documents/2009/al\\_rapport\\_2009\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2009/al_rapport_2009_en.pdf).

<sup>12</sup> Communication from the Commission to the Council and the European Parliament: Enlargement Strategy and Main Challenges 2008-2009, COM(2008)674 final, of 5 November 2008, [http://ec.europa.eu/enlargement/pdf/press\\_corner/key\\_documents/reports\\_nov\\_2008/strategy\\_paper\\_incl\\_countryconclu\\_en.pdf](http://ec.europa.eu/enlargement/pdf/press_corner/key_documents/reports_nov_2008/strategy_paper_incl_countryconclu_en.pdf).

*Economic criteria:* To ensure complementarity with other donors, EU support under this axis concentrated on economic, fiscal and trade policies and the banking system, structural reforms to support regional development (including cultural heritage activities), social policies, education and employment and development.

*Ability to assume the obligations of membership:* priority was given to supporting Albania's progressive alignment with the *acquis* in the areas of internal market, agriculture and rural development, food safety, veterinary and phytosanitary policy, environment, energy, transport, integrated border management, visa and migration, fight against organised crime with a focus on obligations under the SAA. Support was provided for the establishment and capacity building of agencies and institutions required for the implementation and enforcement of sectoral policies.

*Support programmes:* these programmes were foreseen to allow Albania to participate in EU agencies and institutions, as well as in EU-funded programmes.

With regard to support for Cross-Border Co-operation under IPA Component II, amounting to EUR 31.5 million for the period 2009 – 2011, the MIPD foresaw that it should address cross-border activities between Albania and EU Member States as well as with adjacent candidate countries and potential candidates.

Continuity was ensured between the MIPD 2008-2010 and the MIPD 2009-2011, as developments in the country did not justify a radical change. In line with the 2008 Enlargement Strategy, continued focus was put on support for projects in the context of the political criteria. More emphasis was laid on the protection of cultural heritage, which were in line with demands from the European Parliament and the so called "Ljubljana Process" initiated by the European Commission and the Council of Europe. Furthermore, activities were introduced to help soften the effects of the financial crisis. This included for example major infrastructure projects (IPA 2009 included EUR 23 million for municipal water and sewerage infrastructure).

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

<b>Component</b>	<b>2009<sup>14</sup></b>	<b>2010</b>	<b>2011</b>	<b>2009-2011</b>
I. Transition Assistance and Institution Building	70.9	82.7	84.3	237.9
II. Cross-Border Cooperation	10.3	10.5	10.7	31.5
<b>TOTAL</b>	<b>81.2</b>	<b>93.2</b>	<b>95.0</b>	<b>269.4</b>

### 1.2.2. Programming exercise

The IPA 2009 national programme for Albania focused on the objectives identified in the 2009-2011 MIPD. It encompassed 16 projects grouped under 4 strategic priority axes. Experience with the so far limited implementation of IPA assistance in Albania as well as findings of evaluations conducted by DG Enlargement - specifically, the evaluation on public administration reform<sup>15</sup> - suggested that planning and programming of IPA assistance needed to consider the following lessons:

<sup>13</sup> Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2010-2012', COM(2008)705 of 5 November 2008.

<sup>14</sup> Final allocations (shown in the main report and in table 2) differ from these indicative figures following transfers between components I and II during the course of 2009.

<sup>15</sup> Supporting Public Administration Reform in Croatia - Thematic evaluation of EU and other support, June 2009.

- Ownership by the beneficiary was essential for the effective targeting of assistance and for achieving expected results. As a result, in 2009 the Commission undertook significant efforts to involve Albania's institutions in planning and programming of EU assistance. The Ministry for European Integration (MEI) benefited from substantial institutional and capacity-building support. The introduction of the function of Senior Programme Officers (SPO) within the European Integration units in line ministries and the leading role of the MEI in the programming process should help increase ownership in the future.
- The absorption capacity of the authorities needed to be ensured. This depended on project maturity in terms of adequate staffing in the relevant institutions, mobilisation of civil society and a political consensus on key reform activities.
- Timely planning of future assistance was essential to addressing key areas. Past experience with delays in implementation of CARDS and IPA showed the need to ensure that projects did not become obsolete because of late implementation.
- The link between EU assistance and sectoral strategies and action plans of the Albanian institutions needed to be ensured. The aim was to design assistance in relation to Albanian strategic plans, which in turn should address the requirements of the EU integration process.
- Particular attention needed to be paid to projects preparedness and maturity.

The above mentioned points were raised at several occasions with the beneficiary during the programming meetings of IPA 2009 and were taken as much as possible into account in the preparation of the IPA 2009 programme.

IPA 2009 addresses key issues such as police reform and rule of law enforcement, in particular as regards anti-money laundering, witness protection and further improvement of the justice system. All in all, EUR 9.8 million are provided to support justice and home affairs, which constitute about 14% of the overall programme amount. At the same time, the national programme also meets the requirements to continue preparation of the Albanian administration for decentralised management as well as to assist with preparations for the population Census in 2011, support civil society and help with advancing on important *acquis* related issues such as industrial property rights, food safety and data protection.

Two large infrastructure projects are also included in the 2009 programme, one in the environment sector (water supply and sewerage) and one in the transport sector (local roads). In consultation with the Albanian government, it was agreed that the local road project and parts of the water project shall be implemented via the municipal window of the Infrastructure Project Facility (which at the end of 2009 was merged into the Western Balkan Investment Framework – cf. Part II of this document) in cooperation with International Financial Institutions. This should also be seen in the context of Commission's efforts to respond to the need for measures to help Albania soften the effects of the financial crisis.

In general, projects were chosen on the basis of their maturity or readiness to be implemented. This means that a minimum of preparatory or design work had to be available, in order to be able to start projects soon after the signature of the Financing Agreement. At the same time, conditionalities were systematically introduced in the project fiches regarding the sustainability of interventions, once being finalised (e.g. maintenance plans).

There was a trend towards less but bigger projects in programming of IPA assistance to Albania in 2009. This was mainly due to the fact that IPA 2008 included a rather high number of small projects. At the same time, under the pressure of the effects of the financial crisis the European Commission decided to focus more on larger infrastructure projects, in order to support the demand side of the public sector for necessary works.

As regards the types of contracts, Component I of the 2009 programme foresees altogether 5 action grants in the areas of judicial reform, support to civil society and improvement of industrial property rights. In addition, alongside with 7 work contracts concerning border control, protecting cultural heritage, the Kukes region and environmental infrastructure (water supply and sewerage system), the programme also includes 7 supply contracts as well as an indicative number of about 23 service contracts. Finally, 3 twinning projects are envisaged in the area of anti-money laundering, fight against corruption and judicial reform.

The programming process for IPA 2009 was carried out with close involvement of the beneficiary institutions, in particular the Ministry of European Integration. There was a moderately improved ownership on the Albanian side during the programming exercise, in particular regarding preparation of project fiches. The quality of the project fiches, which were produced by the beneficiary, was much better than in previous years. The preliminary project list for IPA 2009 had been presented to the Member States and their agencies in Tirana at the end of 2008. Later, during the first half of 2009 the list was circulated amongst IFIs, multi-lateral donors and civil society organisations. Finally, the programme was presented to the IPA Committee on 25 September 2009 and adopted in December of that year.

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

<b>ALBANIA</b>	<b>2009</b>
<b>I. Transition Assistance and Institution Building</b>	<b>71.36</b>
Of which:	
National Programme ( <i>Including Kukes region programme, i.e. funds transferred from IPA Component II to IPA Component I</i> )	69.86
Nuclear Safety Programme*	0.50
Tempus Programme*	1.00
<b>II. Cross-Border Cooperation</b>	<b>9.83</b>
Of which:	
CBC FYROM - Albania	0.85
CBC Montenegro – Albania	0.85
CBC Greece – Albania	1.63
CBC Adriatic	5.90
ERDF South-East Europe + MED	0.60
<b>TOTAL</b>	<b>81.19</b>

\* The Nuclear Safety Programme and Tempus Programme are coordinated and implemented under the relevant Multi-beneficiary IPA 2009 programmes.

As for programming of IPA 2010, the exercise began in early 2009, in order to achieve an earlier adoption than for the 2009 programme. A first programming mission took place in May 2009. However, due to the outcome of the elections of June 2009 and the consequent changes in government, the outcome of this first mission had to be substantially revised. By the end of the year a final project list was agreed between the Beneficiary and the European Commission and presented also to other donors.

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

Component I aims at achieving the objectives listed in Art 2 of the IPA regulation in line with the above enlisted priority areas. Within the dimension of “strengthening democratic institutions”, support for enhancing government's services to citizens and businesses will be provided through IPA 2009 by building an e-Government infrastructure that is in line with EU Personal Data Protection standards. Furthermore, strengthening of European Integration structures and preparation for Decentralised Management System of IPA funds (DIS) shall give impetus to Public Administration reform.

In order to strengthen the rule of law, IPA 2009 continues to emphasise support to horizontally important areas such as blue border management, anti-money laundering and financial crime investigation structures as well as witness protection. Activities in these fields are expected to further strengthen the fight against organised crime and corruption. Furthermore, citizens' trust into the judiciary is expected to further improve by supporting the strengthening of the legislative and institutional justice system and the establishment of a probation service and alternative measures to detention.

Component I of the 2009 programme aims also at supporting media freedom and the media sector in developing an independent, high-quality public service broadcasting system, including the digitalisation of broadcasting, and at developing a regulatory environment in line with European standards. As a result, an effective, transparent and predictable regulatory framework for the media is expected to be in place, as well as improved performance of the Broadcasting Authority. In this context, the joint EU-Council of Europe Action plan on media reform aims at improving the overall climate of media regulation in Albania.

IPA 2009 supports also civil society in order to create a genuine partnership with the authorities for the democratic stabilisation and the economic and social development of the country. As a result, it is expected that dialogue between the authorities and civil society will improve. In addition, it is envisaged that the independence and integrity of civil society organisations will be further strengthened to fulfil a "watchdog" function, and that transparent mechanisms for disbursement of local funds for civil society organisations will be developed.

Concerning the protection of minorities and vulnerable groups (including Roma, women, children, the handicapped and mentally ill) support is provided through the civil society facility. Furthermore, sound data on minorities will be gathered through the Census preparation project, which will be the basis for developing policies to overcome their vulnerable and economically fragile situation and protect them against discrimination.

**Table 3: Indicative financial allocations for the year 2009 under the National Programme, per priority axis and per project, in million EUR**

<b>Priority Axis</b>	<b>Projects</b>	<b>Budget</b>
<b>Political Criteria</b>		<b>21.8</b>
	Support for Blue Border Management	4.0

	Support/ Twinning for Anti-Money Laundering and Financial Crime Investigation Structures	1.5
	Technical Assistance/Twinning for the Justice System	3.3
	Fight against corruption and organised crime: Witness and Special Persons Protection	1.0
	Support for enhancing Decentralised Management System	1.5
	Support for the Population and Housing Census 2011	8.0
	Project Preparation Facility	1.0
	Civil Society Facility	1.5
<b>Socio-economic Criteria</b>		<b>14.46</b>
	Infrastructure: Secondary and local roads	9.0
	Support for Cultural heritage	5.0
	Kukes Region	0.46
<b>Ability to assume the obligations of membership</b>		<b>31.6</b>
	Improvement of water supply and sewerage systems	23.1
	Improvement of industrial property rights	1.0
	Consolidation of the food safety system	3.5
	Building and e-government infrastructure that is in line with EU Personal Data Protection standards	4.0
<b>Participation in EU Programmes</b>		<b>2.0</b>
	Support for participation to EU Programmes: in particular Competition and Innovation Framework Programme (CIP), Europe Citizens, 7th Research Framework Programme (FP 7)	2.0
<b>TOTAL</b>		<b>69.86</b>

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

The overall objective of cross-border cooperation (CBC) programmes is to promote cooperation between people, communities and institutions, aiming at sustainable development, stability and prosperity of bordering areas.

The cross-border programme for 2007-2009 between the former Yugoslav Republic of Macedonia and Albania was adopted by Commission Decision in December 2007. The Financing Proposal for the year 2009 was adopted by Commission Decision in September 2009. The latter only added the 2009 financial allocation for both countries and did not touch at the substance of the programme. The overall objective of the programme is to promote sustainable development in the cross-border area.

The cross-border programme between Albania and Montenegro 2007-2009 was adopted by Commission Decision in December 2007 and the Financing Proposal for the year 2009 was adopted by Commission Decision in August 2009. No programme revision was undertaken as the 2009 Financing Proposal only added the yearly financial allocation to this programme.

Considering the status of Kosovo<sup>16</sup> and since the conditions to have a fully fledged joint cross-border programme between Albania and Kosovo were not met, IPA 2007, 2008 and 2009 funds were allocated to the Albania national programme for unilateral projects in the Kukes region bordering Kosovo. Although financed with IPA component II funds, this programme was implemented under component I, exceptionally transferring the funds from one IPA component to another. In October 2009, the Commission recommended to

<sup>16</sup> Under UNSCR 1244/99.

progressively activate the IPA cross-border co-operation component for Kosovo<sup>17</sup>, notably with Albania, under IPA 2010 programming.

The cross-border programme between Greece and Albania 2007-2013 was jointly developed by the Albanian and Greek authorities and adopted after revision in November 2008. The programme builds on the 2000-2006 INTERREG programme between the two countries. The Financing Proposal for the year 2009 was adopted by Commission Decision in August 2009 and did not imply any programme revision. The overall objective of the programme is to increase living standards by promoting sustainable local development in the border area.

Since 2007, Albania is part of the IPA Adriatic cross-border cooperation programme together with Italy, Slovenia, Greece, Croatia, Bosnia and Herzegovina, Montenegro and, in phasing-out, Serbia. This programme is a continuation of the 2004-2006 Italy-Adriatic INTERREG and Italy-Albania Neighbourhood programmes. The Financing Decision for the year 2009 was adopted by the Commission in August 2009. The global objective of the programme is to strengthen sustainable development of the Adriatic region.

Albania is also participating in the ERDF transnational programme since, respectively, 2007 for the "South-East Europe" part and 2009 for the "Mediterranean" part, under the European Territorial Co-operation objective of the Structural Funds 2007-2013. The Financing Decision for its participation for the year 2009 was adopted by the Commission in August 2009. The programme supports Albanian participation to joint transnational co-operation activities with partners from EU Member States and familiarises the country with territorial co-operation programmes under EU Structural Funds.

### **1.2.3. Implementation Modalities and Structures**

As in the previous reporting year, in 2009 the majority of the projects under IPA 2007 and 2008 component I and II were implemented on a centralised (de-concentrated) basis by the European Union Delegation to Albania in accordance with article 53(a) of the Financial Regulation (FR)<sup>18</sup> and the corresponding provisions of the implementing rules (IR)<sup>19</sup>. However, IPA 2008 foresees 5 projects to be implemented by indirect centralised management with *Deutsche Gesellschaft für Technische Zusammenarbeit* (GTZ) and the Austrian Development Agency (ADA). As this represented a novelty for the Commission as well as for the Member States' agencies concerned in the enlargement context, it took a relatively long time to negotiate the corresponding delegation agreements, which were finally signed in June 2009. This management mode allowed the Delegation to free human resources for project implementation. At the same time, the chosen development agencies had a proven track record in the field for which they signed delegation agreements with the Commission. The selection was based on a transparent process, to which all present and accredited agencies were invited.

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<sup>17</sup> Communication from the Commission to the European Parliament and the Council, Kosovo\* - Fulfilling its European Perspective, COM(2009)534 final, of 14 October 2009, p. 14.

<sup>18</sup> Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 248, 16 September 2002, p. 1), as amended by Council Regulation (EC) No 1525/2007 of 17 December 2007 (OJ L 343, 27 December 2007, p. 9).

<sup>19</sup> Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 357, 31 December 2002, p. 1) as last amended by Commission Regulation (EC, Euratom) No 478/2007 of 23 April 2007 (OJ L 111, 28 April 2007, p. 13).

Further exceptions to the centralised (*de-concentrated*) management more are the infrastructure support projects (rural roads and water infrastructure) in Part I of the 2009 IPA programme. As already mentioned, these projects will be implemented by joint management with the Council of Europe Development Bank (CEB) in cooperation with *Kreditanstalt für Wiederaufbau* (KfW). Joint management with CEB/KfW was chosen on the basis of their broad experience in the water sector in Albania and with a view to pooling different sources of finance in order to allow implementation of large infrastructure projects, which represent a priority for the beneficiary. This should be seen also in the context of the European Commission's efforts to soften the impact of the financial crisis on the countries of the Western Balkans.

Finally, as in the previous reporting year, the horizontal nuclear safety and education (Tempus) programmes will be implemented on a centralised basis by the European Commission in Brussels, in the framework of the Multi-Beneficiary Programme.

The process leading to decentralised management of IPA funds is a challenging administrative capacity-building exercise for the Albanian government on the road towards EU integration and shall become one of its main medium-term priorities in the years to come. In January 2009, a project funded under the IPA 2007 programme started to support the Albanian administration in its decentralised management process for IPA component I and helped in starting to set up the structures and manuals for Albania's financial management and control system of IPA funds. A European Commission fact-finding mission to Tirana took place in May 2009 and provided guidance to the Ministry of Finance on the necessary steps for the process. The mission made substantial recommendations with regard to Albania's set-up of an Audit Authority and provided clarification about the competent accrediting and national authorising officer functions. As a follow-up to the Commission's recommendations, in the summer of 2009 the Albanian Ministry of Finance revised its 2008 roadmap for the decentralised management of component I; the DIS structure was approved by the Albanian Council of Minister in June 2009; key nominations were made in autumn 2009, Senior Programming Officers in line ministries were nominated and the legal frame of the Audit Authority was created in October 2009 and started to be staffed in December 2009; the staff of the Albanian Central Financing and Contracting Unit was trained on Commission's programming and contracting rules. By the end of 2009, Albania had established most of the framework for the management and control system.

As for preparations for the IPA Rural Development component (component V), in October 2009 a project funded under the IPA 2008 programme started to support the Albanian Ministry of Agriculture, Food and Consumer Protection to design and develop a rural development strategy and relevant IPA Rural Development structures, building upon current Albanian ones. By the end of 2009 Albania was able to present a draft roadmap/concept paper for IPA Rural Development preparations.

While by the end of the reporting period progress seemed solid on component I and promising on component V, the process leading to decentralised management of IPA funds was still at a very early stage for components II, III and IV. Key challenges remained, regarding: the establishment of a National Fund; drafting of roadmaps towards decentralised management of component II; kicking-off preparations for the structures' set-up for components II, III, IV, V; starting drafting the Strategic Coherence Framework and Operational Programmes for components III and IV and the IPA Rural Development programme for component V; the need for strong coordination and ownership of the process at governmental level and regular reporting to the Commission. In order to address these challenges, at the end of 2009 the European Commission was preparing for a joint-mission to Tirana of the four General

Directorates responsible for the five IPA components, to officially launch preparations for decentralised management of IPA II, III, IV and V in early 2010. Furthermore, IPA 2009 programming included a project that built upon the ongoing IPA 2007 DIS project and aimed at supporting further preparation requirements for all IPA components.

#### 1.2.4. Overview of IPA projects/contracts implemented in 2009

In 2009, IPA 2007 projects were under implementation and IPA 2008 projects started to be contracted. For the exact implementation figures, please see tables below.

##### 1.2.4.1 Component I: Transition Assistance and Institution Building

**Tables 4: Status of implementation of IPA financial assistance (Component I) as at 31st December 2009 (in million EUR) per annual programme and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Contracted	RAC <sup>20</sup>	%Contracted	Paid	RAL <sup>21</sup>	%Paid
<b>IPA 2007</b>	49.27	23.48	25.79	<b>47.66%</b>	6.61	42.66	<b>13.42%</b>
<b>IPA 2008</b>	64.04 <sup>22</sup>	26.49	37.55	<b>41.36%</b>	8.06	55.98	<b>12.59%</b>
<b>IPA 2009</b>	69.86	0.00	69.86	<b>0.00%</b>	0.00	69.86	<b>0.00%</b>
<b>TOTAL</b>	<b>183.17</b>	<b>49.97</b>	<b>133.20</b>	<b>27.28%</b>	<b>14.67</b>	<b>168.49</b>	<b>8.01%</b>

Priority Axes	% of 2007-2009 allocations
Political criteria	31.29%
<i>(of which civil society)</i>	<i>(0.82%)</i>
Economic criteria	20.20%
Ability to assume membership obligations	46.71%
Support programmes	1.80%
<b>TOTAL</b>	<b>100.00%</b>

During 2009, some significant IPA projects started and/or were ongoing in Albania under Component I, as follows:

##### IPA 2007 projects

The project 'Police Assistance Mission of the EU to Albania (PAMECA III – EUR 5.5 million) started its activities in 2008. The project team was composed of a group of experts drawn from 3 Member States (United Kingdom, Austria and Sweden) and spans across the entire spectrum of activities of the Albanian State Police, including organized crime, terrorism, integrated border management, human, financial and material resources management, community policing and others. In 2009 the team was fully completed and focused on important areas, such as customs police, criminal intelligence and general policing. Up to the end of the reporting period, the project proved successful in highlighting areas needing further improvement towards building a credible Police Force in Albania, and in identifying suitable strategic and tactical actions to achieve that goal. The key principle of the project was to build sustainable capacity and not to replace it.

The project of technical assistance to the preparation of the Albanian Authorities for the EU Decentralised Implementation System (DIS) started in January 2009 and foresaw EUR 1 million of IPA funds. The overall objective of the project was to adequately prepare the

<sup>20</sup> Remains to be contracted (*Reste à Contracter*).

<sup>21</sup> Remains to be paid (*Reste à Liquider*).

<sup>22</sup> Includes an additional € 3.12 million allocated during the year 2008 following the Gerdec explosion.

Albanian Authorities for absorbing EU financial assistance, putting into place efficient structures and strengthening the capacities of key institutions for technical management of decentralized programmes in order to ensure sound management of DIS. During the reporting year, the project supported the Albanian authorities in revising the DIS roadmap and in setting-up the main structures.

#### *IPA 2008 projects*

The "Project Against Corruption" in Albania (PACA) funded under IPA 2008 and featuring a EUR 2 million contribution from the European Commission was signed in July 2009 and implementation started in September of that same year. The project is conducted by the Council of Europe and focuses on assisting the Albanian government in enhancing the effectiveness of implementation of the Cross Cutting Strategy against Corruption, a declared Government priority in line with the European Partnership objectives. The project aims at building the capacity of the Albanian administration (Line Ministries, State Police) and independent institutions such as the General Prosecutor's Office, the High Inspectorate for the Declaration of Assets and the High Council of Justice to adopt, implement and monitor internal mechanisms to counter and reduce corruption. The project also features a pilot component on anti-corruption in the education sector, and has an implementation period of 30 months.

In October 2009, the EUR 2.2 million project "Supporting Albanian SMEs to become more competitive on the EU-market" started its implementation. This strategic project aims at supporting the Ministry of Economy, Trade and Energy (METE) and Albinvest<sup>23</sup> to develop SME policy and specific support measures in order to assist Albanian SMEs to compete in the wider EU market. The overall objective of the project is to maintain sustainable growth, increase the competitiveness of the private sector and provide a healthy business environment for investment and employment. This is of great importance as the Stabilisation and Association Agreement in force between the EU and Albania gives Albanian SMEs an enormous opportunity to expand their businesses into EU markets. The project should strengthen the capacities of METE and Albinvest to develop, implement and monitor Albanian SME policy in order to provide entrepreneurship and innovation programmes to SMEs.

In order to assist the government in achieving the main goals of the Rural Development Strategy for Albania (2007-2013), further support is provided by IPA 2008 through the project "Capacity building for Rural Development Strategy" (EUR 2 million), that started implementation in October 2009. The project aims at establishing and strengthening institutional and administrative capacities in the Ministry of Agriculture, Food and Consumer Protection to design, develop and implement the policies and the appropriate supporting means for the development of agriculture and rural areas in the framework of EU pre-accession assistance programs for IPA Rural Development.

The IPA 2008 project "Improving the consumer protection against zoonotic diseases" (EUR 5.7 million) started its implementation in December 2009. The main purpose of the project is to assist the Ministry of Agriculture, Food and Consumer Protection to strengthen the administrative and technical capacity of the veterinary service in order to plan and implement

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<sup>23</sup> The Albanian Government has assigned Albinvest three strategic goals: assisting and accelerating the inflow of foreign investment into the Albanian economy, improving the competitiveness of Albanian exporters, and providing professional services to assist the growth of Albanian SMEs. ([www.albinvest.gov.al](http://www.albinvest.gov.al)).

the appropriate measures conducive to the eradication and controlling of animal diseases such as brucellosis, tuberculosis, anthrax, classical swine fever and rabies.

In December 2009, the EU Delegation signed a works contract of EUR 6.6 million for the reconstruction of rural roads in Albania. These works include reconstruction of four sections of secondary roads in Gjirokastra, Lezha and Shkodra Districts, totalling 30.7 km. The funds are part of a EUR 8 million IPA 2008 project dedicated to rural roads infrastructure.

#### *TAIEX, Twinning and SIGMA*

Altogether, seven twinning projects were launched for Albania during 2009, one of which funded by IPA 2007 and the remaining six by IPA 2008. Finance was the most relevant sector concerned by more than half of the projects launched. One project, "Strengthening the institutional capacity of the Albanian Central Bank", was successfully re-circulated in November 2009 after no proposals were received at the first launch in June. The Member States selected for leading the twinning projects were Austria, Italy, Poland and Germany. For one twinning no partner was selected by the end of the reporting period. No twinning contracts were signed in 2009. Altogether, 71 TAIEX experts assisted Albania in 2009.

SIGMA activities in 2009 revolved around the following topics: public service and administrative framework with focus on the law on administrative procedures and civil service reform, public expenditure management and assistance to the development of the public procurement system.

Regarding the evaluation of these institution and capacity building instruments, i.e. the success of twinings vs. technical assistance, evaluation contracted by headquarters had not started yet in 2009.

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

**Tables 5: Status of implementation of IPA financial assistance (Component II) as at 31st December 2009 (in million EUR) per annual programme and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Contracted	RAC	%Contracted	Paid	RAL	%Paid
<b>IPA 2007</b>	6.68	0.68	6.00	<b>10.18%</b>	0.62	6.06	<b>9.28%</b>
<b>IPA 2008</b>	8.58	0.00	8.58	<b>0.00%</b>	0.00	8.58	<b>0.00%</b>
<b>IPA 2009</b>	9.83	0.00	9.83	<b>0.00%</b>	0.00	9.83	<b>0.00%</b>
<b>TOTAL</b>	<b>25.09</b>	<b>0.68</b>	<b>24.41</b>	<b>2.71%</b>	<b>0.62</b>	<b>24.47</b>	<b>2.47%</b>

Priority Axes	% of 2007-2009 allocations
CBC with Member States	73.48%
CBC within Western Balkans	22.53%
Participation to ERDF Transnational Programmes	3.99%
<b>TOTAL</b>	<b>100.00%</b>

Implementation of the 2007–2009 Cross-border Cooperation Programmes with Albanian was ongoing in 2009.

For programmes at borders between candidate countries/potential candidates, i.e. Albania-Montenegro and Albania-the former Yugoslav Republic of Macedonia, it took about one year from the signature of first financing agreements (March/April 2008) for national authorities to set up the programme management structures and prepare the first calls for proposals, which were published for all programmes from June to July 2009. This timing is comparable to that

of Member States for CBC at intra-EU borders. The calls included IPA 2007 funds for the programmes between Albania and Montenegro and between Albania and the former Yugoslav Republic of Macedonia. Calls were closed in September-October 2009.

For the programme Albania-Greece, one call for proposals encompassing IPA 2007, 2008 and 2009 funds altogether was prepared in 2009 for launching in 2010.

As regards Albanian participation to the ERDF “South-East Europe” Transnational Programme, calls were open for project proposals in the following areas: facilitation of innovation and entrepreneurship, protection and improvement of the environment, improvement of the accessibility and development of transnational synergies for sustainable growth areas, and three grant contracts with Albanian beneficiaries were signed in winter 2009. The objectives of the selected projects were the networking for the promotion of transport corridors, the exchange of information and the protection of the environment. The quality of the applications received was considered ‘average to good’ as beneficiaries were requested to review in depth their action plan and their budget as per project cycle management requirements.

CBC Programmes can make a valuable contribution to reconciliation and good neighbourly relations, and the beneficiaries have shown great expectations with regards to the results of the programmes of this component, also in light of the fact that CBC's 'learning-by-doing' approach should significantly contribute to local capacity-building. These great expectations were reflected in the large number of applications submitted to the Calls for proposals, despite the almost symbolic amount of available funds. The amount requested with all applications received was, for Albania-Montenegro CBC programme, four times more and, for Albania-former Yugoslav Republic of Macedonia CBC programme, ten times more, than the overall amounts available under these calls.

### **1.3. Coherence, compatibility and coordination of aid**

In order to increase effectiveness and efficiency in the delivery of assistance through donor coordination, the Commission and the Member States ensure coordination of their respective assistance programmes. This coordination is extended also to the IFIs and other non-EU donors. At local level, a consultation mechanism during the different phases of the assistance cycle was established in 2007. It provided for an early consultation on draft IPA planning (MIPDs) and programming documents with Member State embassies, local offices of IFIs, UN entities and non-EU donors.

At central level, coordination meetings with IFIs as well as with EU and non-EU donors are organised on a regular basis. They focus primarily on strategic orientations and the regional dimension of IPA planning and programming. Additionally, coordination between the Commission and Member States take place on a regular basis in the context of the IPA Committee. Meetings with Member States embassies and the local branches of the IFIs on the MIPD 2009-2011 and the IPA 2009 draft national programme were organised in December 2008.

Since November 2005, the Government of Albania receives support to improve the process of donor coordination through the Integrated Planning System (IPS), which aims at ensuring that core policy and financial processes function in a coherent, efficient and integrated manner. Assistance to this mechanism was foreseen under IPA 2007. Furthermore, the Albanian Government has significantly improved donor coordination and aligned international assistance with national priorities through the Department of Strategy and Donor

Coordination (DSDC). It was created in 2005 under the Deputy Prime Minister's Office in the Council of Ministers of the Albanian government and is responsible for national, sectoral and cross-cutting development strategy coordination.

The Delegation of the European Union has played a leading role in the past as head of the Donor Technical Secretariat (DTS), which facilitates coordination and hosts project data from all donors since 2003. This leading role is rotating between the main donors such as European Union, OSCE, World Bank, UNDP and Member States.

To facilitate the coordination among donors as well as between government and donors within each sector, Sector Working Groups have been created. The government has the leading role in calling the meetings of the Sector Working Groups, but donors can take the initiative and call meetings each time they feel there is an important issue to be discussed amongst them, or with the government. The 9 Sector Working Groups for donor coordination are currently shared as follows: 1) environment, land and agriculture; 2) infrastructure & energy; 3) economy & finance; 4) social policy sectors; 5) justice & home affairs; 6) government modernisation; 7) decentralisation; 8) youth and culture, civil society and media; 9) elections and civil registry.

Albania was selected in January 2007 as a pilot country for the UN "delivering as one" reform, which is financially supported (amongst others) by the EU. Furthermore, the Division of Labour initiative in line with the Paris Declaration and the Accra Agenda for Action is becoming more and more developed.

The Tirana Donor Coordination Conference organised by the European Commission and the Albanian Government in April 2009 was seen as a success by all participants as for the first time it was organised by the European Commission together with (and in) a beneficiary country. According to figures presented at the last donors' conference, the total amount of donors' committed funds to Albania for the period 2007-2009 was EUR 2.7 billion.

However, with view to donor presence in Albania, it was feared that due to the financial crisis some bilateral donors could reduce their foreseen resources as in some donor countries they are often linked to GDP.

#### **1.4. Monitoring**

The monitoring of IPA-funded projects in Albania started only in 2009. Three different projects were monitored by Result Oriented Monitoring (ROM): 1) one on preparing the Albanian authorities for decentralized management; 2) one on the police assistance mission of the European Union to Albania (PAMECA III); 3) one on fighting corruption in Albania. The exercise identified weaknesses and areas of improvement that appeared to be prevalent in all three projects. In particular, there was a need to improve the logical frameworks and produce results with suitable indicators of achievement, alongside with better standards of reporting (with emphasis on results and project purpose achievement); all projects should review the risks assessment and establish a risk management plan; more efforts were needed to ensure and increase EU visibility; inter-institutional cooperation at the national level could be improved.

## **2. BOSNIA AND HERZEGOVINA**

### **2.1. The year in review**

The conclusions of the 2009 Progress Report for Bosnia and Herzegovina<sup>24</sup> confirmed that implementation of the Interim Agreement in 2009 was overall satisfactory. However there was only very limited progress in addressing key reforms. Bosnia and Herzegovina needed to reform its constitutional framework to permit its institutions to function effectively and ensure a sustainable progress towards EU integration. In particular, the country needed to be in a position to adopt, implement and enforce the laws and the rules of the EU.

In 2009 Bosnia and Herzegovina made very limited progress in addressing the political criteria. Reform implementation was slow due to the lack of consensus and political will and the complex institutional framework. The functioning of state-level institutions and legislative bodies was deficient. While some progress was made in the area of public administration, more efforts were needed on improving the judicial system, in particular on the fight against corruption and organised crime.

The European Union Police Mission (EUPM) is part of the overall EU efforts in Bosnia and Herzegovina. Since 2003 it contributes to the security and stability of the country. IPA interventions, in particular in the sectors rule of law and law enforcement are closely coordinated with the EUPM.

As regards the economic criteria, during the reporting period Bosnia and Herzegovina made little further progress towards a functioning market economy. The quality and sustainability of public finances deteriorated further and considerable efforts had to be pursued with determination to enable the country to cope with competitive pressures and market forces within the Union over the long term.

Finally, Bosnia and Herzegovina made limited progress in 2009 with regard to the alignment of its legislation and policies with European standards. Some progress was made in areas such as transport, customs, taxation, education and culture. Progress was registered also in a number of justice, freedom and security related issues, especially in fulfilling the conditions for visa liberalisation. However particular efforts remained necessary as regards the movement of goods, persons and services, social and employment policies, state aid, energy and environment.

For more details on developments in 2009 in Bosnia and Herzegovina's preparation for EU membership, please refer to the Commission's *2009 Progress Report*, abovementioned.

### **2.2. IPA programming and implementation in 2009**

#### **2.2.1. MIPD 2009 – 2011**

As in previous Enlargement Strategy papers and in line with findings in the 2009 Progress Report, the Commission concluded in the 2009 Enlargement Strategy that Bosnia and Herzegovina urgently needed to speed up key reforms and revise its constitutional framework in order to increase its administrative capacity to be in a position to adopt, implement and enforce EU *acquis*. While some progress had been made in the area of public administration, more efforts were needed on improving the judicial system, in particular the fight against corruption and organised crime. Similarly to the other economies of the Western Balkans,

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<sup>24</sup> Bosnia and Herzegovina 2009 Progress Report, SEC(2009) 1338 of 14 October 2009, available at [http://ec.europa.eu/enlargement/pdf/key\\_documents/2009/ba\\_rapport\\_2009\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2009/ba_rapport_2009_en.pdf).

Bosnia and Herzegovina was severely hit by the economic crisis and the strategy concluded that the EU would assist Bosnia and Herzegovina in alleviating the impact of the crisis and paving the way for sound recovery, in coordination with the International Financial Institutions (IFIs).

The Multi-Annual Indicative Planning Document (MIPD) 2009 – 2011 for Bosnia and Herzegovina was adopted on 1 July 2009. With regard to Component I, it reflected closely the conclusions of the 2009 Strategy Paper by, as it concerned the political criteria, prioritising assistance on strengthening the administrative capacity and offering support to domestic efforts towards constitutional reform. Another priority was to support the rule of law, in particular the police, the reform of the judicial system and the implementation of an anti-corruption policy. Further objectives of the 2009-2011 MIPD were supporting the return process, minorities and vulnerable groups, civil society, the media, preservation of the cultural heritage and de-mining of mine-contaminated areas.

With regard to the economic criteria, the MIPD followed the enlargement strategy by setting assistance priorities aimed at creating employment and softening the impact of the financial and economic crisis. It foresaw support to the establishment of regulatory capacity and the enhancement of entrepreneurial know-how. It contributed to the development of the Small and Medium Enterprise (SME) sector, to promoting trade policies and, in cooperation with IFIs, to foster economic development through investing in infrastructure. Support to the education reform and to development of the national strategy on research would promote the development of the economy and society and active labour market measures should assist in combating unemployment.

The MIPD strategy with regard to Bosnia and Herzegovina's ability to assume the obligations of membership (approximation to the EU *acquis*) was again in line with the 2009 Strategy conclusions on needed support to the rule of law and the economy by addressing the internal market (quality infrastructure, institutional set-up of key market actors, customs and taxation, development of a single financial market), sectoral policies (agriculture and rural development, environment, energy and transport, the information society and statistics) and justice, freedom and security (integrated border management, visa, asylum and migration policy, the fight against money laundering, drugs, organised crime and terrorism).

Under Component II, IPA assistance targeted Cross-Border Co-operation through joint projects at borders with Croatia, Montenegro and Serbia and with EU Member States, through the IPA CBC Adriatic Programme and by supporting Bosnia and Herzegovina's participation in joint projects under the European Regional Development Fund's (ERDF) transnational programmes "South-East Europe" (SEE) and "Mediterranean" (MED).

**Table 1: MIFF<sup>25</sup> allocations per component, in million EUR**

<b>Component</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2009-2011</b>
Transition Assistance and Institution Building	83.9	100.7	102.7	<b>287.3</b>
Cross-border Co-operation	5.2	5.3	5.4	<b>15.9</b>
<b>TOTAL</b>	<b>89.1</b>	<b>106.0</b>	<b>108.1</b>	<b>303.2</b>

<sup>25</sup> Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2010-2012', COM(2008)705 of 5 November 2008.

### 2.2.2. Programming exercise

The 2009 IPA programme was divided into two parts in order to accelerate implementation of the assistance addressed to alleviating the impact of the financial and economic crisis. Those projects, in particular support to investments in the transport, energy and environment infrastructure, support to SMEs and to the Deposit Insurance Agency, were included in part I of the 2009 IPA National Programme. Part II of that programme continued the 'traditional' pre-accession support. Part I was adopted by the Commission on 11 August 2009, part II on 29 October 2009.

As concerns the political criteria, in line with the MIPD priorities the 2009 programme pursued the objectives to continue assisting the reform of the public administration. In particular, IPA 2009 assistance aimed at strengthening the national planning capacities and increasing the efficiency of the presidency, sustaining domestic efforts on the reform of the constitution, supporting the preparation for management of IPA Components III and IV, reinforcing the rule of law through support to the judiciary and strengthening anti-corruption capacities. Assistance was also provided to the promotion of civil society dialogue and to the preservation of cultural heritage.

With regard to the economic criteria, the programme assisted in the alleviation of the consequences of the financial crisis by supporting investments in transport, energy and environment infrastructure, in close cooperation with the IFIs, by contributing to SMEs development and by improving the capacities of the workforce to comply with the requirements of the labour market.

In relation to the ability to assume the obligations of membership, the programme supported the development and implementation of strategies and policies for approximation to the EU *acquis* in the internal market (economic and fiscal policy, quality infrastructure) and in sectoral policies such as statistics, agriculture, veterinary and phytosanitary services.

Finally, the 2009 programme allocated funds also to co-finance Bosnia and Herzegovina's participation to EU programmes, in particular to the 7<sup>th</sup> Framework Programme for Research and to the Culture Programme.

Programming of IPA assistance in 2009 continued a trend towards less and bigger projects. In 2007, IPA started with 46 projects with an average budget of EUR 1 million, while the 2009 programme included 19 projects with an average budget of EUR 4.2 million.

Programming of 2009 IPA assistance took into account the experience gained in the planning and implementation of previous EU assistance programmes in Bosnia and Herzegovina as well as the findings of different evaluations of EU past pre-accession programmes. The most common finding was that a number of assistance projects in Bosnia and Herzegovina did not achieve the expected results because of insufficient ownership on the side of the beneficiaries. Another important element was that in Bosnia and Herzegovina IPA projects carried political risks of various degrees, i.e. most of the projects foreseen for implementing the European Partnership required reforms which were not necessarily endorsed by all competent authorities.

One of the most important lessons learned was that EU assistance should not only reflect European Partnership priorities but, in the broader sense of the Paris Declaration, should also be interlocked with Bosnia and Herzegovina's own development and action plans. Therefore, the IPA 2009 national programme aimed at promoting ownership by ensuring that projects

were in line with Bosnia and Herzegovina's own reform strategies and development plans, as well as by enhanced participation of future beneficiaries in the programming process.

The programme was based on project proposals made by Bosnia and Herzegovina's authorities, in particular the Ministry of Finance and Treasury, the Directorate for European Integration and the Senior Programming Officers of the involved line ministries. The proposals had been elaborated together with the Commission services on the basis of the enlargement strategy and MIPD priorities.

For Component II, the cross-border programmes with Bosnia and Herzegovina's neighbouring countries, Croatia, Montenegro and Serbia, were adopted in 2007 covering the period 2007-2009. Therefore, the 2009 Financing Decisions allocated the 2009 budget appropriations to the respective programmes without changing the content of the programmes adopted in 2007.

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

<b>BOSNIA AND HERZEGOVINA</b>	<b>2009</b>
<b>I. Transition Assistance and Institution Building</b>	<b>83.90</b>
Of which:	
National Programme Part I	39.00
National Programme Part II	41.50
Nuclear Safety Programme*	1.00
Tempus Programme*	2.40
<b>II. Cross-Border Cooperation</b>	<b>5.21</b>
Of which:	
CBC Bosnia and Herzegovina - Croatia	1.00
CBC Bosnia and Herzegovina - Montenegro	0.50
CBC Bosnia and Herzegovina - Serbia	0.70
ERDF Bosnia and Herzegovina (South East Europe, Mediterranean)	0.56
CBC Adriatic	2.45
<b>TOTAL</b>	<b>89.11</b>

\* The Nuclear Safety Programme and Tempus Programme are coordinated and implemented under the relevant Multi-beneficiary IPA 2009 programmes.

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

The IPA 2009 national programme will support the strengthening of democratic institutions and the rule of law, in particular through assistance to the judiciary for strengthening the capacity of courts and prosecutors and through support to the constitutional reform and to the anti-corruption agency, for strengthening its institutional and administrative capacities. It will support reform of the administration through i) assistance to develop and implement a road-map for the decentralisation of management of assistance under the IPA components III and IV; ii) support to the national planning process to create a comprehensive policy that fully reflects the European integration requirements; iii) assistance to the Presidency to increase its efficiency with the help of technological and organisational changes. The 2009 IPA programme will encourage networks of civil society organisations and will preserve the country's cultural heritage through the reconstruction of key monuments destroyed in the 1990s war.

The 2009 IPA programme will also contribute to the economic reform process by supporting SMEs to introduce quality management systems in accordance with international quality standards (ISO 9000), by implementing active labour market reforms to adapt the capacity of

the work force to adapt to the labour market, and by supporting adult learning. The infrastructure investments, in particular in water supply and sewage systems, will create employment and thereby contribute to the alleviation of the consequences of the financial crisis.

Finally, all projects selected under the European standards priority axis will directly or indirectly support economic reforms. They will contribute to the improvement of the economic and fiscal policy-making at all levels of government, to the advancement of single market integration by improving the market surveillance system, to the strengthening of agriculture and rural development by establishing an agriculture market information system and the framework for a land parcel identification system and to increasing the capacities of the veterinary and phytosanitary services.

All projects in the 2009 programme follow closely the objectives of the MIPD 2009 – 2011. Noteworthy are the support to the judiciary, where EUR 4 million are allocated to strengthening the capacities of the courts and prosecutor offices to process war crimes and civil enforcement cases, and the support to the anti-corruption agency, where EUR 0.5 million are allocated to strengthening the agency's institutional and administrative capacity. The 'heavy weight' of the 2009 programme is however the assistance to investments in infrastructure, worth EUR 36 million of grant contributions, along with EUR 262 million of IFI's loans which will enable Bosnia and Herzegovina to carry out large infrastructure projects.

The predominant part of the assistance (EUR 44.5 million) will be spent on grant contracts, mainly in the form of joint management and indirect centralised management agreements with IFIs and as direct grants to the High Judicial and Prosecutorial Council (HJPC) and to the Food and Agriculture Organisation (FAO). Four twinning projects and one twinning light project (EUR 3.1 million) will be implemented with the assistance of EU Member States experts. The remaining part of the programme will be implemented through service, works and supply contracts and, in the case of the civil society support project, through calls for proposal.

It would be desirable to decrease the number of service contracts and increase the number of twinning contracts. However, experience shows that there is only a limited number of institutions in Bosnia and Herzegovina who possess the administrative and human resources capacity to successfully absorb twinning support.

**Table 3: Indicative financial allocations for the year 2009 under the National Programme (parts I and II), per priority axis and per project, in million EUR**

Priority Axis	Projects	Budget
<b>Political Criteria</b>		<b>15.5</b>
	Judiciary	4.0
	Constitutional reform	1.0
	Preparations for IPA components III and IV	1.0
	Civil Society	3.0
	Cultural heritage	4.0
	Anti-corruption	0.5
	National planning and presidency	2.0
<b>Economic criteria</b>		<b>47.5</b>
	Support to SME sector (TAM/BAS) and the Insurance Agency	3.0
	Improvement of regional transport infrastructure	14.0

	Construction of a small hydro power plant Cijevna	5.5
	Rehabilitation and construction of water supply and sewage collection infrastructure	16.5
	SME support	3.5
	Labour and education	5.0
<b>European Standards</b>		<b>14.5</b>
	Economic and Fiscal Policy	2.0
	Single Market Integration	3.9
	Statistics - Census	2.0
	Agriculture and rural development	3.4
	Veterinary and phytosanitary services	3.2
<b>Supporting Programmes</b>		<b>3.0</b>
	EU programmes	3.0
<b>TOTAL</b>		<b>80.5</b>

#### 2.2.2.2. *Component II: Cross-border Cooperation*

The multi-annual cross-border programmes between Bosnia and Herzegovina and Croatia, Montenegro and Serbia aim at bringing together people, communities and economies of the border regions to jointly develop a cooperative area, using their human, cultural and economic resources. This will be achieved through joint projects in the field of e.g. tourism, SME support, rural development, environmental protection, social cohesion and cultural exchange.

The IPA Adriatic cross-border programme, in which Bosnia and Herzegovina participates together with Italy, Slovenia, Greece, Croatia, Albania, Montenegro and Serbia, aims at strengthening the sustainable development of the Adriatic region.

The ERDF transnational programmes "South East Europe" and "Mediterranean" allows BiH to participate in joint transnational co-operation with EU Member States and thus to prepare for territorial co-operation under the EU Structural Funds.

For more information on these programmes, please refer to the 2008 IPA Annual Report.

#### 2.2.3. **Implementation Modalities and Structures**

As in the previous reporting year, also in 2009 the majority of projects under IPA 2007 and 2008 Components I and II were implemented on a centralised (de-concentrated) basis by the EU Delegation to Bosnia and Herzegovina, in accordance with article 53(a) of the Financial Regulation (FR) and the corresponding provisions of the Implementing Rules (IR). Exceptions are infrastructure support projects under Part I of the 2009 IPA programme and the Multi-beneficiary nuclear safety and education (Tempus) programmes. As already mentioned above, infrastructure support projects will be implemented by joint management with the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) in accordance with FR article 53(d) and corresponding IR provisions and by indirect centralised management through a delegation agreement with the Kreditanstalt für Wiederaufbau (KfW), in accordance with FR article 54(2)(c) and corresponding IR provisions.

The horizontal nuclear safety and education (Tempus) programmes were implemented on a centralised basis by the European Commission in Brussels.

In 2009 there was no progress in the preparation for the decentralised management of IPA. The Decentralised Implementation System (DIS) Strategy of Bosnia and Herzegovina was adopted in July 2008. However, up to the end of the reporting period no nominations were

made, except for the position of the National IPA Coordinator (NIPAC), which was established in the Ministry of Finance and Treasury. The Central Finance and Contracts Unit (CFCU) and the National Fund (NF) were also placed within the Ministry of Finance and Treasury and were functional, although not yet fully staffed.

#### 2.2.4. Overview of IPA projects/contracts implemented in 2009

Up to the end of the reporting period, progress in IPA implementation was barely measurable because of delays due to the reasons indicated below. The 2007 National Programme was adopted by the Commission in December 2007. Bosnia and Herzegovina ratified the IPA Framework Agreement in July 2008. However the Commission could not start implementing the 2007 Programme before January 2009, due to the fact that Bosnia and Herzegovina adopted legislation to exempt all IPA funded goods, services, works and grants from fees, custom duties and taxes (a prerequisite of the IPA Framework Agreement) only in December 2008. In the meantime, by the end of the reporting period, the 2008 and 2009 national programmes were also adopted.

Implementation of IPA 2007 projects begun in the first half of 2009, while tendering and contracting of IPA 2008 started mainly in the second half of 2009. Aggravating factors explaining the delays were the time needed for Bosnia and Herzegovina to sign IPA Financing Agreements (4 – 6 months) and the limited capacity of the EU Delegation in Sarajevo to evaluate the high amount of tenders.

In 2009, 45 IPA contracts were signed (32 from the IPA 2007 programme, 12 from the 2008 programme and 1 from the 2009 programme,) the majority of which (38) in the second half of the year, and thereof 15 in the last quarter. This represented a clear improvement compared to the previous year, during which only 6 IPA contracts were signed.

The 45 contracts abovementioned consisted of 22 service contracts, 12 grants, 9 supply contracts, 1 twinning light and 1 works contract.

##### 2.2.4.1. Component I: Transition Assistance and Institution Building

**Tables 4: Status of implementation of IPA financial assistance (Component I) as at 31st December 2009 (in million EUR) per annual programme and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Contracted	RAC <sup>26</sup>	%Contracted	Paid	RAL <sup>27</sup>	%Paid
<b>IPA 2007</b>	49.74	37.58	12.16	<b>75.55%</b>	8.44	41.30	<b>16.97%</b>
<b>IPA 2008</b>	66.75	9.01	57.74	<b>13.50%</b>	4.47	62.28	<b>6.70%</b>
<b>IPA 2009</b>	80.50	12.00	68.50	<b>14.91%</b>	0.00	80.50	<b>0.00%</b>
<b>TOTAL</b>	<b>196.99</b>	<b>58.59</b>	<b>138.40</b>	<b>29.74%</b>	<b>12.91</b>	<b>184.08</b>	<b>6.55%</b>

Priority Axes	% of 2007-2009 allocations
Political criteria	27.76%
<i>(of which civil society)</i>	<i>(4.98%)</i>
Economic criteria	36.73%
Ability to assume membership obligations	33.30%
Support programmes	2.21%
<b>TOTAL</b>	<b>100.00%</b>

<sup>26</sup> Remains to be contracted (*Reste à Contracter*).

<sup>27</sup> Remains to be paid (*Reste à Liquider*).

Because of the abovementioned implementation delays, no concrete results can be reported.

In 2009, four twinning projects under the 2008 IPA programme were launched in different sectors: internal market (pharmaceutical agency), finance (support to further EU *acquis* alignment in the indirect taxation authority), justice and home affairs (support to the implementation of the integrated border management strategy and action plan) and transport (assistance in institution building of the civil aviation authority). No IPA twinning projects were implemented in 2009.

Bosnia and Herzegovina benefited from SIGMA assistance in 2009 to improve the administrative law framework, to support the development of the Public Internal Financial Control (PIFC) strategies, to support the public procurement and concessions reform and to support the public administration reform.

The 2009 IPA programme allocated EUR 3 million to assist the participation of Bosnia and Herzegovina in EU programmes, in particular the 7<sup>th</sup> Framework Programme for Research and the Culture Programme.

#### 2.2.4.2. *Component II: Cross-border Cooperation*

**Tables 5: Status of implementation of IPA financial assistance (Component II) as at 31st December 2009 (in million EUR) per annual programme and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Contracted	RAC	%Contracted	Paid	RAL	%Paid
<b>IPA 2007</b>	3.96	0.39	3.57	<b>9.85%</b>	0.31	3.65	<b>7.83%</b>
<b>IPA 2008</b>	4.95	0.00	4.95	<b>0.00%</b>	0.00	4.95	<b>0.00%</b>
<b>IPA 2009</b>	5.21	0.00	5.21	<b>0.00%</b>	0.00	5.21	<b>0.00%</b>
<b>TOTAL</b>	<b>14.12</b>	<b>0.39</b>	<b>13.73</b>	<b>2.76%</b>	<b>0.31</b>	<b>13.81</b>	<b>2.20%</b>

Priority Axes	% of 2007-2009 allocations
CBC with Member States	42.48%
CBC within Western Balkans	46.75%
Participation to ERDF Transnational Programmes	10.76%
<b>TOTAL</b>	<b>100.00%</b>

Implementation of the 2007 – 2009 Cross-border Cooperation programmes was ongoing during the reporting period. For programmes at borders between candidate countries/potential candidates, it took about one year from the signature of the of first financing agreements (March/April 2008) for national authorities to set up the programme management structures and prepare first calls for proposals, which were published for all programmes in June-July 2009. This timing is comparable to that of Member States for CBC at intra-EU borders. The calls included 2007 and 2008 IPA funds. Calls were closed in September-October 2009.

CBC Programmes can make a valuable contribution to reconciliation and good neighbourly relations, and the beneficiaries have shown great expectations with regards to the results of the programmes of this component, also in light of the fact that CBC's 'learning-by-doing' approach will significantly contribute to local capacity-building. These great expectations were reflected in the large number of applications submitted to the Calls for proposals, despite the almost symbolic amount of available funds.

At borders with Member States, the first Calls for proposals, which included 2007 – 2009 funds, were launched between March and September 2009.

With regards to participation in the ERDF transnational programme 'South-East Europe', the selection of projects following the first call for proposals was completed in 2009 and grant contracts absorbing IPA 2007 funds were signed. As of 2008, Bosnia and Herzegovina participates also in the 'Mediterranean' programme with an annual allocation of EUR 100,000. The second call for proposals was launched in the course of 2009.

### **2.3. Coherence, compatibility and coordination of aid**

Donor coordination is ensured throughout the entire project management cycle from project design to implementation. In particular, in 2009 the European Commission as a core donor, together with DFID, was involved in setting up an Aid Coordination Committee together with the Ministry of Finance, the Directorate for European Integration and the Directorate for Economic Planning. Monthly coordination meetings continued to be held with EU Member States on programming and implementation of assistance. The European Commission also participated to, and provided regular updates on, the IPA programming process to a Donor Coordination Forum, which comprises key bilateral and multi-lateral donors. Improved donor co-ordination has resulted in a division of labour in certain areas where Member States or other donors are carrying out projects which would otherwise have been considered for Commission financing. Coordination with civil society has been performed under the responsibility of the Directorate for European Integration.

### **2.4. Monitoring**

As described before, most IPA projects started their implementation late in the year 2009 and the Result Oriented Monitoring could assess the projects only in or shortly after the inception phase. The monitors however assessed a predominant number of projects as relevantly designed, efficient to date and with good prospects for sustainability.

### **3. CROATIA**

#### **3.1. The year in review**

In 2009 accession negotiations with Croatia continued at a steady pace. Of the 35 negotiating chapters, by the end of that year 29 were opened for negotiations, of which 6 in 2009. 10 chapters were provisionally closed during the reporting period, out of a total of 17 that were provisionally closed by the end of that year.

As assessed in the Commission's *Enlargement Strategy and Main Challenges 2009-2010*<sup>28</sup> during the reporting period "Croatia continues to make progress on key political reforms. Croatia continues to meet the political criteria and made progress in most areas, including intensified efforts in the field of rule of law. [...] Croatia will need to step up reform efforts in the area of judiciary and fundamental rights, in particular as regards the independence and efficiency of the judiciary, the fight against corruption and organised crime, minority rights, including refugee return, and war crimes trials. Public administration reform requires particular attention [...] Croatia needs to enhance efforts to establish required instruments for the management and control of Community financial instruments".

For more details on developments in 2009 in Croatia's preparation for EU membership, please refer to the Commission's *2009 Progress Report*<sup>29</sup>.

#### **3.2. IPA programming and implementation in 2009**

##### **3.2.1. MIPD 2009-2011**

The priorities set in the Commission's *Enlargement Strategy and Main Challenges 2009-2010*<sup>30</sup> and in the *2009 Progress Report*, including reinforced support to the political criteria, were taken into account in the strategic choices for IPA financial assistance made in the Multi-annual Indicative Planning Document (MIPD) 2009-2011 for Croatia.<sup>31</sup> This MIPD, amounting to EUR 462.6 million, was adopted on 9 July 2009, following consultations conducted by the Commission with the National IPA Coordinator (NIPAC) in Croatia. At the beginning of the drafting process, in November 2008, a draft version of the MIPD was circulated to EU Member States, as well as to local branches of International Financing Institutions (IFIs) and civil society representatives. A revised version was presented to Member States representatives in the IPA Management Committee on 24 April 2009. The Committee delivered a positive opinion by written procedure on 8 May 2009.

In light of Croatia's advanced stage in the EU accession process and in view of maximising the preparation of its structures and systems, assistance was concentrated on institution building and preparations for implementation of the EU common agricultural and cohesion policies.

The 2009-2011 MIPD did not significantly differ from the 2008-2010 MIPD adopted by the Commission on 18 September 2008, as the objectives under the five IPA Components

<sup>28</sup> Enlargement Strategy and Main Challenges 2009-2010, COM(2009) 533 of 14 October 2009, [http://ec.europa.eu/enlargement/pdf/key\\_documents/2009/strategy\\_paper\\_2009\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2009/strategy_paper_2009_en.pdf).

<sup>29</sup> Croatia 2009 Progress Report, SEC(2009) 1333 of 14 October 2009, available at [http://ec.europa.eu/enlargement/pdf/key\\_documents/2009/hr\\_rapport\\_2009\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2009/hr_rapport_2009_en.pdf).

<sup>30</sup> Enlargement Strategy and Main Challenges 2009-2010, COM(2009) 533 of 14 October 2009, [http://ec.europa.eu/enlargement/pdf/key\\_documents/2009/strategy\\_paper\\_2009\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2009/strategy_paper_2009_en.pdf).

<sup>31</sup> Multi-annual Indicative Planning Document (MIPD) 2009-2011, C(2009)5371 of 9 July 2009, [http://ec.europa.eu/enlargement/pdf/mipd\\_croatia\\_2009\\_2011\\_en.pdf](http://ec.europa.eu/enlargement/pdf/mipd_croatia_2009_2011_en.pdf).

remained largely relevant, with amendments taking into account the Commission's *Progress Report* and *Enlargement Strategy* of 5 November 2008.

In particular, stronger emphasis was given, within the *political criteria*, to assistance needed for the judicial reform, the fight against corruption and organised crime, and the integration of the Serb minority. As regards the *ability to take on the obligation of membership*, the MIPD maintained sufficient flexibility in order to accompany the accession negotiation process in the most optimal manner.

The 2009-2011 MIPD included also updates on lessons learned from issues and remedial actions related to absorption capacity and management and control systems put in place by the Croatian authorities, as well as an overview on the conferral of management powers processes under the five IPA Components.

**Table 1: MIFF<sup>32</sup> allocations per component, in million EUR**

Component	2009	2010	2011	2009-2011
I – Transition Assistance and Institution Building	45.60	39.48	39.96	<b>125.04</b>
II – Cross-border cooperation	15.90	16.22	16.54	<b>48.66</b>
III – Regional Development	49.70	56.80	58.20	<b>164.70</b>
IV – Human Resources Development	14.20	15.70	16.00	<b>45.90</b>
V – Rural Development	25.80	26.00	26.50	<b>78.30</b>
<b>TOTAL</b>	<b>151.20</b>	<b>154.20</b>	<b>157.20</b>	<b>462.60</b>

### 3.2.2. Programming exercise

In 2009, the programming of IPA 2009 Component I, initiated at the end of 2008, was finalised. Financing Decisions under IPA Components II were also adopted in 2009, on the basis of multi-annual programmes adopted by the Commission at the end of 2007 and beginning of 2008. As regards Components III and IV, for which programming is done on a multiannual basis and disbursements follow the “n+3 rule<sup>33</sup>”, Financing Decisions were adopted at the end of 2007, with financial allocations for 2007-2009. Financing Decisions adopted in 2009 consisted in the addition of the 2010 financial allocations, while revisions to the programmes content were made only in limited cases detailed in the relevant sub-sections below.

The distribution of the five IPA Components in the following table is consistent with the strategic priorities for Croatia for 2009, as set out in the *Enlargement Strategy* and the revised MIPD 2009-2011.

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

CROATIA	2009
<b>I. Transition Assistance and Institution Building</b>	<b>45.60</b>
Of which:	
National Programme Part I	42.10
National Programme Part II (Lifelong Learning & Youth in Action)**	2.50
Nuclear Safety Programme*	1.00
<b>II. Cross-Border Cooperation</b>	<b>15.90</b>
Of which:	

<sup>32</sup> Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2010-2012', COM(2008)705 of 5 November 2008.

<sup>33</sup> As foreseen by Art. 166 (3)(a) of Regulation (EC, Euratom) No 1605/2002 of 25 June 2002.

CBC Croatia – Bosnia and Herzegovina	1.00
CBC Croatia - Montenegro	0.40
CBC Croatia - Serbia	0.80
CBC Croatia - Slovenia	3.21
CBC Croatia - Hungary	2.62
CBC IPA Adriatic	7.31
Croatia's participation in ERDF transnational programmes "South East Europe" and "Mediterranean"	0.56
<b>III. Regional Development</b>	<b>49.70</b>
Of which:	
Transportation	18.50
Environment	18.50
Regional Competitiveness	12.70
<b>IV. Human Resources Development</b>	<b>14.20</b>
<b>V. Rural Development</b>	<b>25.80</b>
<b>TOTAL</b>	<b>151.20</b>

\* The Nuclear Safety Programme is coordinated and implemented under the relevant Multi-beneficiary IPA 2009 programme.

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

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

The IPA 2009 Component I programme for Croatia was adopted by the Commission on 1 December 2009, on the basis of project proposals made by the National IPA Coordinator (NIPAC) in Croatia at the end of 2008 and subsequent negotiations with the Commission. In March 2009, a draft list of projects was circulated to EU Member States and local branches of International Financing Institutions (IFIs). A revised draft programme was presented to Member States representatives in the IPA Management Committee on 25 September 2009. The Committee delivered a positive opinion by written procedure on 16 October 2009.

The 20 projects of the IPA 2009 programme were grouped under the four strategic priority axes defined in the Multi-annual Indicative Planning Document (MIPD) 2009-2011 for Croatia: *political criteria, economic criteria, ability to assume the obligations of membership, and supporting programmes*. They were selected by taking into account their compliance with the Accession Partnership adopted on 12 February 2008, the *Strategy Paper* and the *Croatia 2008 Progress Report* adopted on 5 November 2008.

The projects proposals were also assessed against the background of the 2009 National Plan for the integration of the Republic of Croatia into the EU, the Croatian Strategic Development Framework 2006-2013 as well as sectoral strategies wherever appropriate.

As in previous years, projects were also appraised according to the sequencing of assistance in a given sector, the implementation capacity of the potential beneficiary institution and the maturity of the project proposals. When deciding on the priority of the projects proposed by the Croatian authorities, the Commission paid particular attention to the sustainability and "ownership" of the financial assistance, by ensuring that projects selected were part of a wider national strategy. Programming by the Croatian authorities has shown signs of improvement, with a reduction in the number of proposals submitted to the Commission, but by the end of the reporting period there was still room for introducing a more stringent screening of project proposals. The link of project proposals with overall priorities, and considerations about the proposed timing of implementation and how this fits with pre-accession needs, should also be made more explicit.

Given Croatia's advanced stage in the EU accession process, the Component I of IPA 2009 focuses on remaining assistance needs relevant for assuming membership obligations. The institution building component accounts for the majority of financing (66%), whereas investments amount to the remaining third of the IPA allocation.

Regarding *institution building*, the twinning instrument continues to be the preferred implementation modality for all transposition or legal approximation-related projects where the relevant expertise lies within the Member States. The relevance of twinning is set to further increase the closer Croatia gets to the EU.

*Investments* are related to the growing importance of administrative strengthening priorities and the increasing emphasis on post-accession objectives over sheer alignment with the *acquis*. For example, in the case of the Ministry of Agriculture, Fisheries and Rural Development, the financing of supply and works reflects the need for considerable investments for the setting up veterinary and phyto-sanitary inspection facilities at border posts.

IPA 2009 focuses on support to the *political criteria*. Two twinning projects in the area of *judiciary reform* aim at supporting the training of judicial advisors, future judges and state attorneys, as well as the reduction of case backlog. In the field of *human rights*, a twinning project will support the Ministry of Interior in fighting sexual exploitation and the abuse of children. Another twinning aims at strengthening the capacity of the Office of the Ombudsman and of the Office for Human Rights in combating discrimination. In the framework of the Multi-beneficiary *Civil Society Facility*, grant schemes will support Civil Society Organisations in Croatia in the fields of democratisation, human rights and refugee return, as well as promoting innovative social service delivery programmes.

Complementarity with past and ongoing projects was also carefully assessed to avoid any overlaps in the delivery of financial assistance. Most of IPA 2009 projects are to varying degrees follow-up of previous initiatives (e.g. under CARDS and PHARE) or precursors for new ones. Substantial projects clusters are noticeable in the area of *environment, statistics, border management, taxation*.

In designing the IPA 2009 programme, careful account was taken of the "lessons learned" from projects programmed in previous years, notably as described in the thematic *Public Administration Reform*<sup>34</sup> evaluation and in the *Country Programme Interim Evaluation*<sup>35</sup> carried out by the Commission in 2009.

In particular, issues that in the past affected the achievement of project purposes were increasingly addressed under IPA, as compared to PHARE, namely: i) more attention was paid to conditionality and sequencing since the programming stage; ii) measures were deployed to improve the administrative implementability of projects and compress the length of the preparatory phase; iii) where required, measures were adopted to enhance the involvement of decision-makers in the execution of projects, and to facilitate inter-institutional coordination.

The *Country Programme Interim Evaluation* assessed that IPA project fiches show a clear progress compared to the previous PHARE instrument, but that there was still room for

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<sup>34</sup> *Supporting Public Administration Reform in Croatia – Thematic Evaluation of EU and other support*, MWH Consortium, June 2009.

<sup>35</sup> *2009 Country Program Interim Evaluation of EU Pre-accession Assistance to Croatia*, Economisti Associati, draft report of 22 December 2009, final report of 12 March 2010.

improvement. The identification of the hierarchy of objectives was largely correct, but problems persisted in the selection of indicators of achievement, with a frequent confusion between various logical levels (indicators of purpose, results and outputs). Improvements reflected the good work done by the Central Office for Development Strategy and Coordination of EU Funds (CODEF) in providing training to Programme Implementation Units (PIU).

**Table 3: Indicative financial allocations for the year 2009 under the National Programme, per priority axis and per project, in million EUR**

<b>Priority Axis</b>	<b>Projects</b>	<b>Budget</b>
<b>Political Criteria</b>		<b>7.76</b>
	Capacity Building in the Field of Fight against Sexual Exploitation and Sexual Abuse of Children	1.37
	Establishing a comprehensive system for anti-discrimination protection	0.74
	Professional development of judicial advisors and future judges and state attorneys	1.10
	Further improvement of institutional capacity of all misdemeanour courts and development of ICMS compatible modules	2.05
	Enhancing the Sustainability and the Development of Civil Society Organizations (under the Civil Society Facility)	2.50
<b>Economic Criteria</b>		<b>2.63</b>
	Reconstruction of Maškovića Han and Economic Revitalization of Vrana Settlement	1.83
	Technical assistance in business statistics	0.80
<b>Ability to assume the obligations of membership</b>		<b>20.55</b>
	Preparations for eCTD and implementation of digital archival information system	1.00
	Strengthening the administrative capacity of competent authorities and implementation agencies for co-ordination of social security schemes	0.95
	Upgrading of four selected long-term veterinary and phytosanitary border inspection posts	6.44
	Reinforcement of the administrative and technical capacity of the Croatian Civil Aviation Agency and Accident Investigation Body	1.30
	Enhancement of the administrative capacity of CTA in the field of audit	0.95
	Modernization of State Border Control	1.11
	Supply of IT Equipment for police stations	1.50
	Capacity building for preparation of management plans and strengthening of nature protection inspection for proposed Natura 2000 sites	1.70
	Capacity building for implementation Directive on pollution caused by certain dangerous substances discharged into the aquatic environment and the Water Framework Directive	1.00
	Capacity building for the implementation of the environmental acquis in the areas of waste management, integrated pollution prevention and control and noise protection	2.60
	Strengthening the institutional capacity for blood, tissues and cell	2.00
<b>Supporting programmes</b>		<b>13.66</b>
	Facility for Project Preparation & Reinforcement of Administrative Capacity	5.86
	Participation of Croatia in EU Programmes and Agencies	5.30
	Preparation for participation in "Youth in Action" and "LifeLong Learning" EU Programmes	2.50
<b>TOTAL</b>		<b>44.60</b>

At the end of 2009, the process of IPA 2010 programming was initiated by the Commission together with the Croatian authorities.

### 3.2.2.2. *Component II: Cross-Border Cooperation*

Croatia participates in cross-border cooperation (CBC) programmes with neighbouring IPA countries: Bosnia and Herzegovina, Montenegro and Serbia. These programmes aim at encouraging the creation of cross-border networks and partnerships and developing joint cross-border actions with a view to revitalising the economy, protecting the environment and increasing social cohesion in the programme areas. They also include technical assistance. The financing decisions allowing for the deployment of IPA 2009 funds, worth respectively EUR 2 million, EUR 0.9 million and EUR 1.8 million (amounts covering both sides of the borders), were adopted on 12 October, 14 October and 12 November 2009.

The programme financing Croatia's participation in the ERDF transnational programmes "South-East Europe" and "Mediterranean" was adopted on 14 October 2009 for an IPA allocation of EUR 560 202. The ERDF "South-East Europe" and "Mediterranean" programmes aim at the establishment and development of transnational co-operation through the financing of networks and of actions conducive to integrated territorial development, concentrating primarily on the areas of "innovation", "environment", "accessibility" and "sustainable urban development".

Croatia participates also in the following cross-border programmes with Member States: CBC Adriatic, CBC Hungary-Croatia and CBC Slovenia-Croatia, which had been adopted over February-March 2008. Multi-annual Financing Decisions were adopted already in 2008 and continued to be implemented in 2009.

The "IPA Adriatic cross-border programme" between Greece, Italy, Slovenia, Albania, Bosnia and Herzegovina, Croatia, Montenegro and Serbia contain priority axes on "Economic, social and institutional cooperation", "Natural and Cultural Resources and Risk Prevention", "Accessibility and Networks" and "Technical assistance" for a total amount of EUR 36 909 920 under 2009 funding (including the European Regional Development Fund (ERDF) contribution), the IPA contribution for the year amounting to EUR 17 604 391.

The Hungary-Croatia IPA cross-border programme contains priority axes on "Sustainable Environment and Tourism", "Co-operative Economy and Intercommunity Human Resources Development" and "Technical assistance", for a total amount (again including the ERDF contribution) of EUR 7 879 498 under 2009 funding, the IPA contribution for the year amounting to EUR 2 619 581.

The Slovenia – Croatia IPA cross-border programme contains priority axes on "Economic and social development", "Sustainable management of natural resources" and "Technical assistance", for a total amount of EUR 6 417 370 under 2009 funding, of which IPA contributes EUR 3 208 685.

### 3.2.2.3 *Components III and IV: Strategic Coherence Framework*

In accordance with the provisions of the IPA Implementing Regulation, in 2007 Croatia established the Strategic Coherence Framework (SCF) for 2007-2013 covering IPA Components III (Regional Development) and IV (Human Resources Development).

Within the SCF, the supporting socio-economic analysis and subsequent strategy identified the key objectives and priorities to be implemented through four multi-annual Operational Programmes (three in Component III and one in Component IV) with a strong strategic focus. IPA, with its similarities to the European Regional Development Fund and Cohesion fund, is

a precursor of Structural Funds. The SCF is also considered as "mini National Strategic Reference Framework.

The preparation of the SCF in Croatia was coordinated by the Strategic Coordinator who consulted the Commission throughout the whole process. Commission services verified the content of the SCF and concluded that it contained all the relevant elements.

#### 3.2.2.3.1 Component III: Regional Development

The strategy for financial assistance under Component III foresaw concentration of resources in the transport (Transportation Operational Programme - OP), environment (Environmental OP) and regional competitiveness (Regional Competitiveness OP) sectors. It covered *acquis*-related investments in environmental protection (waste water, drinking water and waste management) and sustainable transport (railways and inland waterways). Along with these efforts directed at basic infrastructure, further assistance aimed at modernising and restructuring the productive capacity of disadvantaged regions in particular by providing services to enterprises, particularly small and medium-sized ones.

Moreover, under the three Operational Programmes resources were utilised to introduce into the national framework the strategic planning and management principles guiding the implementation of EU structural instruments, also via a 'learning-by-doing' process.

Within each of the OPs, a separate priority on Technical Assistance was introduced to support the national structures managing IPA as well as to ensure project preparation of high standards. The comprehensive institutional set-up built for IPA (Operating Structure consisting of specific bodies for each OP/priority) will continue with some modifications under the Structural Funds regime.

The "Regional Competitiveness" OP was adopted on 29 November 2007 for the period 2007-2009 and consisted of three priority axes: "Improving development potential of the lagging behind regions", "Enhancing the competitiveness of the Croatian economy", and Technical Assistance.

The "Transportation" OP was adopted on 7 December 2007 for the period 2007-2009 and encompassed 3 priority axes: "Upgrading Croatia's rail transport system", "Upgrading Croatia's inland waterway system", and Technical Assistance.

The "Environmental" OP was adopted on 29 November 2007 for the period 2007-2009 and consisted of 3 priority axes: "Developing Waste Management Infrastructure for Establishing an Integrated Waste Management System in Croatia", "Protecting Croatia's Water Resources Through Improved Water Supply and Integrated Wastewater Management Systems", and Technical Assistance.

All three programmes under Component III were modified after the reporting period, to add the 2010-2011 allocations.

#### 3.2.2.3.2 Component IV: Human Resources Development

The operational programme "Human Resources Development" was adopted on 7 December 2007 for the period 2007-2009 and consisted of 4 priority axes: "Enhancing access to employment and sustainable inclusion in the labour market", "Reinforcing social inclusion of people at a disadvantage", "Enhancing human capital and employability", and Technical Assistance.

#### 3.2.2.4 Component V: Rural Development

The "Programme for agriculture and rural development" (IPA Rural Development) was adopted by the Commission on 25 February 2008 and consisted of 3 priority axes: "Improving market efficiency and implementation of EU standards", "Preparatory actions for implementation of the agri-environmental measures and local rural development strategies", and "Development of the rural economy".

The programme was subsequently modified in October 2008 and September 2009. The amendments to the programme were essentially of a technical nature and concerned mainly the adaptation of the financial tables to take into account the new financial allocation for 2011 according to the MIPD 2009-2011, the update of data included in the programme and the correction of editorial inconsistencies and mistakes.

#### 3.2.3. Implementation Modalities and Structures

Overall, by the end of the reporting period contracting and payment rates under the five IPA Components were relatively low, as shown by the tables below. This is explained by the fact that implementation of IPA programmes under Components I to IV could effectively start only after decisions on conferral of management powers, allowing for the so-called "decentralised management of assistance", were adopted by the Commission at the end of 2008, as further detailed below. Contracting and disbursement could therefore not start before 2009.

A country can take full benefit of IPA only if it exercises decentralised implementation by a stable institutional set-up, which will continue to exist after accession, as the new national structures will be used for the EU Cohesion and Rural Policies. Therefore, the time spent for putting them in place, i.e. the whole of 2007 and 2008 for Croatia, was well spent.

Indeed, Croatia took a number of important steps to address weaknesses identified by the Commission in the decentralised management of pre-accession aid. These steps led to the conferral on Croatia of decentralised management powers (with *ex ante* controls by the EU Delegation) on 28 October 2008 under IPA Component I, 14 November 2008 under IPA Component II<sup>36</sup>, 29 October 2008 as regards the environmental and regional competitiveness programmes and 3 November 2008 as regards the transportation programme under IPA Component III, and 1 December 2008 under IPA Component IV.

Croatia needs to ensure that the conditions set out in the aforementioned Commission Decisions on conferral of management powers are met. Findings of follow-up audits carried out in November 2009 for Components I and IV, December 2009 for Component II and March 2010 for Component III will have to be thoroughly addressed.

Improvements undertaken by the Croatian authorities in 2009 related notably to the strengthening of the accredited system, such as the functioning of internal audit and the strengthening of the Audit Authority and of control functions within the Operating Structures. The good functioning of the irregularity system was also stressed by the auditors as being vital.

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<sup>36</sup> Only regarding cross-border programme between IPA beneficiaries and the participation of Croatia in ERDF transnational programmes, whereas for cross-border programmes with Member States management of assistance does not require a conferral on Croatia by the Commission as it is operated under shared management.

Following extensive discussions with the Commission, the National Authorising Officer in Croatia submitted roadmaps to waive *ex ante* controls by the EU Delegation under IPA Components I and III, respectively, in December and October 2009. Under IPA Component IV, the Commission requested further improvements of the draft roadmap in November 2009. These roadmaps provide a framework for monitoring and assessing progress towards waiving of *ex ante* controls. A track record of improved implementation is needed and various steps are described therein to strengthen the accredited system.

Regarding IPA Component II, the Central Finance and Contracting Agency (CFCA) in Croatia was conferred management powers on 14 November 2008. The Agency for Regional Development under the Ministry of Regional Development, Forestry and Water Management was set up in the course of 2009 as a new Implementing Agency and the conferral process needs to be completed before planning the waiving of *ex ante* controls.

As regards IPA Component V, conferral of management powers requires more time as conferral is ensured on the principle that the Commission does not operate any *ex ante* controls on the transactions. Therefore this requires an even higher level of preparedness on the side of beneficiary administrations. The Commission conferred management powers on Croatia for two measures (out of seven) on 30 November 2009, namely measure 101 'Investments in agriculture holdings to restructure and to upgrade to EU standards' and measure 103 'Investments in the processing and marketing of agricultural and fishery products to restructure these activities and to upgrade them to EU standards'. For the remaining measures, this process is expected to continue during 2010.

### 3.2.4. Overview of IPA Implementation in 2009

**Table 4: Status of implementation of IPA financial assistance (Components I to V) as at 31st December 2009 (in million EUR)**

	Committed	Paid	RAL <sup>37</sup>	% Paid
<b>IPA 2007-2008-2009</b>	<b>429.22</b>	<b>69.16</b>	<b>360.07</b>	<b>16.11%</b>

#### 3.2.4.1 Component I: Transition Assistance and Institution Building

**Tables 5: Status of implementation of IPA financial assistance (Component I) as at 31st December 2009 (in million EUR) per annual programme and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Contracted	RAC <sup>38</sup>	% Contracted	Paid	RAL	% Paid
<b>IPA 2007</b>	45.41	14.47	30.94	<b>31.87%</b>	8.47	36.94	<b>18.65%</b>
<b>IPA 2008</b>	41.37	5.01	36.36	<b>12.11%</b>	5.01	36.36	<b>12.11%</b>
<b>IPA 2009</b>	44.60	0.00	44.60	<b>0.00%</b>	0.00	44.60	<b>0.00%</b>
<b>TOTAL</b>	<b>131.38</b>	<b>19.48</b>	<b>111.90</b>	<b>14.83%</b>	<b>13.48</b>	<b>117.90</b>	<b>10.26%</b>

Priority Axes	% of 2007-2009 allocations
Political criteria	18.21%
<i>(of which civil society)</i>	<i>(4.19%)</i>
Economic criteria	4.11%
Ability to assume membership obligations	53.25%
Support programmes	24.42%
<b>TOTAL</b>	<b>100.00%</b>

<sup>37</sup> Remains to be paid (*Reste à Liquider*).

<sup>38</sup> Remains to be contracted (*Reste à Contracter*).

Simultaneous implementation of IPA 2007 and IPA 2008 programmes in 2009 was a challenge for Croatia's absorption capacity, although there was an acceleration of procurement by the Croatian authorities compared to the previous PHARE instrument, notably due to the allocation of significant human resources to the Implementing Agency (CFCA).

As already mentioned, given Croatia's advanced stage in accession negotiations, EU assistance has been moving from the sheer adoption of the *acquis* to its concrete implementation and to more general administrative strengthening with a view to post-accession priorities, such as the preparedness for EU Structural Funds.

For instance, the objective of the project "*National Border Management Information System*" (IPA 2007), with an IPA allocation of EUR 4.4 million, was to establish greater security at Croatia's future external borders according to Schengen standards in the area of border management and improvement of efficiency of the Croatian Border Police. This project is a continuation of earlier CARDS 2002 ("Phase 1") and 2003 ("Phase 2") projects. The activities under "Phase" 3 of this project assist in extending the National Border Management Information System at 25 border crossing points into an integrated mechanism based on the design and tests made in Phases 1 and 2.

Another example is the support to the National Anti-Corruption Strategy. IPA 2007 twinning projects aimed at strengthening USKOK, the coordination body in charge of drafting and implementing the anti-corruption strategy, and at improving inter-agency cooperation, for an IPA amount of EUR 3.74 million.

Impacts in the field of preparation for Structural Funds will be apparent only upon implementation of such instruments. IPA 2008 funding provided support to various Croatian institutions for the future implementation and management of the Cohesion Policy in Croatia.

Under IPA 2009, EUR 5.3 million were also allocated to co-finance the participation of Croatia in EU Programmes and Agencies.

In 2009 Croatia continued to benefit from TAIEX and SIGMA institution building activities.

According to the 2009 *Country Programme Interim Evaluation*, a precise measurement of the effectiveness of pre-accession assistance was often hampered by the unavailability of indicators but, in general, completed projects delivered the expected results and prospects for almost completed ones were fairly positive. Prospects for projects in the pipeline were also fairly positive, because various issues that in the past affected the achievement of project purposes were being increasingly addressed (e.g. more attention paid to conditionality and sequencing).

Prospects for impact were generally positive, with some qualifications. Actions aimed at achieving alignment with specific *acquis* requirements sometimes provided a decisive contribution to the opening or closing of negotiations in certain chapters. The impact of assistance aimed at strengthening the public administration was instead more difficult to assess, because structural changes took longer to generate results and it more often suffered from the lack of systematic evidence.

### 3.2.4.2 Component II: Cross-border Cooperation

**Tables 6: Status of implementation of IPA financial assistance (Component II) as at 31st December 2009 (in million EUR) per annual programme and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Contracted	RAC	% Contracted	Paid	RAL	% Paid
<b>IPA 2007</b>	9.69	0.44	9.25	<b>4.54%</b>	0.18	9.51	<b>1.86%</b>
<b>IPA 2008</b>	14.73	0.00	14.73	<b>0.00%</b>	0.00	14.73	<b>0.00%</b>
<b>IPA 2009</b>	15.90	0.00	15.90	<b>0.00%</b>	0.00	15.90	<b>0.00%</b>
<b>TOTAL</b>	<b>40.32</b>	<b>0.44</b>	<b>39.88</b>	<b>1.09%</b>	<b>0.18</b>	<b>40.14</b>	<b>0.45%</b>

Priority Axes	% of 2007-2009 allocations
CBC with Member States	79.86%
CBC within Western Balkans	16.37%
Participation to ERDF Transnational Programmes	3.77%
<b>TOTAL</b>	<b>100.00%</b>

For cross-border programmes at borders between candidate countries and potential candidates, calls for proposals were closed over September-November 2009.

At borders with Member States, the first calls for proposals, which included 2007–2009 allocations, were launched in 2008 and 2009 depending on the various programmes. Some grant contracts were concluded at the end of 2009 (CBC Croatia-Slovenia).

With regards to the participation in the ERDF transnational programmes 'South–East Europe' and 'Mediterranean', the selection of projects following the first calls for proposals was completed in 2009 and the second call for proposal was launched.

CBC programmes can make a valuable contribution to reconciliation and good neighbourly relations, and the beneficiaries have shown great expectations with regards to the results of the programmes, also in light of the fact that CBC's 'learning-by-doing' approach will significantly contribute to local capacity-building. These great expectations were reflected in the large number of applications submitted to the calls for proposals, despite the almost symbolic amount of available funds.

### 3.2.4.3 Component III: Regional Development

**Tables 7: Status of implementation of IPA financial assistance (Component III) as at 31st December 2009 (in million EUR) and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Paid	RAL	% Paid
<b>IPA 2007-2008-2009</b>	<b>142.35</b>	<b>42.80</b>	<b>99.55</b>	<b>30.07%</b>

Priority Axes	% of 2007-2009 allocations
Transport	37.58%
Environment	37.58%
Regional Competitiveness	24.83%
<b>TOTAL</b>	<b>100.00%</b>

As regards Component III, though the three Operational Programmes were adopted in 2007, their implementation could start only after the adoption of the Commission Decisions conferring management powers relating to the respective Operational Programmes and the signature of the Financing Agreements at the end of 2008.

Work carried out in 2009 concentrated on appraisal and approval of projects/operations. Three new major project applications were submitted to the Commission in 2009. The appraisal of a major project submitted in 2008 was completed and five funding decisions for major projects were adopted in 2009 (one in Transport, the "Zagreb Main Railway Station Signalling and Interlocking System", for EUR 18 700 000, including EUR 14 025 000 of IPA funds, and four in Environment, namely: i) the "County Waste Management Centre Mariscina", for EUR 11 473 200, including EUR 8 604 900 of IPA funds; ii) the "County Waste Management Centre Kastijun", for EUR 6 197 752, including EUR 4 648 314 of IPA funds; iii) the "Water supply and sewerage system with wastewater treatment plant for Slavonski Brod", for EUR 20 459 900, including EUR 15 344 925 of IPA funds; iv) the "Water supply and sewerage improvements with wastewater treatment plant in Knin", for EUR 11 722 503, including EUR 8 791 877 of IPA funds). Moreover, an additional major project application in waste water was submitted to the Commission in 2009. Finally, in the Regional Competitiveness Operational Programme as well as in the technical assistance priority axes under the Environmental and Transportation Operational Programmes, a significant number of non major projects/operations were approved at the national level.

Tendering could start for all the operations approved in 2009. At the end of 2009, the tendering rate was 26% for the Transport OP, 28% for the Environment OP and 37% for the Regional Competitiveness OP. The contracting rates remained low, especially in the two infrastructure programmes, where the tendering process is quite long due to the complexity of the tender documentation.

In 2009 the first interim payments for two Operational Programmes were made.

#### 3.2.4.4 *Component IV: Human Resources Development*

**Tables 8: Status of implementation of IPA financial assistance (Component IV) as at 31st December 2009 (in million EUR) and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Paid	RAL	% Paid
IPA 2007-2008-2009	38.28	12.70	25.58	33.18%

Priority Axes	% of 2007-2009 allocations
Employment	24.82%
Social inclusion	23.51%
Human capital and employability	41.67%
Technical assistance	10.00%
<b>TOTAL</b>	<b>100.00%</b>

In the course of 2009, implementation of Component IV started. As described above, the conferral of management powers for implementation of the Human Resources Development OP had been approved in December 2008 and the Financing Agreement entered into force in March 2009, which paved the way for the effective kicking-off of implementation activities.

In 2009, the key priority was the selection, approval and implementation of operations and the absorption of the available funding. The tenders for all 8 grant schemes were launched, which was an important step in terms of preparations for the European Social Fund. A first payment request of EUR 1.2 million was received before the end of 2009.

### 3.2.4.5 Component V: Rural Development

**Tables 9: Status of implementation of IPA financial assistance (Component V) as at 31st December 2009 (in million EUR) and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Paid	RAL	% Paid
IPA 2007-2008-2009	76.90	0.00 <sup>39</sup>	76.90	0.00%

Priority Axes	% of 2007-2009 allocations
Market efficiency and EU standards	66.66%
Agri-environmental measures and Leader approach	0.00%
Development of rural economy	29.67%
Technical assistance	3.67%
<b>TOTAL</b>	<b>100.00%</b>

The implementation of projects from the first two accredited measures under IPA Rural Development, namely measure 101 '*Investments in agriculture holdings to restructure and to upgrade to EU standards*' and measure 103 '*Investments in the processing and marketing of agricultural and fishery products to restructure these activities and to upgrade them to EU standards*', was foreseen for after the reporting period.

During 2009, the Croatian authorities were also strongly focused on the preparation of procedures for conferral of management powers for all other programme measures.

Besides the two conferred measures, some progress was made especially in the preparation of public procurement rules, necessary for Rural Infrastructure and Technical Assistance measures. Although progress in preparations could be observed, the delays in implementation of the IPA Rural Development Programme that were still persisting by the end of 2009 put at risk the funds allocated for 2007 and 2008. According to the "n+3<sup>40</sup>" budgetary rule, these funds will have to be de-committed if not spent by the end of 2011. Therefore in the future all efforts shall be oriented towards further conferral of management and calls for applications.

### 3.3. Coherence, compatibility and coordination of aid

Donor coordination is of great importance to avoid any overlap of assistance. In line with the conferences on donor coordination in Tirana in April 2009 and in Brussels in October 2009, the Commission continued to promote the establishment of more formal co-ordination mechanisms by the Croatian government and its ownership of the coordination process.

The donor community, in particular the EU via its Delegation and the World Bank, continued to play an active role in ensuring synergies and complementarities in the common areas of intervention. At the local level, the EU Delegation organised six meetings with the Member States in the course of 2009.

Regarding IFIs, the "*Joint IFI Action Plan in support of banking systems and lending to the real economy in Central and Eastern Europe*" was agreed on 26 February 2009 by the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the World Bank's Presidents. The objectives of the Action Plan are to:

<sup>39</sup> Disbursements did not yet start under Component V as the process of conferral of management requires more time than other components, based on the principle of full decentralisation without any *ex ante* controls by the Commission.

<sup>40</sup> As foreseen by Art. 166 (3)(a) of Regulation (EC, Euratom) No 1605/2002 of 25 June 2002.

- deploy rapid and sizeable financial assistance to strengthen banks and support lending to the real economy, particularly to SMEs, in a coordinated manner and building on each IFI's capabilities;
- engage other stakeholders and mobilize financial resources for the region, using IFI financing as a catalyst;
- facilitate coordination of national bank support packages and policy dialogue between key private and public sector stakeholders in countries most affected by the crisis.

In addition to support from the IFIs, EU Member States (Austria, Belgium, Denmark, France, Germany, Italy, the Netherlands, Spain, Sweden and the UK) and other donors were actively supporting Croatia's accession process.

### **3.4. Monitoring**

The Commission monitors the functioning of Croatia's decentralised implementation system and the impact of IPA assistance. In 2009 it participated in all monitoring committees, namely the bi-annual IPA Sectoral Monitoring Sub-Committees under each IPA Component over the May-June and November-December periods, as well as the IPA Monitoring Committee covering the five IPA Components on 6 July 2009.

These were high level committees, co-chaired by the NIPAC and the Commission. The Central Office for Development Strategy and Coordination of EU Funds (CODEF) acted as the secretariat of the committees and was directly responsible for quality control of monitoring reports prepared by beneficiaries and preparation of the various committees, including coordination of follow-up actions.

The annual report on the implementation of IPA assistance under the five IPA components was examined by the IPA Monitoring Committee of 6 July 2009 and submitted by the NIPAC to the Commission by the 31 August 2009 deadline set in the IPA Implementing Regulation. The report synthesised the different sectoral annual reports and included information about:

- progress made in implementing EU assistance in relation to the priorities set up in the Multi-annual Indicative Planning Document (MIPD) and the different programmes;
- financial execution of EU assistance.

According to the aforementioned 2009 *Country Programme Interim Evaluation*, the new notion of monitoring in Croatia has been gradually absorbed by the entities responsible for projects implementation. The monitoring system is functioning fairly smoothly, as witnessed by the high acceptance rate of monitoring reports by Sectoral Monitoring Sub-Committees (SMSC). However, the configuration of SMSC in 2009 became increasingly misaligned with the priorities of assistance under IPA Component I and also resulted in an unbalanced distribution of workload among the committees. In addition, there appeared to be room for improving the usefulness of monitoring reports that, due to an inadequate template, remained excessively long and not sufficiently focused on the most important issues. Those recommendations were subsequently addressed by the Croatian authorities.

## **4. THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA**

### **4.1. The year in review**

In 2009 the former Yugoslav Republic of Macedonia stepped up its efforts to prepare for accession to the European Union. Considerable progress was made in a number of relevant sectors like transport, customs, taxation and reform of the police. Thus the country managed to overcome doubts about the respect of international standards for democratic elections which had built up following some incidents linked to the 2008 parliamentary elections<sup>41</sup>. The undisturbed presidential and municipal elections in April 2009 contributed to strengthening the perception that the political criteria were being fulfilled. The country was also successful in convincing the EU to lift visa requirements, a much welcomed decision that came into force for Schengen – countries in December 2009.

The overall positive assessment was reflected in the Commission decision of 15 October 2009 to suggest to the Council the opening of accession negotiations with the country, which had received candidate status in December 2005. Due to the unresolved name issue with Greece, the Council failed to set a starting date for accession negotiations with the former Yugoslav Republic of Macedonia at its meeting on 16 December 2009.

For more details on developments in 2009 in the former Yugoslav Republic of Macedonia's preparation for EU membership, please refer to the Commission's *2009 Progress Report*<sup>42</sup>.

### **4.2. IPA programming and implementation in 2009**

#### **4.2.1. MIPD 2009-2011**

The overall objective of pre-accession assistance is to support the country's efforts to comply with the Copenhagen accession criteria and to help prepare the country meet the challenges of future EU membership. Against this background, pre-accession assistance for the period 2009-2011 is concentrated on three strategic areas: i) supporting institution building; ii) improving cross-border cooperation; iii) preparing for participation in the EU cohesion and rural development policies.

The 2009-2011 MIPD for the former Yugoslav Republic of Macedonia<sup>43</sup>, worth EUR 272.8 million, was adopted in June 2009. Donor coordination and Civil Society consultation meetings were organised by DG ELARG and the EU Delegation in Skopje and in Brussels (October 2008 and April 2009). Furthermore, Civil Society Organisations (CSO), International Financial Institutions (IFIs) and Member States as well as the beneficiary were given the opportunity to send written comments on the draft MIPD to the Commission. Comments from Member States, IFIs and the government were incorporated into the draft MIPD as appropriate. There were no comments on the draft MIPD from the Civil Society Organisations.

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<sup>41</sup> Election day on 1 June was marred by a large number of security incidents and acts of violence, including the death of one person in Aracinovo, and injuries to several others in exchanges of gun-fire in a suburb of Skopje. There were also reports of a significant number of instances of ballot box stuffing, tampering with results, family voting, voter intimidation and other acts of electoral malpractice and, last but not least, weak and partisan action of police forces since the beginning of the electoral campaign.

<sup>42</sup> The former Yugoslav Republic of Macedonia 2009 Progress Report, SEC(2009) 1335, 14.10.2009, available at [http://ec.europa.eu/enlargement/pdf/key\\_documents/2009/mk\\_rapport\\_2009\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2009/mk_rapport_2009_en.pdf).

<sup>43</sup> C(2009)5043, 29.06.2009.

Building on past and ongoing assistance<sup>44</sup> and drawing from the Accession Partnership's recommendations, the MIPD identified priorities for making the overall strategy operational, as follows:

Implementation of assistance faced challenges with regard to absorption capacity, as national institutions were endowed with inadequate staff, both in terms of quality and numbers. Therefore absorption capacity was taken into account when drafting the 2009-2011 MIPD, targeting support to improve the capacities of public administrations as part of the major areas of intervention.

Underlining the fact that the level of ownership of EU assistance was not very high, the MIPD foresaw to take into account the country's own needs (e.g. as outlined in the relevant national strategic documents like the National Programme for the Adoption of the Acquis - NPAA, the National Development Plan - NDP, the Ohrid Framework Agreement and other sectoral strategy documents) during programming and implementation. Co-financing requirements would also contribute to increased ownership. Political will and coherent decision-making on the part of the beneficiary were essential to rectify shortcomings in the implementation of pre-accession assistance and ensure sustainability.

The 2009-2011 MIPD reflected the need for strong horizontal alignment at national level (across sectors and stakeholders), to be achieved by improving coordination efforts among ministries and relevant departments.

Overall, sound vertical alignment of programme development (from design to implementation), together with strong attention to the conditions for successful programme implementation, were highlighted in the MIPD in order to decrease the risks related to the difficulties described above.

Compared to the 2008-2010 MIPD, the main revisions to the planning document introduced in 2009 consisted in putting greater focus on future assistance for the adoption and enforcement of national legislation aligned with the EU *acquis* and further transposition of the EU *acquis* in relevant areas, adding competition, transport, justice, freedom and security to agriculture, the environment, the internal market, etc. More focus was given to public administration, particularly in terms of management of human resources and public finance.

**Table 1: MIFF<sup>45</sup> allocations per component, in million EUR**

<b>Component</b>	<b>2009<sup>46</sup></b>	<b>2010</b>	<b>2011</b>	<b>2009-2011</b>
I. Transition Assistance and Institution Building	38.1	36.3	34.5	<b>108.9</b>
II. Cross-Border Cooperation	5.6	5.7	5.8	<b>17.1</b>
III. Regional Development	20.8	29.4	35.0	<b>85.2</b>
IV. Human Resources Development	7.1	8.49.4	9.4	<b>24.9</b>
V. Rural Development	10.2	12.5	14.0	<b>36.7</b>
<b>TOTAL</b>	<b>81.8</b>	<b>92.3</b>	<b>98.7</b>	<b>272.8</b>

<sup>44</sup> "Past and ongoing assistance" is mentioned in headings of all MIPDS and NPs/APs. It refers to the whole cycle of financial assistance, from design to implementation.

<sup>45</sup> Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2010-2012', COM(2008)705 of 5 November 2008.

<sup>46</sup> Final allocations (shown in the main report and in table 2) differ from these indicative figures following transfers between components I and II during the course of 2009.

#### 4.2.2. Programming exercise

The strategic reference of the 2009 National Programme was the 2009-2011 MIPD. As outlined therein, given the candidate status of the former Yugoslav Republic of Macedonia, pre-accession assistance was aimed at supporting the country's efforts to comply with the Copenhagen Criteria. This was reflected in the annual programming of IPA Component I and in the review of the multi annual programming documents for IPA Components II to V.

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

<b>THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA</b>	<b>2009</b>
<b>I. Transition Assistance and Institution Building</b>	<b>39.31</b>
Of which:	
National Programme	37.06
Nuclear Safety Programme*	0.50
Tempus Programme*	1.75
<b>II. Cross-Border Cooperation</b>	<b>4.37</b>
Of which:	
with Greece	1.47
with Bulgaria	1.34
with Albania	1.00
South East Europe ERDF	0.56
<b>III. Regional Development</b>	<b>20.80</b>
Of which:	
Transport	15.70
Environment	3.90
TA	1.20
<b>IV. Human Resources Development</b>	<b>7.10</b>
<b>V. Rural Development</b>	<b>10.20</b>
<b>TOTAL</b>	<b>81.78</b>

\* The Nuclear Safety Programme and Tempus Programme are coordinated and implemented under the relevant Multi-beneficiary IPA 2009 programmes.

##### 4.2.2.1 Component I: Transition Assistance and Institution Building

The IPA 2009 National Programme for the former Yugoslav Republic of Macedonia, which was adopted by the Commission on 12 November 2009, was the first to be programmed based on decentralised management (i.e. implementation managed by the beneficiary, with *ex-ante* controls by the EU Delegation), as it was assumed that conferral of management could be granted before the end of 2009. This assumption proved premature and resulted in no Financing Agreement for this programme being signed in 2009.

The projects presented under IPA 2009 were selected based on the following (equally important) criteria: i) consistency with EU and national strategic priorities; ii) consistency with the obligations deriving from the National Programme for the Adaptation of the *Acquis* (NPAA); iii) level of “coverage” from previous IPA/CARDS projects and previous bilateral assistance; iv) project maturity (how developed was the project fiche and the project/tender documentation); v) project lifespan (should be finite) and possibility of defining management boundaries on an annual level; vi) scope for inter – ministerial cooperation and communication; vii) involvement of other bodies and stakeholders.

Firstly, projects were selected on the basis of the priorities identified in the MIPD. For example, although the legal and institutional framework for human rights and the protection of minorities was broadly in place, it was evident that additional efforts were needed to improve implementation in a number of fields. Thus, IPA 2009 includes a project to develop the capacity to ensure full respect of human rights by law enforcement agencies and investigative institutions, including strengthening the effectiveness of investigations of allegations of torture and of ill-treatment.

Secondly, the existence of national (sectoral) strategies was taken into consideration. Thus, interventions outlined in the IPA 2009 programme in most cases build on clearly identified and well developed national strategies. For example, the objective behind supporting the State Transport Inspectorate is to strengthen the administrative and operational capacity for effective enforcement of the road transport legislation. Therefore this project will not only contribute to achieving the MIPD goal of alignment with the EU *acquis* in the transport sector, as its purpose is also directly linked to the National Transport Strategy (2007-2017), which aims at furthering approximation of the national legislation with EU legislation as well as strengthening the capacity of the relevant transport institutions. In some cases these national strategies will be updated and improved through IPA assistance, as it will be the case with the project aimed at assisting the Civil Servants Agency with their National System for Training Coordination.

Thirdly, possible follow-up on previous and ongoing projects (EU, bilateral and multilateral assistance) was taken into consideration, such as in the case of the project on Integrated Border Management (CARDS 2006 and IPA 2008), in order to assure sustainability and avoid overlaps.

In addition, projects were screened on their maturity (how developed was the project fiche and the project/tender documentation; presence of key elements such as needs analysis, feasibility studies and market studies and the intended beneficiaries' preparedness to receive and manage the support provided by the programme). Finally, they were screened against possible overlaps with ongoing assistance in the country, inter-ministerial cooperation and communication and involvement of other relevant bodies and stakeholders.

Regarding the involvement of national beneficiaries, the NIPAC and the Secretariat for European Affairs must have a coordination role in the programming, identification and formulation of strategic priorities, enabling good guidelines and facilitating the process that must result in the drafting of mature and ready to-go projects. The analysis of the strategic documents must provide a clear idea of what are the medium-term priorities of the relevant institutions in the country.

In the period June – September 2008, based on those documents the Secretariat for European Affairs developed a first draft of a Summary Outline which pinpointed the most relevant priorities for 2009 programming. In order to maintain continuity of the reform processes deriving from the European agenda of the country, the EU put the emphasis on a combined “top down” and “bottom up” approach in the programming process, through i) setting a clear action plan and time table for the 2009 programming; ii) creating a better participatory approach by involving municipalities (through the Association of Local Self Government Units (ZELS)) and civil society (through the Unit for Civil Society in the General Secretariat) in the programming of Component I.

The detailed calendar for programming of IPA 2009 Component I provided exact steps with a precise schedule. After each milestone (e.g. elaboration of summary outline, project

identification sheets, project fiches, technical specifications, Terms of Reference and tender dossiers, etc.), the EU Delegation and Commission services in Brussels were consulted and their comments incorporated.

The first programming step was the ‘summary outline’ provided by the NIPAC, containing project ideas. Final beneficiaries were required to formulate projects ideas (September-October 2008) in line with the set priorities and EU approximation objectives. Ideas for projects and other actions were identified and screened for further study. This involved consultation with the intended final beneficiaries, an analysis of the problems they were facing and the identification of options to address those problems. Only then a decision was made, based on the relevance of each project idea (both for the intended beneficiaries and with respect to the programming framework). The outcome of this phase was the identification of projects to be covered by IPA 2009.

During the second stage, final beneficiaries were required to draft project fiches and measures in line with the Operational Programmes. At this stage it was necessary to ensure consistency between programming and national budgetary requirements for co-financing. In order to avoid overlapping, increase transparency and assure complementarities, the 2009 programme was discussed with the international community and civil society representatives on 27-28 October 2008 and on 6/8 April 2009, with the aim of avoiding overlapping with other donors’ assistance and allow full participation of civil society in the creation of the project proposals.

In order to increase ownership of the programming process and reach better efficiency once priorities were defined, final beneficiaries had sole responsibility for drafting project fiches. However, as experience had shown that they had limited capacities, the EU Delegation supported the process by creating working groups on a project-fiche basis.

In addition, in order to boost programming capacities in the country, in the period January-June 2009 a team of two consultants was assigned to assist the Secretariat for EU Affairs and line ministries with the preparation of the IPA 2009 National Programme. The main purpose of the project "*Technical Assistance to support the SEA in drafting the National Annual Programme under IPA (Instrument for Pre Accession) Component I – Transition Assistance and Institution Building for 2009*" was to provide support in redrafting IPA Component I project fiches for the 2009 programme, ensuring that these would be delivered in line with the programming schedule. In doing so the project team carried out quality assurance of the draft project fiches and helped increase the capacity to understand and create logical frameworks in order to help preparation of project fiches for IPA.

Against this background, and building on previous CARDS achievements, as well as more recent experience from programming of IPA 2007 and 2008, the National Programme for Component I in 2009 provides support to the following priority areas:

- *Political criteria* (EUR 8.742 million)<sup>47</sup> - The programme envisages strengthening the administrative capacity of the relevant institutions at central and local level in order to ensure sound and efficient management of EU funds, thus contributing to the decentralisation process. Regarding the rule of law and good governance, the programme supports the creation of an independent and efficient judicial system. It also provides technical assistance to prioritised institutions, including the Ministries of Justice, Interior, Local Self Government and the Civil Servants Agency. Finally, the programme foresees assistance to foster civil society development and dialogue, as well as to the Ministry of

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<sup>47</sup> The amounts in brackets refer to the EU contribution (excl. national co-financing).

Culture for the revitalisation of the tourist site 'St George – Staro Nagorichane', in line with the Ljubljana Process.

- *Socio-Economic criteria* (EUR 4.037 million) – Technical and material support is foreseen to be given to the State Statistical Office, contributing to harmonization with the EU *acquis* in this field. Furthermore, technical support is provided to the Department for macro-economy of the Ministry of Finance, the Commission for Protection of Competition and the National Bank.
- *Ability to assume the obligations of EU membership* (EUR 17.935 million)- The focus of 2009 assistance in this area is the adoption of the *acquis*, including building institutional and administrative capacity for transposing, implementing and enforcing it according to the priorities identified in the Accession Partnership. The areas covered are transport, agriculture, environment, energy, information society, integrated border management, customs, veterinary and food safety.
- *Support to programming and participation in EU Programmes and Agencies* (EUR 6.345 million) - The IPA 2009 Project Preparation and Support Facility proves crucial in helping prepare project documents of adequate quality for the EU assistance, in a quick and effective manner.

Finally, the programme supports participation of the country in a series of EU Programmes which were deemed important for the country's further cohesion process (i.e. the 7<sup>th</sup> Framework Research programme, the CIP-Entrepreneurship and Innovation Programme, Culture programme, Progress and Europe for Citizens), and funds are allocated for the extension of preparatory measures for the Lifelong Learning and Youth in Action programmes. Furthermore, funds are allocated to cover costs for the country's future participation as observer in activities of the European Fundamental Rights Agency.

Following the submission of the project fiches by the EU Delegation in April 2009, DG Enlargement conducted its assessment and concluded that the proposed programme was good and balanced, in line with the priorities of the country and EU strategic documents, while shortcomings were identified regarding the quality and maturity of project fiches.

The 23 fiches were returned to the Secretariat for European Affairs via the Delegation and additional revisions were undertaken on all of them. The services on both sides were able to overcome the identified shortcomings in June-July 2009 and present the programme for Inter-Service Consultation within the Commission. The programme was finally adopted on 12 November 2009, following a positive opinion by the IPA Committee on 25 September 2009.

During the programming exercise, some progress was made in reducing the number of planned contracts and increasing the average value (IPA contribution) of projects. The IPA 2009 programme has 86 contracts in total, compared to 93 for IPA 2008, including six twinning in areas such as criminal law reforms, agriculture, macroeconomics, competition policy and statistics.

The major part of the assistance under Component I of IPA 2009 will be delivered through service contracts and there is a possibility to use the Project Preparation Facility, where the budget allows for a maximum 33 framework contracts. More specifically, 15 service, 7 supply, 2 works, 6 twinning and 33 framework contracts are programmed under IPA 2009, in addition to 5 direct grant awards, 2 calls for proposals and 16 direct payments (CA and CP).

Projects in cooperation with other international agencies and EU bodies are also foreseen, such as with the Council of Europe in the area of human rights (Project Fiche 1.2 “Capacity Building of the Law Enforcement Agencies for Appropriate Treatment of Detained and Sentenced Persons”), as well as with the European Central Bank in the area of economic and monetary union (Project Fiche 2.2 “Review of Legal, Organizational and Resource Requirements for the National Bank”) – see table below.

**Table 3: Indicative financial allocations for the year 2009 under the annual National Programme, per priority axis and per project, in million EUR**

<b>Priority Axis</b>	<b>Projects</b>	<b>Budget<sup>48</sup></b>
<b>Political Criteria</b>		<b>8.75</b>
	1.1 Support in the Implementation of the Reform of the Criminal Justice System	1.27
	1.2 Capacity Building of the Law Enforcement Agencies for Appropriate Treatment of Detained and Sentenced Persons	1.80
	1.3 Support to the National Police and Criminal Law Reform	1.03
	1.4 Support to Enhancement, Sustainability and Development of an Active Civil Society	1.50
	1.5 Building effective and democratic local government	0.99
	1.6 Technical Assistance to the Civil Servants Agency and Strengthening the Implementation of the National System for Training Coordination	0.99
	1.7 Conservation and Revitalization of the Cultural – Tourist Site St.George – Staro Nagorichane	1.17
<b>Economic Criteria</b>		<b>4.04</b>
	2.1 Strengthening the Capacity of the Ministry of Finance for Macroeconomic Analysis and Policy Formulation	1.22
	2.2 Review of Legal, Organizational and Resource Requirements for the National Bank	0.40
	2.3 Support to the State Statistical Office	1.47
	2.4 Assistance to the Commission for Protection of Competition	0.95
<b>Acquis</b>		<b>17.93</b>
	3.1 Enhancing the Administrative Capacity of Telecom and Media Authorities	0.81
	3.2 Institution Building of the Administrative Capacity for Agriculture and Rural Development	2.60
	3.3 Capacity Building for the Authorities for Food Safety, Phytosanitary and Veterinary Policy	1.74
	3.4 Strengthening the Capacity of the Transport Inspectorate	0.72
	3.5 Strengthening the Capacity of the Energy Department in the Ministry of Economy and the Energy Agency	1.70
	3.6 Strengthening the Capacity for Approximation and Implementation of Environmental Legislation	2.98
	3.7 Strengthening the Capacity of the Customs Administration	2.91
	3.8 Strengthening the Blood Safety System	0.90
	3.9 Integrated Border Management	3.57
<b>Priority axis Supporting Programmes</b>		<b>6.34</b>
	4.1 Participation in EU Programmes and Agencies	1.63
	4.1 Project Preparation and Support Facility	2.71
	4.3 Preparatory measures for Life Long learning and Youth in Action	2.00
<b>TOTAL</b>		<b>37.06</b>

<sup>48</sup> The amounts under 'Budget' refer to the EU contribution.

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

For Component II, the three multi-annual bilateral programmes in which the country is involved (with Albania, Bulgaria and Greece) were originally adopted by the Commission in 2007 - except with Greece, adopted in March 2008 - with financial tables covering the period 2007–2009. In accordance with the art 93 (1)(a) of the IPA Implementing Regulation, the countries prepared a revision of the 2007-2013 programming documents in order to add the financial allocations for 2010-2011.

The former Yugoslav Republic of Macedonia participates also in the transnational South-East Europe programme. Besides, during 2009 national authorities confirmed their readiness to start the programming process for a new cross-border cooperation programme in the area bordering Kosovo<sup>49</sup>.

The overall objective of IPA Cross-border cooperation (CBC) is to promote sustainable economic and social development in the areas concerned. Joint actions implemented with the support of the programme should have an impact on the socio-economic situation of the population, improve the joint management of natural and cultural resources as well as strengthening the image and cohesion of the cross-border area. All programmes contain a description of priorities and the measures chosen for assistance in the period 2007-2013, as well as an indicative financing plan for the first years. CBC programmes are essentially implemented through joint calls for proposals covering all the eligible territory. The Financing decisions for the 2009 allocations were taken in August 2009<sup>50</sup>.

Due to the late setting up of joint structures, the first call for proposals concerning 2007 funds under the CBC with Albania could only be launched in June 2009. The Financing Agreement for 2008 funds related to the same programme was signed in December 2009. Also the 2008 Financing Agreement on the CBC Programme with Greece was signed in December 2009. Implementation of this programme was delayed because of the difficulties encountered to clarify all technicalities for this cross-border programme between a EU Member State and a candidate country, implemented according to the transitional arrangements laid down in Art.99 of the IPA Implementing Regulation<sup>51</sup>. Also, in view of the political relations between the two countries, it took more time to bring the two partners together to agree on the different implementation steps. As in the case with Albania, a joint launch of call for proposals to absorb funds from IPA 2007 and 2008 was foreseen for after the reporting period.

Under the transnational “South-East Europe” programme, after the successful completion of the first call for proposals with 2007 funds, 40 projects were selected, out of which 6 were from the former Yugoslav Republic of Macedonia. The second call was published in November 2009, with the 2008 and 2009 financial allocations, and the great interest for this programme shown during the first call was expected to be repeated.

#### 4.2.2.3 *Component III: Regional Development*

The multi-annual Operational Programme Regional Development under IPA Component III, worth 40.5 million EUR for the period 2007-2009, was prepared by the national authorities

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<sup>49</sup> Under UNSCR 1244/1999.

<sup>50</sup> The exception is the CBC programme with Bulgaria, which is implemented under shared management by the Member State, where a multiannual Decision taken in December 2007 covers the first three years; it is implemented by means of a multi-annual Financing Agreement between the Commission and the Government of the former Yugoslav Republic of Macedonia.

<sup>51</sup> Commission Regulation (EC) No 718/2007 of 12.6.2007

during 2007 in close cooperation with the Commission and was adopted by Commission Decision on 29 November 2007.

Its overall objective is to support the sustainable development of the country through the improvement of transport and environment infrastructure. Assistance in the transport sector focuses on continuing the development of the South-East Europe Core Regional Transport Network (corridors VIII and X). Concerning assistance in the environment sector, targeted investments will focus on waste water treatment and solid waste management, where the impact on the population and natural environment is the greatest. Within the operational programme a separate priority on technical assistance has been introduced to support national structures managing IPA, including ensuring projects of high standards for current programmes and for the future programming periods.

As the revised multi-annual planning documents for the periods 2008-2010 and 2009-2011 essentially maintained the priorities of the previous period, the strategy and priorities expressed in the Operational Programme Regional Development adopted in 2007 were maintained for the following two years.

In 2009, most of the efforts under this component were put in obtaining conferral of management powers (see section 4.2.3 below). The Financing Agreement was signed and entered into force in September 2009. A pre-financing for an amount of EUR 12.15 million was transferred to the national authorities in October 2009.

#### *4.2.2.4 Component IV: Human Resources Development*

The multi-annual Operational Programme Human Resources Development (OPHRD) under Component IV for the programming period 2007 – 2013, with financial allocations for 2007-2009 worth EUR 19.176 million (including the national contribution), was prepared by the national authorities during 2007 in close cooperation with the Commission and was adopted by Commission Decision on 7 December 2007. The OPHRD concentrates its strategy on three priority axis (plus the priority axis for technical assistance) covering the following fields: employment, education and training and social inclusion.

Also under this component, most of the efforts in 2009 concentrated on obtaining conferral of management powers (see section 4.2.3 below). The Financing Agreement between the government and the Commission concerning the OPHRD was signed on 26 November 2009. A pre-financing payment for an amount of EUR 4.89 million was made in December 2009.

#### *4.2.2.5 Component V: Rural Development*

The IPA Rural Development programme 2007-2013, adopted in 2007 and first amended in 2008, consists of 3 priority axes: "Improving market efficiency and implementation of EU standards", "Preparatory actions for implementation of the agri-environmental measures and local rural development strategies" and "Development of the rural economy". The year 2009 was used for final preparations for implementation of this programme. In addition, a second modification was made in order to include the 2010 financial allocation and to make technical revisions in order to facilitate the accreditation of the operating structure as well as implementation. More specifically, vocational training on agriculture, rural infrastructure and preparation for Leader type measures were introduced. This second modification received a positive opinion from the Rural Development Committee in July 2009.

### 4.2.3. Implementation Modalities and Structures

2009 witnessed developments on the roadmap to decentralised implementation of IPA assistance.

In February 2009 the National Authorising Officer (NAO) in the Ministry of Finance submitted to the Commission the Accreditation Packages for conferral of decentralised management powers (with *ex ante* controls by the EU Delegation) for Components I and III. The audit mission with representatives from DG ELARG and DG REGIO took place in March 2009.

The final report of DG ELARG auditors for Component I was delivered in July 2009. The verification mission identified a substantial number of 'high risks' within the services of the NAO, National IPA Coordinator (NIPAC) and line ministries, namely shortage of staff in key positions, insufficient capacity of the management and control systems regarding IPA and lack of segregation of duties. Those weaknesses and their respective risks levels did not provide the Commission with sufficient assurance that the national system complied with the key criteria for conferral of management powers<sup>52</sup> under Component I.

As concerns Component III, the auditors of DG REGIO gave their final positive assessment which led the Commission to grant national authorities the power to manage EU funds for this component on July 24, 2009. By the end of the reporting period, a roadmap for waiving of *ex-ante* controls under IPA Component III was submitted by the National Authorising Officer to the Commission and was in consultation within Commission services.

With regard to Components IV and V, the Accreditation Packages were submitted to the Commission in March and June 2009, respectively. Audit Missions by DG EMPL and DG AGRI took place in May (Component IV) and September (Component V). Conferrals of management powers (without *ex-ante* controls, as far as Component V was concerned) were granted to the national authorities, respectively, in October and December 2009.

Component II-CBC was the only one for which no application for conferral of management was submitted by the NAO in 2009. The Ministry of Local Self Government (MoLSG), National IPA-CBC Coordinator, is expected to further strengthen capacities, especially staffing, and be in a position to send the request to the Commission by the end of 2010 at the earliest.

### 4.2.4. Overview of IPA projects/contracts implemented in 2009

Following from the fact that the Commission could not grant management powers for Component I to the former Yugoslav Republic of Macedonia, in 2009 such component continued to be implemented under centralised (de-concentrated) management, with the EU Delegation acting as contracting authority.

All projects under the first Financing Agreement covering the 2007 allocations were tendered and contracted by the contracting deadline of 30 October 2009. For projects under the second Financing Agreement, for which the contracting deadline falls after the reporting period, tendering and contracting was on track.

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<sup>52</sup> The beneficiary country shall put in place an organisational structure (see sub-section 2 of the IPA Implementing Regulation), namely the NIPAC, CAO, NAO, National Fund, Audit Authority and Operating Structures per IPA component or programme. Also internal controls and procurement procedures necessary to meet the minimum requirements for the related internal control standards set out in Annex I of the IPA Regulation must be set up.

**Table 4: Status of implementation of IPA financial assistance (Components I to V) as at 31st December 2009 (in million EUR)**

	Committed	Paid	RAL <sup>53</sup>	% Paid
IPA 2007-2008-2009	197.53	27.89	169.64	14.12%

4.2.4.1 *Component I: Transition Assistance and Institution Building*

**Tables 5: Status of implementation of IPA financial assistance (Component I) as at 31st December 2009 (in million EUR) per annual programme and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Contracted	RAC <sup>54</sup>	% Contracted	Paid	RAL	% Paid
IPA 2007	34.94	21.88	13.06	62.62%	10.80	24.14	30.91%
IPA 2008	37.12	0.10	37.02	0.27%	0.05	37.07	0.13%
IPA 2009	37.06	0.00	37.06	0.00%	0.00	37.06	0.00%
<b>TOTAL</b>	<b>109.12</b>	<b>21.98</b>	<b>87.14</b>	<b>20.14%</b>	<b>10.85</b>	<b>98.27</b>	<b>9.94%</b>

Priority Axes	% of 2007-2009 allocations
Political criteria	33.85%
<i>(of which civil society)</i>	<i>(2.47%)</i>
Economic criteria	12.96%
Ability to assume membership obligations	38.34%
Support programmes	14.85%
<b>TOTAL</b>	<b>100.00%</b>

Although project implementation was in its early stage in 2009, national authorities made good use of the Project Preparation Facility in preparation of project documents in various areas, mainly assisting beneficiary institutions in drafting Terms of References, Twinning Fiches and complex Technical Specifications for works and supply contracts. This assistance proved effective, allowing for a timely preparation of Tender Dossiers of a good quality and a gradual increase of beneficiaries' capacity for preparing such documents.

In the course of 2009 the EU Delegation contracted 11 technical assistance contracts, 15 framework contracts, 4 negotiated contracts and 3 single tender contracts for services, 1 twinning, 1 twinning light and 2 works contracts, all funded by IPA 2007 allocations. In addition, DG Education and Culture contracted two direct grant agreements for preparatory measures for the Lifelong Learning and Youth in Action programmes (financed under IPA 2007). The following IPA 2007 projects could be seen as showing positive results during implementation:

- "Support to the implementation of the Police Reform Strategy" - EUR 9.4 million (IPA contribution EUR 9.0 million).

The main part of IPA funding under this project went to the Police Development Assistance Project (EUR 7.73 million). The contract started on May 2008 and ended after the reporting period, on May 2010. The overall objective of the proposed action was the provision of advisory and material support to the Police Reform process to ensure consistency and continuity of approach, consolidate progress already made and maintain momentum. More specifically, support addressed directly the three pillars of the National Police Reform Strategy (strategic, tactical, and operational) at both central and local (regional) levels and provided feedback function for recirculation of operational observations and assessments into

<sup>53</sup> Remains to be paid (*Reste à Liquider*).

<sup>54</sup> Remains to be contracted (*Reste à Contracter*).

the reform process, the assimilation of such observations and, where feasible, the specification and implementation of remedial actions to ensure continued progress of the reform process. The project provided direct advisory support to the Ministry of Interior (MoI) and its partner institutions, to assist with the co-ordination and implementation of the strategic framework for reform. In the wider context, the objective is to support the development and consolidation of an effective and publicly accountable police service in the former Yugoslav Republic of Macedonia, to uphold the rule of law and operate in accordance with the applicable National Strategies, implementing legislation and international standards and best practices.

From 20 to 26 February 2009, the project provided training to the Police in relation to the upcoming presidential and municipal elections. In addition, the project provided regular advice on a human resources strategy and set up an action plan in line with European standards to regulate the rights and duties of police officers, i.e. recruitment, assignment, salary, promotion, discipline, etc. The project provided also regular advice on training (a key benchmark for EU accession), on policing the police structures of Skopje city, on the evolution of Alpha Unit and on community policing/prevention/pilot sites.

The second part of the project concerned the Reconstruction of Police Stations (EUR 1.67 million).

- "Support to the implementation of the Customs Reform Strategy" – EUR 3.2 million (EU contribution EUR 3.0 million).

The objective of the project is to achieve further alignment with the *acquis* in the area of customs and strengthen the administrative capacity of the national Customs Administration (MCA) and its capacity to meet the EU requirements in this area. The project purpose is to contribute to a professional customs administration that is enabled to appropriately implement reforms, taking due account of EU regulations and best practices.

The following contracts within this project made good progress in 2009:

- Technical Assistance for Improvement of the Customs IT System (EUR 688,000), started in July 2009 and due to end in January 2011. The purpose of this contract is to improve the customs IT system with the aim to increase operational efficiency, decrease corruption and achieve full compliance with the EU standards, in particular interconnectivity with EU Member States administrations. The project team prepared the technical specifications/tender dossier for the IT supply contract to be funded under IPA 2007.

- Technical Assistance for Reinforcement of Border Control (EUR 699.990), started on August 2009 and due to end on February 2011. This contract aims at reinforcing customs border control. This is to be achieved by implementing comprehensive, systematic, simplified and efficient customs controls at border posts; facilitating the legal crossing of passengers and goods; ensuring revenue collection and public security; strengthening the MCA's capacity to fight against fraud and corruption. During the reporting period, the project team has developed technical specifications for the border control equipment supply component. The review and report on the state of equipping border crossings with modern border inspection and detection equipment was under way during the reporting period. The supply tender for IT equipment was launched in November 2009 and contracts for the two lots were due to be signed after the reporting period.

By the end of 2009, the preparation of tender documents for IPA 2008 projects was finalised, following signature of the Financing Agreement in February 2009. Preparations of tender documents for IPA 2009 began in December 2009 in order to assure a smooth transition from

centralised to decentralised implementation. The EU Delegation was monitoring preparatory activities, participating in working groups with national authorities and providing advice and hands-on assistance during the preparation of tender documents.

Referring to other Institution Building instruments such as TAIEX, in the course of 2009 there were 2246 participants from line ministries and other relevant institutions to 104 single-country and 105 multi-country events in the areas of agriculture, infrastructure, internal market, justice and home affairs, mobilising 1190 experts.

As for participation in EU Programmes, in the course of 2009 reimbursement of the following entry tickets were allocated to be paid at a later stage: Culture 2008; PROGRESS 2007, 2008, 2009; Europe for Citizens 2009; CIP<sup>55</sup> – ICT 2009, Fiscalis 2009, Customs 2009.

Following savings under the IPA 2007 project fiche for EU Programmes and Agencies, a request for additional allocation was approved on mid December 2009 and the entry tickets for the FP7 2009 and CIP – EIP 2009 EU Programmes were reimbursed.

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

**Tables 6: Status of implementation of IPA financial assistance (Component II) as at 31st December 2009 (in million EUR) per annual programme and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Contracted	RAC	% Contracted	Paid	RAL	%Paid
IPA 2007	4.16	0.13	4.03	3.12%	0.00	4.16	0.00%
IPA 2008	4.08	0.00	4.08	0.00%	0.00	4.08	0.00%
IPA 2009	4.37	0.00	4.37	0.00%	0.00	4.37	0.00%
<b>TOTAL</b>	<b>12.61</b>	<b>0.13</b>	<b>12.48</b>	<b>1.03%</b>	<b>0.00</b>	<b>12.61</b>	<b>0.00%</b>

Priority Axes	% of 2007-2009 allocations
CBC with Member States	54.64%
CBC within Western Balkans	33.31%
Participation to ERDF Transnational Programmes	12.05%
<b>TOTAL</b>	<b>100.00%</b>

2009 was the starting year for implementation of IPA-CBC programmes with the involvement of the former Yugoslav Republic of Macedonia. Fully fledged cross-border programmes in the Western Balkans countries had never been implemented before. The national authorities of all countries concerned required time to set up joint management structures in compliance with the IPA regulatory framework (Operating Structures, Joint Monitoring Committee, Joint Technical Secretariat - JTS), to prepare and launch the joint calls for proposals and to perform the evaluation of applications received.

Joint structures were established in 2009: the JTS in Struga, for the CBC programme with Albania, and the JTS Antenna in Strumica, for the CBC programme with Bulgaria. The first call for proposals under the CBC programme with Albania, for projects covering a wide range of issues (from tourism and sustainable environmental development to people-to-people and institution-to-institution - such as schools, universities, research centres- operations), was finally launched in June 2009. Funds requested under the 60 applications were three times higher than funds available, a clear indication of the interest generated by the programme.

<sup>55</sup> CIP has three sub-programmes: 1. Entrepreneurship and Innovation Programme (EIP), 2. Information and Communication Technology Programme (ICT) and 3. Intelligent Energy Europe Programme (IEE). Participation in EIP in 2007 and 2008 was co-financed with CARDS funds, whereas participation in the other two sub-programmes was co-financed with IPA funds.

The first call for proposals for the CBC programme with Bulgaria was published in September 2009. Contracts with successful applicants were due to be signed after the reporting period.

The CBC programme with Greece did not start in 2009, but procedures were on-going to establish the JTS in Thessalonica and its antenna in Bitola, and agree on the application package for the first call for proposals to be launched in 2010. Finally, within the South-East Europe transnational programme, after successful completion of the first call with 2007 funds, 40 projects were selected out of which 6 were from the former Yugoslav Republic of Macedonia. Two contracts were already signed during the summer 2009 (one on drought-related damages and the other on co-operation of innovation and finance agencies). The remaining contracts were under preparation by the end of the reporting period. The second call for proposal, with 2008 and 2009 financial allocations, was published in November 2009 and the great interest previously shown for this programme was expected to be repeated.

#### 4.2.4.3. *Component III: Regional Development*

**Tables 7: Status of implementation of IPA financial assistance (Component III) as at 31st December 2009 (in million EUR) and distribution of total committed funds (2007-2009 allocations) by priority axes**

	<b>Committed</b>	<b>Paid</b>	<b>RAL</b>	<b>% Paid</b>
<b>IPA 2007-2008-2009</b>	<b>40.50</b>	<b>12.15</b>	<b>28.35</b>	<b>30.00%</b>

<b>Priority Axes</b>	<b>% of 2007-2009 allocations</b>
Transport	78.20%
Environment	21.80%
Competitiveness	0.00%
<b>TOTAL</b>	<b>100.00%</b>

The start of actual implementation of the operational programme became possible only after conferral of management powers was granted and the Financing Agreement entered into force, in the second half of 2009. Preparation of the two major projects (“Corridor X”, with EUR 45 million of IPA contribution and “Waste water treatment project in Prilep”, EUR 19 million) and other planned operations under the programme (“Upgrading and modernisation of the transport infrastructure”; “Establishment of an integrated waste management system”; “Technical assistance for administration of Operational Programmes, information, evaluation, monitoring and control activities”; “Preparation of investment projects and programmes”) were ongoing by the end of the reporting period. The pre-financing, amounting at to 30 % of the EU contribution for 2007-2009, was paid in October 2009.

The fourth Sectoral Monitoring Committee was held on 24 June 2009 and the fifth one, the first official one after the entry into force of the Financing Agreement, on 26 November 2009. The work plan of the Operating Structure, the state of play of preparation of major projects and other operations and the proposal for a modification of the Operational Programme were discussed at the two meetings, among other issues.

The efficiency of the technical expertise of line ministries as part of the Operating Structure is still far from sufficient and Programme implementation is delayed. A strong message was repeatedly passed to the national authorities for taking immediate actions that should result with tangible progress at the earliest time.

In order to facilitate the preparation of the Waste water treatment project in Prilep, a technical assistance contract was signed under Component I of IPA 2007 to allow proper scope of the investment project and prepare tender documents.

#### 4.2.4.4 Component IV: Human Resources Development

**Tables 8: Status of implementation of IPA financial assistance (Component IV) as at 31st December 2009 (in million EUR) and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Paid	RAL	% Paid
<b>IPA 2007-2008-2009</b>	<b>16.30</b>	<b>4.89</b>	<b>11.41</b>	<b>30.00%</b>

Priority Axes	% of overall 2007-2009 allocations
Employment	42.00%
Education and training	30.00%
Social inclusion	20.00%
Administrative capacity	8.00%
<b>TOTAL</b>	<b>100.00%</b>

Following consultations and preparatory work, a first draft of the Operation Identification Sheets (OIS) was submitted to the EU Delegation for comments in May 2009. By the end of the reporting period, 4 out of 15 OIS were approved. Comments on the pending OIS were sent to the Operating Structure.

In the meantime, in June 2009 the need for reallocation of funds between measures became evident. The reallocation was approved at the first SMC meeting held in December 2009 triggering, together with other specific implementation risks, the need for further improvements to some OIS.

As of July 2009 the Operating Structure started to develop tender documentation (Terms of References and twinning fiches). By the end of the reporting period, 10 sets of tender documents were under preparation.

The first and second twinning fiches were sent for circulation in, respectively, October and December 2009.

#### 4.2.4.5 Component V: Rural Development

**Tables 9: Status of implementation of IPA financial assistance (Component V) as at 31st December 2009 (in million EUR) and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Paid	RAL	% Paid
<b>IPA 2007-2008-2009</b>	<b>19.00</b>	<b>0.00</b>	<b>19.00</b>	<b>0.00%</b>

Priority Axes	% of overall 2007-2009 allocations
Improving market efficiency	78.00%
Preparation of agri-environmental measures and local rural development strategies	0.00%
Development of rural economy	18.00%
Technical assistance	4.00%
<b>TOTAL</b>	<b>100.00%</b>

In 2009 the IPA Rural Development management and control system was finally set up in accordance with the requirements of the Framework and Sectoral Agreement and national accreditation was granted by the National Authorized Officer (NAO) in March 2009. In view of the preparation for conferral of management without *ex-ante* controls, the audit team from the DG AGRI completed two fact-finding missions to the former Yugoslav Republic of Macedonia and one Conferral Mission on verification of the IPA Rural Development structures was held in September 2009. As already mentioned, conferral of management powers was granted by the Commission in December 2009<sup>56</sup>.

After conferral of management the IPA Rural Development operational structure - the Managing Authority and the IPA Rural Development Agency - implementation of the IPA Rural Development Programme started in December 2009. The Programme contains 4 measures (out of 9 available under IPA Rural Development), of which by the end of the reporting period only three (M101 "Investment in agricultural holding", M103 "Investment in processing and marketing" and M302 "Diversification of rural economy") were subject to conferral of management.

IPA 2007-2009 allocations under the programme amounted to EUR 19 million and were covered by the corresponding Multi-annual Financing Agreement, which by the end of the reporting period was not yet into force.

#### **4.3. Coherence, compatibility and coordination of aid**

Coordination with donors was intensified as from December 2008 when the NIPAC decided to re-vitalize activities which had been left aside for about two years. Beyond the exchange of information among donors which continued at various steps of the programming process, the donor community and the beneficiary embarked on discussions on the preparation of a Programme Based Approach (PBA) with the analysis of sectors potentially suitable for testing this concept. With a view to increasing the impact and efficiency of assistance, the country took a much more prominent role in this process.

Following the discussions in June 2009 held by participants to the High Level Working Group (Austria, Sweden, Switzerland, the Netherlands, the US, the World Bank and the EU), the Programme Based Approach was accepted by the government in order to ensure greater aid effectiveness, reflect national development priorities and increase ownership over development goals and ongoing reforms. The Conference on effective support for enlargement, organised by DG ELARG and the then Swedish EU Presidency, confirmed once again the new direction towards a programme based approach in programming of Components I, III, IV and V of IPA.

During the reporting period, concrete efforts towards the introduction of the new approach to programming led to the following achievements: i) the institutional set-up was in place and functional; ii) the action plans and guiding documents for the actual work of the five programme area working groups were developed and being followed; iii) assessments of the programme areas run according to plans; iv) there was continuous productive dialogue between the Government and international partners.

The programme area working groups were carrying the actual assessments and definition of proposals on priority areas for the introduction of a Programme Based Approach. Through coordination meetings with teams of focal points from these working groups, the High Level

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<sup>56</sup> Conferral of management power for Component V was granted by the Commission Decision C/2009/10123 on 18 December 2009.

Government - International Partners Working Group ensured that programme-level work remained on track. At the end of September 2009, the five working groups presented their findings and final proposals, which represented the basis for further development of action plans for implementation of the concept in each area.

The country continued to pursue the Programme Based Approach gradually in 2009 following the activities prescribed within the Action Plan and EU recommendations to adopt a sector based approach in the relevant planning documents for IPA assistance. The commitment demonstrated by donors and national actors is a prerequisite for success. Meanwhile the dialogue and learning mechanism will continue: the working groups will complete the assessment of programme areas and will prepare implementation plans, the High Level Government-International Partners Working Group will ensure oversight of the process and high level donor coordination meetings will be held to set the milestones on a higher policy level.

The Programme Based Approach should be best put to use to facilitate the EU agenda and improve both bilateral and multilateral assistance given to the country. Achieving better results through better planning and implementation of financial assistance, by putting in use local systems for programme design and implementation, financial management, monitoring and evaluation, is a target of the EU Delegation.

#### **4.4. Monitoring**

Regarding monitoring activities under centralised management, in addition to the creation of a ‘shadow’<sup>57</sup> Sectoral Monitoring Committee for Component I and consequently a ‘shadow’ JMC, the Commission may undertake any actions it deems necessary to monitor the programmes concerned.

During the reporting period, the EU Delegation conducted monitoring of the ongoing projects on a regular quarterly basis in the form of Project Review meetings, where different operational and financial issues were discussed. Besides the monitoring done by the competent sectoral sub-committees and the Joint Monitoring Committee, a number of projects under Component I of IPA 2007 stated to be included in the Result Oriented Monitoring (ROM) which operated on a multi-country basis. This tool complemented the internal monitoring activities carried out by the EUD under various forms (regular reporting, steering committee meetings, project implementation reviews).

In addition, following Articles 60, 83 and 84 of the IPA Implementing Regulation, progress with monitoring the IPA Operational Programmes was attained by larger involvement of the national structures. All sectoral monitoring sub-committees for all five IPA components were organised regularly, in addition to the IPA Joint Monitoring Committee held on 25 November 2009. Further support to the NIPAC and the Central Finance and Contract Directorate (CFCD) was needed to produce Annual Implementation Reports, but good progress in this areas was achieved with help from the EU Delegation.

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<sup>57</sup> Shadow Sectoral and Joint Monitoring Committees are held for Component I of IPA because the conferral of management powers for this component is not granted to the national authorities.

## **5. KOSOVO (UNDER UNSCR 1244/99)<sup>58</sup>**

### **5.1. The year in review**

The conclusions of the 2009 Progress Report<sup>59</sup> for Kosovo<sup>60</sup> confirmed that Kosovo faced major challenges. By the end of the reporting period, Kosovo had to make further progress in establishing and consolidating the rule of law and needed to improve the functioning and independence of its judiciary. It needed to establish a track record in the fight against corruption, money laundering and organised crime, demonstrating concrete results. Kosovo also needed to strengthen the capacity, independence and professionalism of its public administration and improve its business environment, including regulation, supervision and corporate governance. It had to ensure full transparency in senior public appointments and make sure that public procurement complied with criteria of independence, objectivity and transparency. In addition, it also needed to establish a sustainable macro-economic and fiscal policy.

In October 2009, the Commission adopted a communication to the European Parliament and the Council entitled "Kosovo – Fulfilling its European Perspective"<sup>61</sup>. The purpose of the communication was to take stock of developments, identify the challenges on Kosovo's road to Europe, confirm the measures it should take to address those challenges and propose EU instruments to help Kosovo further its political and socio-economic development. The measures proposed by the Commission to take the EU-Kosovo relationship forward included starting to work towards visa liberalisation, preparing a trade agreement, enabling Kosovo to participate in EU programmes on Research, Culture and Europe for Citizens and associating it with EU initiatives in areas such as employment, enterprise and education. It also proposed the EU to upgrade its political dialogue with Kosovo and widen the scope of EU financial assistance to it, to include Cross-border Cooperation (CBC). In its conclusions of 8 December 2009, the General Affairs Council invited the Commission *'to take the necessary measures to support Kosovo progress towards the EU in line with the European perspective of the region'*, attaching particular importance to *'measures related to trade and visa, without prejudice to Member States' positions on status'*.

The European Union Rule of Law Mission (EULEX) is part of the overall EU efforts in Kosovo and contributes to security and stability. IPA interventions, in particular in the areas of rule of law and law enforcement, are closely coordinated with EULEX.

For more details on developments in 2009 in Kosovo's preparation for EU membership, please refer to the Commission's *2009 Progress Report*.

### **5.2. IPA programming and implementation in 2009**

#### **5.2.1. MIPD 2009-2011**

The Multi-annual Indicative Planning Document 2009-2011 for Kosovo<sup>62</sup>, which identifies the main areas and priorities of the Instrument for Pre-accession Assistance for that period, was adopted in July 2009. Over EUR 103 million were allocated in the IPA Annual Programme for 2009. Following the overall EU strategy and priorities for Kosovo's clear

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<sup>58</sup> Under United Nations Security Council Resolution 1244 of 10 June 1999.

<sup>59</sup> Kosovo under UNSCR 1244/99 2009 Progress Report, SEC (2009) 1340 of 14 October 2009, available at [http://ec.europa.eu/enlargement/pdf/key\\_documents/2009/ks\\_rapport\\_2009\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2009/ks_rapport_2009_en.pdf).

<sup>60</sup> Under UNSCR 1244/99.

<sup>61</sup> COM (2009) 5343 of 14 October 2009.

<sup>62</sup> C (2009) 5438 of 10 July 2009.

European perspective, in line with the European perspective of the region, the Commission continued to support the strengthening of the rule of law, public administration reform, communities, culture and youth, wider socio-economic issues including trade and regional development, education and employment, agriculture and environment as well as infrastructure.

More specifically, in 2009 (and for the two subsequent years, subject to possible revisions in light of relevant developments in Kosovo, the region, the EU or elsewhere) IPA assistance focused on transition assistance and institution building in the following priority areas:

*Political criteria:* EU assistance complemented the comprehensive EU intervention in Kosovo, including the objectives of the European Union Special Representative (EUSR) and the European Union Rule of Law Mission in Kosovo (EULEX). It focused in particular on the rule of law, public administration reform, the development of civil society, the protection of Serb and other minorities including their cultural heritage.

*Economic criteria:* EU assistance furthermore supported the development of Kosovo's economy and the socio-economic environment of all communities. This included measures that catalyse investment by the international financial institutions (IFIs) and the private sector, notably infrastructure projects. Assistance supported employment, education and regional development.

*European standards:* EU assistance continued to support Kosovo's European vocation and its integration into the Western Balkans region as a whole, focusing on a gradual approximation with the EU *acquis* in sectors including internal market, customs, agriculture and rural development, transport and energy.

**Table 1: MIFF<sup>63</sup> allocations per component, in million EUR**

<b>Component</b>	<b>2009<sup>64</sup></b>	<b>2010</b>	<b>2011</b>	<b>2009-2011</b>
I. Transition Assistance and Institution Building	103.3	64.5	65.8	<b>233.6</b>
II. Cross-Border Cooperation	2.8	2.8	2.9	<b>8.5</b>
<b>TOTAL</b>	<b>106.1</b>	<b>67.3</b>	<b>68.7</b>	<b>242.10</b>

### **5.2.2. Programming exercise**

The completed IPA 2009 package, for which programming had started in autumn 2008, was presented to the Member States in the IPA Committee in April 2009 and the annual programme for Kosovo was adopted by the Commission on 31 July 2009.

The programming process for the 2010 Annual Programme was launched in September 2009 when the Kosovo authorities communicated their initial project ideas. Initial workshops were organised in November to define tentative project priorities. Thereafter, the European Commission Liaison Office in Kosovo held a series of bilateral meetings with Kosovo authorities, Member States and other donors, including IFIs, and civil society.

The programming process was carried out with close involvement of the beneficiary institutions, especially the Agency for Development Coordination and European Integration under the Office of the Prime Minister, line ministries and in particular the Ministry of

<sup>63</sup> Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2010-2012', COM(2008)705 of 5 November 2008.

<sup>64</sup> Final allocations (shown in the main report and in table 2) differ from these indicative figures following transfers between components I and II during the course of 2009.

Finance. The preparation of the IPA programme, especially in the rule of law sector, was also undertaken in close co-ordination with EULEX and EUSR/International Civilian Office (ICO), to ensure complementarities of activities. As compared to previous programming exercises, the Kosovo beneficiaries have shown an increased involvement. They presented a much greater number of project proposals, which showed higher interest. However, this also hinted at a lack of prioritisation and filtering of proposals.

Project selection was primarily based on improved planning, prioritisation and sequencing in line with political priorities as identified in the strategic documents, including the Multi-annual Indicative Planning Document, Progress Report 2009 and Kosovo communication, and better coordination with other donors.

Lessons learned from experience with CARDS are that donor coordination should be supported and links to the budget and the Medium-Term Expenditure Framework (MTEF) should be ensured, that development of sectoral strategies in key sectors will help identify needs and secure relevance of projects, and that careful planning and sequencing of IPA assistance will be important to ensure sustainability and ownership.

In November 2009, an amendment to the 2007 Annual Programme was adopted. The main purpose of this amendment was to re-allocate EUR 5 million of unspent funds from other activities to new activities to facilitate a peaceful and sustainable resettlement and reintegration of displaced Roma families, which would subsequently contribute to the closure of the Osterode and Cesmin Lug camps in North Mitrovica, which have high levels of lead contamination.

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

<b>KOSOVO</b>	<b>2009</b>
<b>I. Transition Assistance and Institution Building</b>	<b>106.10</b>
Of which:	
Annual Programme	103.60
Nuclear Safety Programme*	0.30
Tempus Programme*	2.20
<b>II. Cross-Border Cooperation</b>	<b>0.00</b>
<b>TOTAL</b>	<b>106.10</b>

\* The Nuclear Safety Programme and Tempus Programme are coordinated and implemented under the relevant Multi-beneficiary IPA 2009 programmes.

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

The total annual allocation for Kosovo under the IPA programme in 2009 was EUR 106.1 million. This was divided into EUR103.6 million for the annual programme and another EUR 2.5 million in contributions for two multi-beneficiary programmes (TEMPUS & Nuclear Safety). The annual programme for Kosovo was adopted by the Commission on 31 July 2009.

The 2009 IPA annual programme for Kosovo continued to address issues highlighted in the European Partnership and the Progress Report 2008. Priorities include the rule of law, public administration reform, communities, cultural heritage, civil society, rural development, socio-economic development, employment and education and EU approximation in selected areas. Projects were selected on the basis of relevance, impact, sustainability and maturity. A limited number of contracts are foreseen. Projects build on and complement actions financed under IPA 2007 and 2008 by means of careful sequencing. The EUR 40 million that are added to the

original allocation of EUR 66 million were absorbed by a limited number of sizeable works projects so as to ensure a manageable workload for the Liaison Office.

In line with the percentage ranges foreseen in the MIPD, 41% of the budget was allocated to political criteria, 30% to the economic criteria and 19% to European standards, the remainder to cover the cost of preparatory action directly necessary to implement and attain the objectives of other action already defined in this programme.

**Table 3: Indicative financial allocations for the year 2009 under the Annual Programme, per priority axis and per project, in million EUR**

Priority Axis	Projects	Budget
<b>Political criteria</b>		<b>42.68</b>
	Strengthening the rule of law	12.05
	Strengthening the human resources and the institutional capacity of the Kosovo local public administration	6.50
	Support to communities	3.13
	Support to the cultural sector	3.00
	Support to the media sector	4.00
	Support to culture, youth and sport	14.00
<b>Economic criteria</b>		<b>30.80</b>
	Trade and regional development	7.80
	Support to employment and education	10.30
	Improvement of IT system in the taxation administration	5.00
	Further support to the agriculture sector	7.70
<b>European standards</b>		<b>19.80</b>
	Support to the environment sector	4.80
	Support to transport and energy	15.00
<b>Support measures</b>		<b>10.32</b>
	Support measures and technical assistance facility	10.32
<b>TOTAL</b>		<b>103.60</b>

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

Just as in 2007 and 2008, the conditions for programmes under Component II in Kosovo were not met for the 2009 programming exercise. The funds for Component II were therefore transferred to Component I.

#### 5.2.3. **Implementation Modalities and Structures**

The IPA programme in Kosovo is implemented under centralised deconcentrated management by the European Commission Liaison Office (ECLLO) in Kosovo. Some projects are implemented by joint management with international organisations. As any other IPA beneficiary, Kosovo needs to establish a roadmap for the decentralisation of management of EU funds, initially with *ex ante* controls by the Commission. In 2009 Kosovo was still at a very early stage of this process. In April 2009, the government appointed the chief executive of the Agency for the Coordination of Development and European Integration as Kosovo's IPA coordinator. The European Commission encourages and supports the Kosovo authorities to take more ownership of the IPA programming process.

#### 5.2.4. **Overview of IPA projects/contracts implemented in 2009**

Under direct management by the European Commission Liaison Office in Pristina, in 2009 Kosovo made good progress in IPA implementation. The Liaison Office took appropriate

action to ensure an effective implementation of IPA 2007 and 2008 and met its very ambitious contracting target for 2009 (for contracting and disbursement details, see the table below).

External monitoring has generally rated impact, or impact prospects of projects where impact to date could not yet be measured, as 'good'. Kosovo needs to build on this. IPA assistance needs to be targeted on a limited number of key priorities, which need to be closely aligned with Kosovo's European reform agenda and reflect costed sector strategies. Project selection should reflect improved planning, prioritisation and sequencing, and better coordination with other donors. The possibility to associate other donors to IPA management in areas where these have a comparative advantage will be explored. Following the donors' conference in Brussels in July 2008, Kosovo's ownership of IPA projects should continue to be strengthened.

#### 5.2.4.1 Component I: Transition Assistance and Institution Building

**Tables 4: Status of implementation of IPA financial assistance (Component I) as at 31st December 2009 (in million EUR) per annual programme and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Contracted	RAC <sup>65</sup>	%Contracted	Paid	RAL <sup>66</sup>	%Paid
<b>IPA 2007</b>	62.00	53.53	8.47	<b>86.34%</b>	22.96	39.04	<b>37.03%</b>
<b>IPA 2008</b>	182.70	96.42	86.28	<b>52.78%</b>	36.06	146.64	<b>19.74%</b>
<b>IPA 2009</b>	103.60	0.00	103.60	<b>0.00%</b>	0.00	103.6	<b>0.00%</b>
<b>TOTAL</b>	<b>348.30</b>	<b>149.95</b>	<b>198.35</b>	<b>43.05%</b>	<b>59.02</b>	<b>289.28</b>	<b>16.95%</b>

Priority Axes	% of 2007-2009 allocations
Political criteria	34.63%
<i>(of which civil society)</i>	<i>(4.67%)</i>
Economic criteria	47.72%
European standards	10.38%
Support activities	7.27%
<b>TOTAL</b>	<b>100.00%</b>

2009 was the second year of IPA implementation in Kosovo. In addition to projects that were launched, a number of other projects already showed positive results, as outlined below:

- In December 2009 the European Commission Liaison Office launched a EUR 5.0 million project 'Mitrovica RAE Support Initiative' under the IPA 2007 annual programme, in support of the Roma, Ashkali and Egyptian (RAE) communities living in lead contaminated North Mitrovica camps, Cesmin Lug and Osterode. The project aims to facilitate the peaceful and sustainable resettlement and reintegration of up to 90 RAE families into Roma Mahalla or other locations, and contribute to the closure of Osterode and Cesmin Lug camps. The resettled families will be provided comprehensive assistance including housing, medical screening and treatment, economic development and livelihood initiatives to support a more durable reintegration. This EU-funded initiative will also improve access to basic social services such as education, civil registration and legal assistance and community development activities to facilitate sustained, peaceful reintegration and reconciliation between returnees and the receiving community.

<sup>65</sup> Remains to be contracted (*Reste à Contracter*).

<sup>66</sup> Remains to be paid (*Reste à Liquidier*).

- In December 2009 in Istog/Istok the Liaison Office, together with the Deputy Minister of Communities and Return and the deputy mayor of Istog/Istok Haki Rugova, handed over the keys to 35 houses in the Istog/Istok municipality to minority returnee families. Foundation stones for the houses, which were reconstructed or built in the area of Istog/Istok were laid in July 2009 as part of the project 'Return and Reintegration in Kosovo' (EUR 4.8 million), which is being implemented in four municipalities: Gjilan/Gnjilane, Istog/Istok, Fushë Kosovë/Kosovo Polje, and Peja/Peć. Its aim is to support the sustainable return of refugees and internally displaced persons, with considerable involvement of the Ministry for Communities and Return and local municipal authorities in Kosovo. Altogether around 180 internally displaced and refugee families are expected to return to four selected municipalities.
- In July 2009 the EUR 3.4 million project "Support to Local Government" started with the signature of a Memorandum of Understanding (MoU) between the European Commission Liaison Office to Kosovo, the Ministry of Local Governance and 10 municipalities: Gjakovë/Đakovica, Gjilan/Gnjilane, Mitrovicë/Mitrovica, Obiliq/Obilić, Podujevë/Podujevo, Skenderaj/Srbica, Viti/Vitina, Junik, Han i Elezit/Đeneral Janković, and Mamushë/Mamuša. This project aims to advance reform and capacity building in the context of the ongoing decentralisation process, including the improvement of managerial competencies, service delivery and dialogue with citizens at the local level, in line with European standards.
- In order to increase efforts to support public administration in Kosovo, the European Commission supported another group of 44 Kosovo students to pursue postgraduate studies at selected EU universities. The 2009 Young Cell Scheme scholarship recipients will be trained in sector-specific topics such as agriculture, environment, statistics, energy and corporate government. This scholarship scheme has been successfully implemented since its establishment in 2004. Approximately 140 students and civil servants have benefited from the programme. After completion of their post-graduate studies, students return to work in Kosovo's public service bringing back their expertise.
- In June 2009 the European Commission Liaison Office signed operating grant contracts with five Regional Development Agencies (RDAs) in support of their operational and running costs over a one year period. The grants are part of a EUR 6 million project under the IPA 2009 "Regional Economic Development". The five RDAs are located in Pristina, Mitrovica, Prizren, Gjilan/Gnjilane and Peja/Pec. The main tasks of the RDAs are to support local institutions in their socio-economic development efforts, bring Kosovo closer to Europe and facilitate ethnic reconciliation by creating more cooperation opportunities for citizens and businesses of different communities in Kosovo.
- In September 2009, EU-funded sports and playground facilities were opened in the four municipalities of Mitrovica, Pristina, Peja/Pec, and Prizren. The facilities include playgrounds, football, basketball and tennis courts which will provide opportunities for socialising and promote social cohesion among the resident population and notably the youth. The sports activities will furthermore have a positive impact on the well-being of the local population, as well as generate income for the local business and create jobs for the operation and maintenance of the facilities.

There is no framework agreement concerning participation of Kosovo in EU programmes. Kosovo did not participate in EU Programmes in 2009.

Generally, IPA implementation in 2009 was advancing very well.

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

N/A

### **5.3. Coherence, compatibility and coordination of aid**

In an effort to address aid effectiveness and donor coordination following the Tirana Donor Coordination Conference organised by the European Commission in April 2009, an "Aid Management Platform" has been put into operation in Kosovo. This platform, which is being funded by the EU and United States Agency for International Development, has the full support of the Kosovo authorities and the donor community. This initiative will ease the sharing of information on ongoing and planned projects across the donor community. Furthermore, five donor sector groups have been established. These share plans and priorities, and agree a common line vis-à-vis the Kosovo authorities. They cover the following sectors: (1) Public Administration Reform (led by Department for International Development and the European Commission), (2) Local/Municipality Capacity Building (led by the USA), (3) Water sector (led by Switzerland), (4) Education (led by Sweden) and (5) Health (led by Luxembourg). The main problems experienced in donor coordination relate to the large number of donors present in Kosovo, lack of resources at government level, as well as lack of a comprehensive system for sharing tentative plans and priorities. The development of an Aid Development Platform addresses these issues.

As regards progress towards developing sector strategies, the Medium-Term Expenditure Framework has been strengthened. A sector strategy for agriculture has been developed. Strategic planning at sectoral level supported by donors and by the country has become visible inter alia in the education and health sectors. The Kosovo authorities have established government coordination meetings and have embarked on a more structured approach to donor coordination and sectoral approach to planning assistance.

The European Commission Liaison Office in Kosovo plays an important role in ensuring donor coordination and aid effectiveness on the ground. It organises and chairs monthly meetings of the main donors at which the Kosovo authorities participate. The European Commission supports Kosovo's ownership of donor coordination and works towards a programme based approach by funding the development of an "Aid Management Platform" which will enable the Kosovo authorities, notably the Agency for the Coordination of Development and European Integration (ACDEI), and donors to track development assistance. Furthermore, it aims at providing a complete picture of Kosovo's aid portfolio. The project contains a substantial training component to ensure the full use of the system foreseen and its sustainability.

### **5.4. Monitoring**

Kosovo is included in the target area of the Results Oriented Monitoring (ROM) project managed centrally by the European Commission's Directorate General for Enlargement (Regional Programmes unit). All contracts with a value of more than EUR 1 million are subject to ROM, which enables the Commission to gather an independent opinion on the efficiency of project implementation, sustainability and impact or impact prospects. The ROM contractor has worked closely with the Commission's Liaison Office during 2009 to ensure that the planned monitoring missions would be implemented as per the monitoring plan. The decision to open a local office of the ROM contractor in Kosovo was taken in May 2009 and this office has been fully operational since November 2009. In 2009 a total of 50 projects were monitored of which 36 implemented under the Kosovo IPA envelope and 14

components of regional projects. The total EU budget covered by ROM in 2009 was EUR 93.3 million, of which EUR 53 million out of the Kosovo envelope.

Furthermore, the Commission decided to establish regular IPA Monitoring Meetings in Kosovo to monitor and review the ongoing financial assistance, fulfill its supervising obligations in the context of the regular management report and prepare the ground for the future setting-up of IPA Monitoring Committees. On 15-16 June 2009, the first such Joint Monitoring Committee (JMC) meeting was held in Kosovo. The main issues discussed were the implementation and programming of IPA assistance. The external JMC meeting which was held together with the Kosovo authorities on 16 June 2009 allowed for an exchange of views between the Commission and Kosovo authorities, namely the Agency for the Coordination of Development and European Integration and the line ministries, represented by the Senior Programming Officers (SPOs). Their role in the context of EU financial assistance was the focus of the meeting, notably as regarded the next round of programming the IPA 2010 funds. The Commission's main messages to the beneficiary was that Kosovo needs to be an active implementing partner who appreciates the ownership of assistance, and needs to step up its capacity and involvement in the processes. This increasing role of the Agency, with the coordinating function over the line ministries, is to be seen in the framework of early preparation of the eventual conferral of management.

## **6. MONTENEGRO**

### **6.1. The year in review**

Montenegro submitted its application for EU membership on 15 December 2008. On 23 April 2009 the Council decided to invite the Commission to prepare an Opinion on Montenegro's application. The Commission's Questionnaire was handed over to the Montenegrin government in July 2009 in Podgorica, and Montenegro's replies to the questionnaire were delivered on 9 December 2009 in Brussels. In addition, and in light of the country's progress in meeting the relevant benchmarks, visa liberalisation entered into force on 19 December 2009.

Montenegro is participating in the Stabilisation and Association Process (SAP) and implementation of the Interim Agreement (IA) continued during 2009. The EU is providing guidance to the Montenegrin authorities on reform priorities as part of the European Partnership<sup>67</sup>. Dialogue on European integration issues also continued in 2009 in the enhanced permanent dialogue and in the bodies provided for by the Interim Agreement.

In 2009 Montenegro made progress in aligning with European standards, specifically in areas such as the internal market, research, justice, freedom and security. The last Progress Report on Montenegro<sup>68</sup> took note of the progress made, but noted also that strengthening the administrative capacity and consolidating the rule of law remained major challenges. The capacity to implement EU *acquis* related legislation remained weak and needed to be enhanced. Despite some progress, greater political will was still needed in the fight against corruption and organised crime, which remained big challenges. As regards freedom of expression, disproportionate fines in defamation cases and some intimidations reported against investigative journalists continued to be a concern. Shortcomings in the rule of law as well as inadequate infrastructure persisted as key challenges for Montenegro's economic development.

For more details on developments in 2009 in Montenegro's preparation for EU membership, please refer to the Commission's *2009 Progress Report*, abovementioned.

### **6.2. IPA programming and implementation in 2009**

#### **6.2.1. MIPD 2009-2011**

From early 2007, the Montenegrin national authorities have shown interest in participating to the preparation of the Multi-Annual Indicative Planning Document (MIPD). They have, each year, circulated the draft document within the government and provided comments. In 2009, for the MIPD 2009-2011, as well as for its review, consultations in the country took place with on-going and potential beneficiaries, with the NGOs as well as with EU Member States and other donors. Due to frequent consultations and contacts with stakeholders, these documents did not raise many comments nor requested extensive changes.

IPA national programmes always focus on the objectives set out in the Multi-Annual Indicative Planning Document (MIPD) 2009-2011, which reflects the key priorities of the European Partnership and the next steps in the Stabilisation and Association Process. The 2009-2011 MIPD was prepared taking into account what was financed under CARDS and

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<sup>67</sup> Council Decision 2007/49/EC.

<sup>68</sup> Montenegro 2009 Progress Report, SEC(2009) 1336 of 14/10/2009, available at [http://ec.europa.eu/enlargement/pdf/key\\_documents/2009/mn\\_rapport\\_2009\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2009/mn_rapport_2009_en.pdf).

IPA, on-going and planned 2007 and 2008 projects, as well as future priorities coming up in the overall European integration process (including the “Enhanced Permanent Dialogue” and sub-Committees), in addition to the recommendations of the Montenegro Progress Report for 2008. It also considered the National Programme for Integration (NPI) 2008-2012.

The MIPD set clear indicators of results which are to be measured at a later stage, when projects are finalised. Growing importance was given to cross-cutting issues, namely: involvement of civil society; environmental considerations; equal opportunities and non-discrimination, which are considered as from the early stage of programming and throughout the process; human rights, with special attention to minorities, vulnerable groups and good governance. Attention was also given to the underdeveloped mountainous areas in the north of Montenegro.

For 2009 until 2011, the MIPD foresees that assistance under Component I should focus on the following strategic priorities:

- Consolidation of democratic institutions, reform of the judiciary, public administration reform, fight against corruption and organised crime, human rights and protection of minorities, anti-discrimination, as well as the media. Civil society development and promotion of dialogue are being given special attention. Small grants are foreseen to assist NGOs dealing with the environment, good governance, anti-discrimination, gender equality, social inclusion, health, and business advocacy and consumer protection<sup>69</sup> (‘political criteria’ axis).
- Pursuing economic reforms, strengthening competitiveness, developing an appropriate business environment and social dialogue; increasing research capacity and fostering human resources development, employment, education; culture; promoting social inclusion; promoting health and providing access to health care; improving infrastructure in areas such as transport, energy, and environment (‘economic criteria’ axis).
- Continuing the alignment with the *acquis* i.e. transposition and enforcement of legislation including internal market, rural development and food safety, environment, transport, energy, statistics, security (integrated border management, visa and migration policy); introducing a decentralised implementation system to manage EU funds, including for the future components III and IV (‘ability to assume the obligations of membership’ axis).
- Allowing Montenegro to participate in EU programmes and access the Project Preparation and Technical Assistance facility, as well as facilitating the financing of special measures needed in the course of the implementation of the programmes (support programmes).

Due to the early stage of IPA implementation on the ground, no evaluation took place yet. However, most of the lessons learned from the evaluation of CARDS projects were taken into account. They consisted in strategic and operational recommendations such as: the need to better target project objectives; improve the sequenced planning of operations; increase awareness on sustainability; conduct functional needs assessments; improve donor coordination; improve project design; involve civil society, not only for social matters; increase monitoring; ensure cross-cutting issues are a reality.

As regards IPA Component II, the MIPD 2009-2011 supports cross-border cooperation activities between Montenegro and EU Member States as well as with adjacent candidate countries and potential candidates, in complementarily with the above priority axes, along the

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<sup>69</sup> It will be complementary to the EIDHR programme dealing with democracy and human rights.

programmes already approved for 2007-2011. Montenegro benefits from (i) four Cross Border Cooperation (CBC) programmes within the Western Balkans (Albania-Montenegro; Bosnia and Herzegovina-Montenegro; Croatia-Montenegro, Serbia-Montenegro); (ii) an ERDF CBC (including "Mediterranean" and "South East Europe" transnational programmes), as well as (iii) participation in the Adriatic regional programme. The two latter are managed by DG REGIO.

**Table 1: MIFF<sup>70</sup> allocations per component, in million EUR**

Component	2009	2010	2011	2009-2011
I. Transition Assistance and Institution Building	28.63	29.24	29.84	87.71
II. Cross-Border Cooperation	4.67	4.76	4.86	14.29
<b>TOTAL</b>	<b>33.30</b>	<b>34.00</b>	<b>34.70</b>	<b>102.00</b>

### 6.2.2. Programming exercise

Assistance to EU accession should be seen and analysed in a long time frame, and not solely based on individual annual programme. Year after year, programmes reflect the needs towards accession and represent 'additional pieces of a large puzzle'. For example, IPA 2008 focused on local government, developing sustainable solutions for refugees and displaced persons and support to the media; improving the environment and enabling private sector development; rural development and food safety, animal disease control, financial market and customs, integrated border management and migration. Implementation of this programme will continue well into 2010/2011. Therefore, the IPA 2009 national programme represented the 'next phase' of the MIPD implementation. During 2009, the programme was finalised and adopted in August 2009, and the IPA 2010 national programme was prepared in the same spirit.

The programming exercise for IPA 2009 consisted of a series of missions from the Commission's headquarters to Montenegro, which started in 2008, to (i) agree on a first list of needs, selected with in mind the lessons learned from evaluations of past assistance, abovementioned; (ii) discuss in more detail the content of future projects, also through a series of individual meetings with potential final beneficiaries; (iii) consult donors, EU Member States and NGOs. In between these missions, beneficiaries prepared the project fiches with the assistance of training and workshops funded by IPA. Important progress was seen in the quality of the draft project fiches. An important step during the programming process was ensuring complementarity and collaboration with donors present in the country and discussing possible joint management, contribution agreements or direct grants. Conditionalities were also discussed, consisting mainly on co-financing to be secured, land ownership and acquisition for infrastructure projects.

Unlike usual development assistance, which is based on sector strategies, for potential candidates needs are identified throughout the year as an outcome of the political meetings and sub-committees of the Stabilisation and Association process. Beneficiaries, who participate actively in those meetings, are aware of their needs towards fulfilling the required Copenhagen criteria. Therefore projects are proposed and selected within a given accession framework, depending on line ministries. For example, Commission DGs advise line ministries on their duties to implement the *acquis*, on secondary legislation, on the timeframe to achieve precise needs. An example among many others is the need to eradicate rabies and swine fever throughout Europe, following which DG SANCO required vaccination campaigns

<sup>70</sup> Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2010-2012', COM(2008)705 of 5 November 2008.

which had to be in line with the rest of Europe. Referring to the consultation exercise, it is worth mentioning the example with civil society and NGOs: the EU Delegation organised a workshop with representatives of all civil society sectors to elaborate the logical framework of the project fiche, which was eventually prepared by participants. This fiche included the needs identified by the NGOs themselves, as reported in the questionnaire provided by the EU Delegation.

Globally, the main focus areas of the 2009 National Programme stem from the weaknesses identified in the 2008 progress report: *"Montenegro still needs to enhance its efforts to implement reforms. Particular efforts are needed to complete the judicial reform. Despite some progress, the fight against corruption and organised crime remains a major challenge. Political consensus remains strong on EU-related issues, but needs to be broadened on other areas of state-building. Administrative capacity needs to be enhanced."* Therefore, the main project areas selected for 2009 were support to the rule of law and administrative capacity. In addition, and due to the financial crisis, infrastructure projects were selected to support employment. Another urgent need for improvement was the environmental context for tourism development, the second source of income for the country.

Related to Component II programming, not much had to be done, as the multi-annual programme adopted in 2007 covered also 2009. Only limited revisions were needed in addition to earmarking the new financial allocation.

**Table 2: Indicative financial allocation for the year 2009 per component, in million EUR**

<b>MONTENEGRO</b>	<b>2009</b>
<b>I. Transition Assistance and Institution Building</b>	<b>28.63</b>
Of which:	
National Programme	27.23
Nuclear Safety Programme*	0.20
Tempus Programme*	1.20
<b>I. Part II (out of OBNOVA funds)</b>	<b>1.20</b>
<b>II. Cross-Border Cooperation</b>	<b>4.67</b>
Of which:	
CBC with Adriatic Programme	1.36
CBC with Albania	0.60
CBC with Croatia	0.50
CBC with Bosnia and Herzegovina	0.60
CBC with Serbia	0.60
Participation in ERDF transnational programmes (SEE and MED)	1.01
<b>TOTAL Part I</b>	<b>33.30</b>
<b>TOTAL Part I and Part II</b>	<b>34.50</b>

\* The Nuclear Safety Programme and Tempus Programme are coordinated and implemented under the relevant Multi-beneficiary IPA 2009 programmes.

As mentioned above, the programming exercise for IPA 2010 started in 2009. It is worth noting that the Ministry of European Affairs integrated the process and was proactively organising this exercise. While in the first years of IPA the focus was on the political criteria, also due to the financial crisis it is progressively shifting, in terms of financial allocation, towards the economic criteria. As the country approaches accession, in the coming years the focus of IPA assistance will continue to evolve towards adoption and enforcement of the *acquis*. The next sub-chapter describes the IPA 2009 National Programme in more details.

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

The objectives of IPA, as stated in its Regulation, are continuously and progressively been achieved, year after year. Indeed, a careful assessment is carried out annually during the programming phase, in order to (i) ensure continuity between projects in the same areas; (ii) ensure complementarity between donors; (iii) avoid duplication of projects for the same beneficiary; (iv) ensure consistency with the National Plan for Integration 2007-2011, the European Partnership and the SAA, as well as with the MIPD; (v) identify "new" areas for support stemming from the political dialogue.

In 2009, the size of projects in Montenegro was given special attention. The administration is proportional to the size of the country and its absorption capacity is limited. Therefore projects should be adjusted to the size of the administration, i.e. small institution building (IB) projects, not highly demanding in human resources. Large infrastructure projects allow for easier and faster absorption of funds, as they require less human resources. However they cannot replace institution-building projects which are highly needed for the implementation of the *acquis*.

Under the political criteria (axis 1), especially in the rule of law area, three projects were approved as a follow-up of twinning projects funded under the IPA 2007 National Programme: (i) support to the implementation of the new criminal procedural code (CPC); (ii) strengthening the capacity of the police administration; (iii) implementation of a data protection strategy. In addition, a large project was earmarked for civil society.

Under the economic criteria (axis 2), in addition to some assistance to prepare for the National Development Plan and Strategy of Montenegro (2010-2015), two highly needed infrastructure projects were approved: (i) a major rehabilitation of the main rail line Bar-Vrbnica (at the border with Serbia) and (ii) for environmental alignment and solid waste management.

In order to assist the country in developing its ability to assume membership obligations (axis 3), the programme included several projects aimed at strengthening management and control systems for EU financial assistance; the state audit institution; labour inspection and safety at work; marine fisheries; digitalisation of the public broadcasting; access to the internal market.

Under the last priority axis, the programme foresaw projects aimed at supporting Montenegro's participation in EU programmes, inter alia Culture, Entrepreneurship and Innovation (CIP), the 7<sup>th</sup> Framework Programme for Research as well as support measures for project preparation, technical assistance, and other support activities.

After approval of Component I of the 2009 National Programme, an additional Financing Decision was adopted on 24 November 2009 for an equivalent amount of the OBNOVA funds remaining from CARDS, i.e. EUR 1.2 million, which were earmarked for a rural roads maintenance project. The types of assistance selected (e.g. procurement contracts, grants, etc.), among those foreseen by the IPA Implementing Regulation, are adapted to each type of activity and carefully selected together with the beneficiaries in order to match needs.

The following table summarises the projects that make up the IPA 2009 National Programme:

**Table 3: Indicative financial allocations for the year 2009 under the National Programme, per priority axis and per project, in million EUR**

Priority axis	Projects	Budget
<b>Political Criteria</b>		<b>6.35</b>
	Support to Implementation of the new Criminal Procedure Code (CPC)	1.00
	Strengthening the capacities of police administration	2.00
	Support to the Reception Centre for Asylum Seekers	0.45
	Implementation of Personal Data Protection strategy	0.70
	Civil society development	2.20
<b>Economic Criteria</b>		<b>10.80</b>
	Development Strategy of Montenegro (2010-2015) and National Development Plan	1.00
	Major rehabilitation of the main rail line Bar-Vrbnica (border with Serbia)	5.00
	Environmental Alignment and Solid Waste Management	4.80
<b>Ability to assume the obligations of membership</b>		<b>7.78</b>
	Strengthening the management and control systems for EU financial assistance in Montenegro	2.00
	Strengthening the State Audit Institution	0.80
	Harmonization and implementation of the regulations on Labour Inspection and Safety at work	1.18
	Sustainable Management of Marine Fisheries	1.00
	Support to the Digitalisation of the Montenegrin Public Broadcasting	1.60
	Accession to Internal Market	1.20
<b>EU Programmes and support activities</b>		<b>2.30</b>
	Support for participation in EU programmes	0.15
	Technical Assistance and Project Preparation Facility (TA&PPF)	1.53
	Support Measures Facility (SMF)	0.62
<b>TOTAL</b>		<b>27.23</b>
<b>Economic Criteria (Part II)</b>	Rural Roads projects	1.20
<b>TOTAL (I + II)</b>		<b>28.43</b>

In terms of distribution by priority axis, the economic criteria was allocated the highest share (39.7%) of assistance under the 2009 National Programme (Part I), followed by the ability to assume membership obligations (28.6%) and the political criteria (23.3%). Support activities and EU Programmes were allocated, respectively, 7.9% and 0.5%. The additional assistance under Part II of the programme was 100% allocated to the economic criterion.

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

CBC programmes make a valuable contribution to reconciliation and good neighbourly relations and beneficiaries have shown great expectations with regards to the results of the programmes of this component, also in light of the fact that CBCs 'learning-by-doing' approach will significantly contribute to local capacity-building. These great expectations were reflected in the large number of applications submitted to the calls for proposals, despite the low amount of available funds.

The expected results of the CBC programmes between Western Balkans countries are to foster: (1) tourism, agriculture, SMEs, networks in business, research and education; (2) natural resources; awareness raising campaigns in environment; (3) networks between people in education, health care, culture and sports.

The IPA Adriatic cross border cooperation focuses on: (1) networks between entrepreneurial, academic, training and research sectors; competitiveness and innovative capacity; (2) natural and cultural resources, risk prevention of the sea and coastal environment ; renewable energy; quality of tourism; (3) accessibility and networks: port and airport; transport services; communication and information.

Cooperation within the ERDF "South East Europe" and "Mediterranean" programmes is concentrating on (1) innovation: scientific and technological networks; (2) environment: water management, energy efficiency, risk prevention for fire, droughts and floods; maritime security; natural heritage protection; (3) accessibility: transport and telecommunication services; investments in trans-European networks; interoperability; (4) urban development: networks and urban-rural links; cultural heritage; integration of development zones on a transnational basis.

### **6.2.3. Implementation Modalities and Structures**

2009, IPA assistance to Montenegro (Components I and II) was managed by the EU Delegation on behalf of the Montenegrin authorities (centralised management).

During the reporting period, progress towards decentralised management of IPA assistance was under way for Components I and II, with the ‘gap assessment’ mission being conducted at the end of 2009. On the other hand, the process was at the initial stage for Components III, IV and V. The main implementing bodies for these components were identified by the end of the reporting period (including those that will be responsible for strategic coordinator for Components III and IV), but other key challenges were still not met, namely the definition of roadmaps for each component, strong coordination at government level, regular reporting to the Commission and donors coordination.

One remaining question is whether the Montenegrin government will be able to achieve sufficient and necessary progress to be able to benefit from IPA Components III, IV and V under the current EU financial perspective 2007-2013. However, regular reporting from the Montenegrin authorities as of 2010 will allow the European Commission to provide the necessary responses and adjustments.

Overall, at the end of 2009 the administrative capacity of the Montenegrin authorities remained weak (both in terms of number and skills of available staff), representing a major constraint not only for conferral of management, but also for the daily implementation of IPA programmes under centralised management (low absorption capacity). Quarterly reports from the EU Delegation on programme and projects implementation highlight the shortcomings and addressing them is part of the very programme itself. However, low wages of public staff, impacting on ‘brain-drain’, can not be addressed under IPA projects. The monitoring capacity shown by Montenegro is also insufficient to guarantee an effective delivery of aid.

With regard to Component II, for cross-border-cooperation programmes within the Western Balkans it took about one year from the signature of the first financing agreements (March/April 2008) for national authorities to set up the programme management structures and prepare the first calls for proposals. This timing is comparable to that of EU Member States for CBC at intra-EU borders.

## 6.2.4. Overview of IPA projects/contracts implemented in 2009

Most of IPA 2007 Component I projects were contracted by the end of 2009. The same applied to almost half of IPA 2008 Component I funds, while tenders were under way for the remaining part.

In 2009, 60 tender evaluations were carried out. 47 contracts were concluded under IPA 2007 and 2008 national programmes and CBCs. Works represented the highest share in value (38.7%) and services the second highest (31.7%).

### 6.2.4.1 Component I: Transition Assistance and Institution Building

**Tables 4: Status of implementation of IPA financial assistance (Component I) as at 31st December 2009 (in million EUR) per annual programme and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Contracted	RAC <sup>71</sup>	%Contracted	Paid	RAL <sup>72</sup>	%Paid
<b>IPA 2007</b>	23.87	19.82	4.05	<b>83.03%</b>	5.81	18.06	<b>24.34%</b>
<b>IPA 2008</b>	26.80	12.92	13.88	<b>48.21%</b>	2.93	23.87	<b>10.93%</b>
<b>IPA 2009*</b>	28.43	0.00	28.43	<b>0.00%</b>	0.00	28.43	<b>0.00%</b>
<b>TOTAL</b>	<b>79.10</b>	<b>32.74</b>	<b>46.36</b>	<b>41.39%</b>	<b>8.74</b>	<b>70.36</b>	<b>11.05%</b>

\* Including Part II

Priority Axes	% of 2007-2009 allocations
Political criteria	24.53%
<i>(of which civil society)</i>	<i>(4.05%)</i>
Economic criteria	36.28%
Ability to assume membership obligations	32.72%
Support programmes	6.48%
<b>TOTAL</b>	<b>100.00%</b>

The IPA 2007 projects still ongoing in 2009 that were most significant in value terms and with regard to the political criteria were the following:

- "Fighting against organised crime and corruption", with a total budget of EUR 3.0 million and implemented through a twinning contract with the UK police administration, a supply and works contract. The project includes training, elaboration of procedures, definition of a strategy for anti-corruption and money laundering, construction of the police academy and supply of specialised equipment for police investigations.

The following results were notably achieved by the twinning project: i) improved inter-agency cooperation against organised crime, corruption and money laundering; ii) surveillance system established and surveillance operations being implemented to obtain evidence against organised crime organisations; iii) intelligence-led policing model developed and under implementation to enhance policing efficiency and effectiveness in the investigation of crimes; development of an anti-corruption campaign in close cooperation with Universities.

- "Justice reform", with a budget of EUR 2.0 million. Through a twinning with the Austrian Federal Ministry of Justice and the Austrian Centre of Legal Competence, the project provides know how and facilitates reforms along the path towards a more independent judiciary. Introduction of a juvenile justice code is also supported through a direct grant

<sup>71</sup> Remains to be contracted (*Reste à Contracter*).

<sup>72</sup> Remains to be paid (*Reste à Liquider*).

agreement with UNICEF. The following results were achieved by the twinning project: i) enhanced independence of the judiciary; ii) enhanced efficiency of the judiciary; iii) strengthened international judicial cooperation.

- The action grant 'Juvenile Justice System Reform', with a budget of EUR 0.5 million implemented by UNICEF. The main results achieved are the following: i) juvenile justice law in line with EU and international standards prepared and under implementation and juvenile justice database improved; ii) baseline assessment report of the juvenile justice system prepared; iii) administrative capacity of social workers and psychologists to work with families and children at risk enhanced; iv) increased awareness of the rights of children in conflict with the law; v) awareness-raising play on domestic violence and youth delinquency matters prepared by children placed at the Centre for Children and Youth "Ljubovic".

- "National Qualification Framework and Quality Assurance in Education", with a budget of EUR 1.5 million, introduces policy and institutional reforms in education and training as part of Montenegro's efforts to engage with the wider education developments in the EU.

- "Development of the transport sector", with a total budget of EUR 6.2 million, includes the construction of the Podgorica mini by-pass, preparation of a detail design for railway infrastructure investments as well as technical assistance for the transport sector. The aim of the technical assistance is legal harmonisation of relevant transport legislation with the *acquis* and to improve the capacity of the beneficiary country's administrations to implement legislative, institutional and budgetary reforms that will improve standards in the field of rail and civil aviation. The relevant laws and bylaws which will be approximated during project implementation shall be defined in accordance with the work plan of the government for 2010 and 2011.

Other important actions that started during the reporting period, also funded by IPA 2007, included: the harmonisation of the public procurement system (EUR 1.25 million); a twinning with the Slovenian Government Office of European Affairs (GOEA) for supporting the Montenegrin efforts in legal harmonisation (EUR 1.1 million); an animal identification and registration project (EUR 1.4 million); continuing the approximation of the statistical system (EUR 0.8 million); strengthening of the tax administration (EUR 0.9 million).

Within the framework of the IPA 2007 Civil Society Programme (with financial resources of more than EUR 1 million) the EU Delegation published a call for proposals in early March 2009. The 8 projects selected under the programme deal with Roma issues, social care for elderly people and social policy at national and local levels, tourism development and traditional architecture. These projects were implemented according to schedule and by the end of the reporting period most of them were promising in terms of achievements.

During 2009, implementation started also for important projects under IPA 2008 component I. The following are worth mentioning:

- "Durable solutions for refugees and displaced persons in Montenegro", a EUR 1.5 million grant to the German NGO 'HELP' (HILFE ZUR SELBSTHILFE EV) for supporting refugees and internally displaced persons with housing, self-employment measures and return when possible.

- "Support to the transformation of radio television of Montenegro into a public service broadcaster", with a budget of EUR 1.25 million. The project aims at improving the

production of the national TV 'RTCG' and supplying quality news and other programs to better serve public interest by providing a modern computerised newsroom and enhancing the knowledge and skills of RTCG staff to effectively use the new digital workflow technology in television programmes production.

In addition, EUR 146.500 were allocated in 2009 to support Montenegro's participation to EU Programmes by means of reimbursing parts of the annual contribution to be paid by the country as entry ticket in the following programmes: i) the 7th Framework Programme for Research; ii) the Entrepreneurship and Innovation specific Programme (EIP) of the Competitiveness and Innovation Framework Programme (2007 to 2013); iii) the Culture programme (2007 to 2013). Commission services in charge of the above mentioned programmes are closely following Montenegro's implementation of these programmes.

Finally, in 2009 Montenegro benefited from several IPA Multi-beneficiary programmes including TAIEX, with 144 events organised in 2009 and 60 NGOs participating to 15 seminars, most of them in Brussels.

SIGMA activities in 2009 revolved around the following topics: public service and administrative framework, with focus on the law on administrative procedures and civil service reform, public expenditure management and anti-corruption.

As for Twinning, altogether five such contracts were under implementation during 2009, as follows:

- *Justice Reform (CLC)* - Specific objectives: (1) support the development and implementation of the judiciary reform strategy/action plan, including the drafting of legislation and Code of Ethics for magistrates; (2) strengthen the independence of the judiciary by revising the laws and regulations for the appointment and career development of judges and prosecutors, length of their mandate; (3) strengthen the courts budgeting process, thus enhancing efficiency. The Judiciary in the beneficiary.
- *Fight against organised crime and corruption (NICO)* (see above, paragraph on Justice reform) - Specific objectives: (1) strengthen the intelligence and investigation service of the Criminal Police Directorate and enhance undercover investigation; (2) improve the operational capacity of the Administration for the prevention of money laundering; (3) strengthen the operational capacity of the Directorate for Anticorruption Initiative. The beneficiaries are the Police Directorate, the Police Academy, the Ministry of Interior, the Administration for the prevention of Money Laundering and the Directorate for the Anticorruption Initiative.
- *Legal harmonisation (Republika Slovenia)* - The general objective of the Twinning Project is to assist Montenegro in strengthening the institutional capacity for approximating and harmonizing with the *acquis* and in particular to strengthen the efficiency of the legal approximation process as well as the capacity of the administration and Parliament to operate more closely to the EU standards, thus allowing smoother implementation, increased democratic control, citizens' confidence in the overall system as well as improved cooperation with EU.
- *Strengthening the regulatory and supervisory capacity of financial regulators (Bulgaria National Bank)* – The overall objective of this twinning project is to create conditions for long term economic stability and growth by strengthening the regulatory and supervisory framework of the capital and financial markets. The project purpose is to improve

institutional and regulatory capacity of the financial sector regulators to supervise financial markets and institutions in line with the EU *acquis*.

□ *Labour Market Reform and Workforce Development (EURO-MEDITERRANEAN NETWORKS SPRL)* - The overall objective relates to Montenegro's policy and institutional readiness to meet EU employment and life-long learning policies as part of its wider preparations for EU accession. The specific objective relates to supporting institution and capacity building of the labour and education administration (the MLSW and EAM) for developing active labour market measures (especially community based partnerships) and a framework for life-long career guidance and counselling services in Montenegro.

#### 6.2.4.2 Component II: Cross-border Cooperation

**Tables 5: Status of implementation of IPA financial assistance (Component II) as at 31st December 2009 (in million EUR) per annual programme and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Contracted	RAC	%Contracted	Paid	RAL	%Paid
<b>IPA 2007</b>	3.91	0.58	3.33	<b>14.83%</b>	0.25	3.66	<b>6.39%</b>
<b>IPA 2008</b>	4.49	0,00	4.49	<b>0.00%</b>	0,00	4.49	<b>0.00%</b>
<b>IPA 2009</b>	4.67	0,00	4.67	<b>0.00%</b>	0.00	4.67	<b>0.00%</b>
<b>TOTAL</b>	<b>13.07</b>	<b>0.58</b>	<b>12.49</b>	<b>4.44%</b>	<b>0.25</b>	<b>12.82</b>	<b>1.91%</b>

Priority Axes	% of 2007-2009 allocations
CBC with Member States	25.42%
CBC within Western Balkans	52.81%
Participation to ERDF Transnational Programmes	21.76%
<b>TOTAL</b>	<b>100.00%</b>

For programmes at borders with candidate countries and potential candidates, for which Financing Agreements were signed in March 2008, during the reporting period the Montenegrin Operating Structures focused on setting up the programme management structures and discussed the application packages for the first four calls for proposals (Albania-Montenegro, Bosnia and Herzegovina-Montenegro, Croatia-Montenegro and Serbia-Montenegro). These calls were finally published between June and August 2009. With the exception of the programme with Albania, which encompassed 2007 funds only, the other three calls were launched including 2007 and 2008 allocations. The calls were closed between September and November 2009. The evaluation and the resulting contract signature were expected to be concluded after the reporting period. It is worth mentioning that, out of the first call, a remarkable number of high quality applications will not be funded due to the shortage of funds allocated to these programmes.

In terms of objectives, the above CBC programmes seek to achieve the following:

- Albania – Montenegro: the programme seeks to promote cooperation between people, communities and institutions on the bordering areas, aiming at sustainable development, stability and prosperity in the mutual interest of the citizens of the two countries. It targets specifically the promotion of economic development through the improvement of tourism and cultural potentials; advancement in the protection, promotion and management of sensitive ecosystems and sustainable environmental development; furthering of citizens' cooperation and partnership building across the border.
- Bosnia & Herzegovina – Montenegro: the main priority of this programme consists of fostering the sustainable development of the cross-border area as well as its economic,

cultural, natural and human resources potentials by strengthening the local capacities and create common institutional networks among local communities and other relevant actors.

- Croatia – Montenegro: The overall objective of this programme is to improve the quality of life in the cross-border area by (a) establishing cooperation between institutions in charge of environment and cultural heritage protection; (b) creating recognizable tourist products based on the natural and cultural assets of the programme area and re-establishing social and cultural connections; (c) enhancing cooperation between institutions, citizens and civic organizations in order to boost community development and improve neighbourhood relations.
- Serbia – Montenegro: This programme revolves around five main priorities, namely: (a) strengthening the incentives for SME development in the border areas; (b) developing tourism as a key sector of the border economy; (c) promoting cross-border business cooperation and accessibility to markets; (d) preserving the high quality of the border area environment as an economic resource; (e) strengthening cross-border ‘people-to-people’ interaction to reinforce ethnic, educational, cultural and sporting links.
- IPA Adriatic Cross-border programme: This programme includes maritime areas in three EU Member States (Spain, Italy and Slovenia) and several IPA countries (Croatia, Bosnia and Herzegovina, Montenegro and Albania) and seeks to strengthen the sustainable development capabilities of the Adriatic region through a concerted strategy of action between the partners of the eligible territories emphasising research and innovation, promotion and protection of natural and cultural resources, and the integration and extension of the existing infrastructure networks.
- ERDFS “South East Europe” and “Mediterranean”: these two transnational programmes enable the participation of Montenegrin partners with partners from many EU Member States in joint transnational cooperation activities. The main areas of cooperation are innovation, environment, accessibility and sustainable urban/rural development.

### **6.3. Coherence, compatibility and coordination of aid**

Overall donor coordination meetings are led by the Prime Minister and the first and only such meeting was held in December 2008. A second meeting was expected to be arranged after the reporting period. In the last quarter of 2009 responsibility for donor coordination was assigned to the Deputy-Prime Minister in charge of international and economic cooperation and Minister of Finance. From the beginning of 2009 sectoral coordination meetings with the relevant sector Ministries, donors, IFI's and agencies were organized by the EU Delegation on a quarterly basis. Coordination was working well in areas such as the environment, justice, anti-corruption, education and police. Overall coordination was also gradually improving, due to the size of the country which facilitated donors' contacts and information sharing and allowed for efficient coordination meetings. Nevertheless, by the end of the reporting period donor coordination in the country was still in need of strong support from senior level officials, as well as leadership and ownership of coordination activities by the government.

Coordination efforts in 2009 have led donors to exchange information on respective projects and understand respective leadership in given fields (e.g. KfW with energy). However, there was still room for improvement, to avoid situations where large seminars may be organized by a donor without informing or inviting the EU in spite of it having projects closely linked or very similar to the subject of the event. Ideally, donor coordination should lead to a donor

stepping out of a planned project if another donor has developed a more advanced project in the same field.

By adopting a sector approach in planning and programming of future IPA assistance, coordination efforts should be more easily facilitated. This is crucial for the development of best proposals, the adoption of suitable aid-delivery methods and to help avoid duplicating efforts in key sectors.

#### **6.4. Monitoring**

Monitoring of IPA funded projects in Montenegro started in 2009. Monitoring conducted by the EU Delegation as the Contracting Authority included on-the-spot checks, site visits, steering committee meetings and ad hoc meetings with beneficiaries and contractors.

14 national projects (9 IPA and 5 CARDS) were subject to external Result Oriented Monitoring (ROM) during the last part of 2009. The overall performance score (2.99) was above the minimum target of 2.50 and above the average performance in the Western Balkans and Turkey (2.85). The average project size was smaller than in the Western Balkans and Turkey (EUR 1.2 million versus EUR 1.6 million). 86% of the projects were assessed as performing well, while problems were identified in 2 projects (14%).

A success story worth mentioning is the IPA 2007 "National Qualification Framework and Quality Assurance in Education in Montenegro", monitored at the end of its inception phase. This project showed an appropriate design, high level of stakeholders' involvement, well calibrated inputs and time span for implementation, timely provision of inputs, recognised quality of first outputs and excellent communication among all stakeholders.

## **7. SERBIA**

### **7.1. The year in review**

Serbia made progress in meeting the political criteria and addressing key European Partnership priorities. The government demonstrated its commitment to bringing the country closer to the EU by undertaking a number of initiatives including the unilateral implementation of the provisions of the Interim Agreement in February 2009 and the EU membership application on December 22, 2009. By the end of 2009 Serbia achieved visa free travel for its citizens and unblocking of the Interim Agreement by the European Union. Cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) improved further and in his report to the UNSC in December 2009 Chief Prosecutor Brammertz assessed Serbia's cooperation as "satisfactory". However, ICTY indictees Mladić and Hadžić still remained at large.

For more details on developments in 2009 in Serbia's preparation for EU membership, please refer to the Commission's *2009 Progress Report on Serbia*<sup>73</sup>.

### **7.2. IPA programming and implementation in 2009**

#### **7.2.1. MIPD 2009-2011**

From early 2007, the Serbian national authorities have been actively participating in the preparation of the Multi-Annual Indicative Planning Document (MIPD). They have, each year, circulated the draft document within the government and provided comments. In 2009, for the 2009-2011 MIPD, as well as for its review, consultations in the country took place with on-going and potential beneficiaries, with the NGOs as well as with Member States and other donors. Due to frequent consultations and contacts with stakeholders, these documents did not raise many comments nor required extensive changes.

The Multi-Annual Indicative Planning Document (MIPD) 2009-2011 reflected the key priorities of the European Partnership and the next steps in the Stabilisation and Association Process. It was prepared taking into account previous and ongoing pre-accession assistance as well as future priorities coming up in the overall European integration process (including the "Enhanced Permanent Dialogue" and sub-committees), in addition to the recommendations of the Serbia Progress Report for 2008. It also considered the Serbian National Programme for Integration (NPI).

The MIPD set clear indicators of results which are to be measured at a later stage, when projects are finalised. As it was the case also for other IPA beneficiaries, growing importance was given to cross-cutting issues, namely: involvement of civil society; environmental considerations; equal opportunities and non-discrimination, to be considered as from the early stages of programming and throughout the process; human rights, with special attention to minorities, vulnerable groups; good governance, as a way to contribute to the fight against corruption and to enhance civic responsibility.

Also in Serbia's case, no evaluation of IPA projects took place in 2009 due to the early stage of IPA implementation on the ground. However, also in this case the 2009-2011 MIPD took into account the lessons learned from the evaluation of previous pre-accession assistance

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<sup>73</sup> Serbia 2009 Progress Report, SEC(2009) 1339 of 14 October 2009, available at [http://ec.europa.eu/enlargement/pdf/key\\_documents/2009/sr\\_rapport\\_2009\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2009/sr_rapport_2009_en.pdf).

(CARDS) in the fields of institutional strengthening of local/ municipal government, economic development and justice and home affairs. As already mentioned in other sections of this background document, strategic and operational recommendations resulting from such evaluations included the need to better target project objectives; improve the sequenced planning of operations; increase the awareness on sustainability; conduct functional needs assessments; improve donor coordination; improve project design; involve civil society, not only for social matters; increase the monitoring; ensure that cross-cutting are a reality.

**Table 1: MIFF<sup>74</sup> allocations per component, in million EUR**

<b>Component</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2009-2011</b>
I - Transition Assistance and Institution Building	182.55	186.21	189.96	558.72
II - Cross-border Co-operation	12.25	12.49	12.74	37.48
<b>TOTAL</b>	<b>194.80</b>	<b>198.70</b>	<b>202.70</b>	<b>596.20</b>

### 7.2.2. Programming exercise

The IPA 2009 National Programme for Serbia focused on the objectives set out in the Multi-Annual Indicative Planning Document (MIPD) 2009-2011. In the first half of 2009 the EU Delegation held a series of bilateral meetings with the Serbian authorities, in particular with the National IPA Coordinator's (NIPAC) Technical Secretariat and the line ministries, while EU Member States and other donors, including IFIs, as well as civil society were consulted in May. During these consultations, which were organized either through meetings or by written procedure, all actors involved provided constructive comments which were taken into consideration while revising the programming documents. In July 2009 the draft Project Fiches, prepared by the Commission in close coordination with the Serbian beneficiaries and in consultation with civil society, were discussed within the Commission (inter-service consultation). The completed IPA 2009 package was presented to EU Member States in the IPA Management Committee in September 2009 and the 2009 annual programme for Serbia was adopted by the Commission on 12 November 2009.

The programming process was carried out with close involvement of the beneficiary institutions, especially the Sector for Programming and Management of EU funds and Development Assistance (DACU), the line ministries and in particular the Ministry of Finance. DACU has been a reliable partner throughout the process, with high commitment to the production of good quality programming documents.

Similarly to the strategic planning of IPA 2009-2011 assistance, also programming of IPA 2009 funds took into account relevant lessons learned from previous CARDS and PHARE assistance, as well as from the IPA 2007 and 2008 programming exercises. Those lessons included the need for the following:

- increased ownership of national bodies responsible for the EU programming process. In this respect, the NIPAC and its technical secretariat DACU demonstrated high commitment;
- increased coordination between central and local government bodies and stronger absorption capacity on their side. This was addressed particularly in the projects related to regional development the development of the municipal infrastructure;

<sup>74</sup> Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2010-2012', COM(2008)705 of 5 November 2008.

- projects readiness and maturity as relevant criteria for their selection. As a result, projects were assessed by both national authorities and Commission services in order to avoid implementation delays due to issues such as lack of feasibility or prefeasibility studies, untimely establishment of beneficiary institutions or complicated implementation arrangements;
- select projects also in light of the beneficiary organisation's absorption capacity and record of past achievements. In this respect, previous performance and workload of on-going CARDS and IPA projects of beneficiary institutions was assessed in order to avoid having low or late absorption of future assistance.

Concerning IPA Component II, the first multiannual Cross Border Cooperation (CBC) programmes covering 2007-2009 were adopted in 2007. These multiannual CBC programmes were revised in the second half 2009 in order to cover the years 2010 and 2011. The revision entailed only an update of the financial tables while the priorities of the programmes remained the same. A possible adjustment of priorities and measures will be considered in the framework of the last revision of the CBC programmes covering 2012-2013, based on the experience and lessons learned in implementation during the previous years.

During the programming exercise an effort was made to ensure complementarity and avoid overlaps between the on going projects under the two components.

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

<b>SERBIA</b>	<b>2009</b>
<b>I. Transition Assistance and Institution Building</b>	<b>182.55</b>
Of which:	
National Programme	70.55
Budget support	100.00
Nuclear Safety Programme*	5.00
Tempus Programme*	7.00
<b>II. Cross-Border Cooperation</b>	<b>12.25</b>
Of which:	
CBC Serbia and Bulgaria	2.36
CBC Serbia and Romania	2.94
CBC Serbia and Hungary	2.49
CBC Adriatic Programme	0.60
CBC Serbia and Croatia	1.00
CBC Serbia and Bosnia and Herzegovina	1.10
CBC Serbia and Montenegro	0.50
CBC Participation in ERDF South East Europe Programme	1.26
<b>TOTAL</b>	<b>194.80</b>

\* The Nuclear Safety Programme and Tempus Programme are coordinated and implemented under the relevant Multi-beneficiary IPA 2009 programmes.

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

Component I of the IPA 2009 National Programme was split in two parts in order to take into account the ongoing economic and financial crisis. The first part included a general budget support programme with an amount of EUR 100 million, in order to avoid that during the crisis relevant structural reforms would be postponed to a later date. According to the Financing Agreement, disbursement of budget support funds was conditional on satisfactory

progress towards achieving the intended objectives in terms of impact and results. More concretely, this implied the following: i) a sustainable macroeconomic and fiscal framework supported by the IFIs, notably through a disbursing IMF programme (general condition); ii) administrative and financial circuits establishing a sound fiduciary environment (general condition); iii) elaboration of disbursement conditions in the areas of public finance management and on enlargement reform priorities (specific conditions).

Other conditions for disbursement included sound public financial management and strengthening of the administrative capacity, i.e. a commitment to maintain and develop the administrative capacity of relevant institutions and bodies and to exclude personnel working with priority areas for EU integration from the recruitment restrictions introduced in March 2009, in accordance with the human resources plan of the Government of Serbia for 2009.

Up to the end of the reporting period, when the first tranche was disbursed, the following results were achieved: i) submission of the new budget system Law to Parliament; ii) adoption by the Government of the public internal financial control strategy paper.

Apart from the EUR 100 million allocated as budget support, the National Programme provided EUR 70.55 million for specific projects for Transition Assistance and Institutional Building.

Under the political criteria priority axis, more than EUR 17 million were allocated to address political aspects of Serbia's European integration by i) providing assistance to civil society, mainly NGOs, encouraging active intercultural dialogue and exchange of ideas between NGOs in Serbia and the EU and helping to build greater tolerance and cultural diversity across Serbia; ii) by supporting the access of refugees and internally displaced persons to rights, employment and livelihood enhancement; iii) by supporting capacity building of the Directorate for confiscated property and improving the system of criminal assets confiscation, a very important issue to address reforms in the justice sector.

To support the socio-economic criteria priority axis, more than EUR 40 million were allocated to i) co-finance the rebuilding of the Žeželj bridge, a project of major importance for the city of Novi Sad, but also for the whole of Serbia, given its importance for the future economic development of the country and for connections with other European countries, as part of corridor X; ii) implement the national screening programme for colorectal, cervical and breast cancer (by implementing this project, Serbia's health care system will develop an organised system for early detection of cancer, accessible to all citizens, thereby reducing inequalities in this field); iii) improve preschool education conditions, especially for vulnerable groups, through improvements in the quality of preschool programmes and expansion of the capacities of preschool institutions. Among other things, this will contribute to fulfilling the national Millennium Development Goals adopted by the Government of the Republic of Serbia in 2006.

Concerning the ability to assume EU membership obligations, over EUR 11 million were allocated for supporting reforms aimed at approximating the Serbian legal system and standards with those of the EU, for example in the areas of consumer protection (strengthening of their rights), hazardous waste management (providing technical assistance for the analysis, planning and preparation for the construction of a national hazardous waste management facility in Serbia) and animal health (control and eradication of rabies and swine fever).

Part II of the 2009 IPA Programme, which consists of 24 tenders (7 for services, 5 for supplies and 2 for works), 3 calls of proposals and 1 contribution agreement, is less complex than previous years IPA programmes due to its limited budget.

Finally, Serbia's participation to EU funded programmes, in particular the 7th Framework programme for Research and the Culture programme, was supported in 2009 by allocations under IPA 2007 (EUR 2 million) and IPA 2008 (EUR 5 million) national programmes.

**Table 3: Indicative financial allocations for the year 2009 under the National Programme, per priority axis and per project, in million EUR**

Priority Axis	Projects	Budget
<b>Political criteria</b>		<b>17.15</b>
	1- Capacity building of the Directorate for confiscated property and improving the system of criminal asset confiscation	2.50
	2 - Supporting access to rights, employment and livelihood enhancement of refugees and IDPs	12.65
	3 - Support to civil society	2.00
<b>Economic criteria</b>		<b>40.35</b>
	4 - Žeželj bridge – Rebuilding Serbian infrastructure	30.00
	5 - Implementation of the National screening programme for colorectal, cervical and breast cancer	6.60
	6 - Improvement of the preschool education in Serbia (IMPRES project)	3.75
<b>European standards</b>		<b>11.50</b>
	7 - Support for the control/eradication of classical swine fever and rabies in Serbia	6.00
	8 - Technical assistance to hazardous waste treatment facility	3.00
	9 - Strengthening consumer protection in Serbia	2.50
<b>Support measures</b>		<b>1.55</b>
	10 - Project preparation facility	1.55
<b>TOTAL</b>		<b>70.55</b>

#### 7.2.2.2 Component II: Cross-border Cooperation

Serbia benefits from 3 Cross Border Cooperation (CBC) programmes with Member States (Bulgaria, Hungary and Romania) as well as 3 CBCs at "internal borders" within Western Balkans (Croatia, Bosnia and Herzegovina, Montenegro).

Under this component, the priorities remain: cross-border infrastructure, flood prevention, economic co-operation, environmental problems, administrative cooperation, cultural exchanges and people-to-people actions, activities in education, research, job creation, security and crime prevention, among others. Implementation is done mainly through activities involving local communities.

Although not being territorially eligible for the Programme (lack of coastal area), but taking into account its previous eligibility in the 2004–2006 Italy–Adriatic Programme, Serbia has been granted a *phasing-out* participation in the IPA Adriatic Cross-Border Cooperation Programme until 2012 included. This transitional and specific support allows the participation of Serbian partners in institutional co-operation activities between universities, cultural institutions and research institutes.

Component II is also financing the participation of Serbia in the ERDF territorial co-operation transnational programme "South–East Europe".

Both, the Adriatic Programme and the ERDF-SEE Programme are managed by DG REGIO.

The first multiannual CBC programmes covering 2007-2009 were adopted in 2007. They were revised in the second half 2009 in order to cover the years 2010 and 2011. The revision entailed only an update of the financial tables while the priorities of the programmes remained the same. A possible adjustment of priorities and measures will be considered in the framework of the last revision of the CBC programmes covering 2012-2013, based on the experience and lessons learned in implementation during the previous years.

### **7.2.3. Implementation modalities and structures**

The Serbian authorities adopted a roadmap for a Decentralised Implementation System (DIS) in January 2008, last up-dated in March 2009, while a strategy for the preparation of DIS accreditation was submitted to the Commission in April of that same year. All key DIS stakeholders on the side of the Serbian administration were appointed by the end of the reporting period. Those were the Competent Authorizing Officer (CAO), the National Authorizing Officer (NAO), the Programme Authorizing Officer (PAO), the head of the National Fund and the Senior Programme Officers (SPO) in the line Ministries. However, despite the commitment of the Serbian government to the programming and implementation of IPA, staff numbers in the public administration, especially in the European integration structures, remained an issue of concern, mainly due to budget restrictions in the context of the financial crisis.

During the reporting period, the EU Delegation in Belgrade continued to carry out implementation of IPA Component I as the contracting authority on behalf of the Serbian authorities.

IPA Component II programmes in Serbia are implemented under two different management modes: centralised and shared management. CBC programmes at internal borders (those with Croatia, Bosnia and Herzegovina and Montenegro) are implemented on a centralised basis, where the EU Delegation is the contracting authority. However, differently from other grant schemes run in centralised management (where selection of project proposals is a direct responsibility of the EU Delegation), the selection of applicants is carried out under the responsibility of a joint body established by the operating structures in the two participating countries.

The programmes with Members States and the Adriatic programme are implemented under shared management. In this case implementation of the entire programme is under the responsibility of a single managing authority located in the participating Member State.

### **7.2.4. Overview of IPA projects/contracts implemented in 2009**

In 2009, about 190 contracts under IPA 2007, 2008 and 2009 (budget support) were signed, and several tenders under IPA 2008 and 2009 were prepared. As the Financing Agreement for Part II of the 2009 National programme could not be signed in 2009, due to procedural issues, contracting of IPA 2009 projects had not started by the end of the reporting period, except for the commitment and disbursement of budget support funds.

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

In total, under Component I (National Programmes 2007, 2008 and 2009, including Budget Support) EUR 242.80 million and EUR 83.50 million were contracted and disbursed, respectively, by the end of the reporting period. The funds remaining to be contracted from IPA 2007 (allocation EUR 164.84 million) amounted to EUR 60.76 million, while for IPA 2008 (allocation EUR 168.64 million) the corresponding figure equalled EUR 129.92 million.

As for IPA 2009 Budget Support, EUR 100 million were contracted and EUR 50 million (1<sup>st</sup> tranche) disbursed by the end of 2009.

**Tables 4: Status of implementation of IPA financial assistance (Component I) as at 31st December 2009 (in million EUR) per annual programme and distribution of total committed funds (2007-2009 allocations) by priority axes.**

	Committed	Contracted	RAC <sup>75</sup>	%Contracted	Paid	RAL <sup>76</sup>	%Paid
<b>IPA 2007</b>	164.84	104.08	60.76	<b>63.14%</b>	30.90	133.94	<b>18.75%</b>
<b>IPA 2008</b>	168.64	38.72	129.92	<b>22.96%</b>	2.60	166.04	<b>1.54%</b>
<b>IPA 2009</b>	170.55	100.00	70.55	<b>58.63%</b>	50.00	120.55	<b>29.32%</b>
<b>TOTAL</b>	<b>504.83</b>	<b>242.80</b>	<b>261.23</b>	<b>48.17%</b>	<b>83.50</b>	<b>420.53</b>	<b>16.57%</b>

Priority Axes	% of 2007-2009 allocations
Political criteria	32.87%
<i>(of which civil society)</i>	<i>(1.29%)</i>
Economic criteria	27.94%
Ability to assume membership obligations	17.47%
Support programmes	1.88%
Budget Support	19.84%
<b>TOTAL</b>	<b>100.00%</b>

Below is an overview of IPA Component I implementation by sector:

#### *Health*

During 2009, a total of 252 equipped emergency medical vehicles funded by the IPA 2007 programme were fully delivered to health institutions throughout Serbia. The value of this contract was EUR 8.7 million. A relevant technical assistance project was implemented in parallel, providing standardized training for emergency service employees, particularly drivers.

The technical assistance project in support to the implementation of the National Strategy to fight against drugs (demand reduction component) assisted the Ministry of Health (MoH) in drafting the Law on psychoactive substances, which was then posted for public debate to enter parliamentary adoption procedure in 2010. A national campaign was supported by the project for awareness-raising to fight drug abuse in schools.

The IPA 2007 funded project to support the “Establishment of the public agency for accreditation and continuous quality improvement of healthcare in Serbia” assisted the Ministry of Health to draft the “bylaw on accreditation of healthcare institutions” which was published in the Official Gazette of the Republic of Serbia (no.112/2009). The project increased awareness amongst key stakeholders concerning quality and accreditation during a project conference and workshop attended by over 400 healthcare providers. Additionally, 11 courses in quality and accreditation for external surveyors were developed jointly by the project with the agency and the Belgrade school of medicine/school of public health which subsequently received CME credits approved by the National health council. These activities are in full compliance with the National Strategy for quality assurance in health care.

<sup>75</sup> Remains to be contracted (*Reste à Contracter*).

<sup>76</sup> Remains to be paid (*Reste à Liquider*).

### *Municipal support programmes*

A project to strengthening local self-government in Serbia started in May 2009 through a EUR 2 million direct grant to the Council of Europe. It aims at supporting Serbian efforts in developing the legal framework for decentralisation and capacity building for local government through the consolidation of the legal and institutional framework. A number of laws adopted in 2007 will need to be assessed after their first year of implementation and then amended if required. The project will build on the appraisal made by the Council of Europe of the four laws adopted in December 2007 and cooperate with the Ministry of Public administration and local self-government with a view to drafting the amendments.

In particular, regarding the Law on local elections, as suggested by the Venice Commission, a number of issues may be reviewed, including the role of the Republic Electoral Commission, the allocations of all seats to the candidates and the issue of “imperative mandate”. On the Law on territorial organisation, the main issues concern the procedure for the establishment (by splitting or merging) and abolishment of municipalities and the reshuffling of municipal boundaries. Regarding the Law on local self-government, the division of executive and managerial power between several persons/bodies, the status of the administration, the issue of local budget and its implementation are areas which could be looked into. Lastly, regarding the Law on the capital city, an important issue relates to the regulation of the relationship between the capital city and inner city municipalities. In addition, the drawing up of bylaws is indispensable for the implementation of laws currently under preparation and expected to be adopted. The bylaws, which are directly connected to the implementation of the Law on local self-government staff, will regulate the methodology of determination of the number of staff, the recruitment procedures, the classification of the positions and the training of staff.

The project aims also at strengthening the financial arrangements for local government and supporting fiscal decentralisation. This component of the project will be addressed at a latter stage and therefore there were no concrete results achieved during 2009.

### *Energy*

The Serbian Energy Agency was supported to implement the requirements of the roadmaps/ action plans for the Energy Community Treaty,<sup>77</sup> including favouring wider penetration of producers using renewable energy sources. Improved electricity and market monitoring and enhanced price/tariff regulation should give proper incentives to improve the efficiency of the utilities and the use of renewable energy sources. In 2009 energy projects were in the inception phase, therefore no concrete results can be reported.

### *Regional Socio-Economic Development Programme*

Two new operating grants were awarded through a direct award procedure to the Regional Development Agency “Branicevo-Podunavlje” in the Branicevo and Podunavlje districts in North-East Serbia and to the Regional Development Agency “Moravicki and Raski” in the Moravicki and Raski districts in South West Serbia, in order to cover the operating costs of these newly established regional development agencies and support them in developing into sustainable independent institutions that serve the needs of regional development.

Also, a service contract for technical assistance to the regional development agencies with a budget of around EUR 5 million was awarded and started in June 2009 and will have a

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<sup>77</sup> The Energy Treaty for the establishment of an Energy Community comprises countries from the EU and South- East Europe.

duration of 36 months. This project aims at improving the capacity of the Regional Development Agencies (RDAs) and other local stakeholders for regional development planning and implementation. The results expected are (i) an increased efficiency of RDAs in managing local development resources; (ii) an increased participation/advocacy of RDAs in the national regional development policy planning; (iii) improved skills in Project Cycle Management and financial management; (iv) an efficient management of the grant scheme for regional development. During 2009, the project was in inception phase and no concrete results can be reported.

### *Statistics*

The Serbian Statistical Office was supported by technical assistance in view of approximation of the Serbian statistical system to the European statistical system's requirements. The Serbian Parliament adopted four new laws important to statistics development in late 2009. They were the Law on the 2011 population, households and dwellings census, the Law on the 2011 agricultural census, the Law on official statistics and the Law on the new NACE classification Rev. 2. The adoption of NACE Rev. 2, PRODCOM and CPA 2008 is ongoing. The new classifications will be in use as from 2011.

The statistical office has produced pilot supply and use tables for 2007-2008 at current prices and at constant prices for 2008. A special unit was established which is responsible for the continuous development work.

A pilot agricultural census was conducted in December 2009. The preparatory work for the conduct of the full-scale agricultural census in 2011 was fully underway during the reporting period.

### *Refugees and Internally Displaced Persons*

The Support for refugees and internally displaced persons (IDPs) project, with an IPA budget of EUR 6 million, addressed an issue of major importance for Serbia. One call for proposals supported the provision of housing solutions for refugees, enhancement of their housing conditions and support to starting up or expanding income-generating activities. Six operating grants were awarded to different implementing agencies, namely UNHCR, DRC, IOM, European Perspectives, INTERSOS, ASB, in order to support their efforts to support integration of refugees and IDPs through the development of accommodation solutions, employment and income generation activities. The Legal assistance programme under Cards 2006 came to an end on December 2009 and the new legal aid project under IPA 2007 was also awarded on December 2009. The programme aims at providing legal aid/assistance and the timely and accurate information necessary for enforcement of the rights of IDPs and refugees in Serbia.

### *Trade*

By the end of the reporting period, an IPA 2007 project aiming to assist the Ministry of Trade and Services, Market Inspectorate in the area of market surveillance was close to completion. The project involved a study on the status in the area, also providing recommendations for future development in order to facilitate the establishment of an appropriate market surveillance structure in line with EU legislation.

The following findings and recommendations were being identified: there was more than one authority performing market surveillance in Serbia; stakeholders generally accepted that there was an acute need for coordination of various market surveillance authorities and that the

Market Inspectorate should take over a leading role; the horizontal legal framework in place, regulating “inspection surveillance authorities”, “market surveillance authorities” and “state inspectors” status and powers, was outdated, fragmentary, non-transparent and non-coherent; a “new” horizontal legal framework should correct the existing inadequacies by removing fragmentary approaches/unnecessary duplications and introducing a clear division between “inspection surveillance” and “market surveillance” (as a sub-category); new “Quality Infrastructure” legislation was in place; by-laws were not renovated, the existing ones lacked detailed provisions needed for enforcement; “Quality” and “Safety” should be clearly delineated in the future legislation; there was a significant amount of experience concerning the surveillance of safety of products. The EU “post-market approach” was a novelty that needed training. Competence for risk assessment was central.

In addition, the following main threats to the system were being identified: prolonged economic crisis in the region, relegating safety to second class priority; insufficient resources; decreasing number of inspectors; inadequate location of competencies; inadequate educational profile of inspectors and unequal treatment of economic operators.

### *Environment*

During 2009, significant progress was made with putting into operation the majority of IPA 2007 and IPA 2008 projects in the environment sector. Both IPA 2007 environment twinnings on air quality protection and nature protection were signed and started implementation. Assistance started also for the design of a Serbian Environmental Observation and Information Network – EIONET (May 2009), the development on an approximation strategy for environment (signed in November 2009), and the development of a sewerage and wastewater strategic master plan for the West Morava river basin (signed in December 2009). The design of the Serbian Eionet IT infrastructure was developed and agreed with the 26 core and non core data providers. The system will largely automate data collection, validation and processing and once procured and commissioned significantly enhance reliability and speed of environmental reporting. It will moreover make redundant much of the manual work previously associated with the process and thus free scarce resources.

### *Education*

The project on modernisation of the Vocational Education and Training (VET) system in Serbia (EUR 4 million) is supporting the VET reform in Serbia through further capacity building of the Ministry of Education and its institutes. The project started in October 2009 and by the end of 2009 was in its inception phase.

### *Twinning projects and TAIEX activities*

In 2009, ten twinning fiches were circulated to the Member States, concerning projects in the following sectors: environment, agriculture and rural development, justice and home affairs, public finance and transport. More specifically, the twinning fiches concerned the following: strengthening administrative capacities of the Ministry of Environment for i) implementation of an air quality management system and ii) to protect natural areas; iii) strengthening the capacities of the Republic of Serbia for the absorption of EU rural development funds in the pre-accession period; iv) harmonisation of national legislation with EU legislation for placing on the market and control of plant protection products and implementation of new legal provisions; v) strengthening institutional capacity in hazardous waste management; vi) assistance in the implementation of a chemicals management system in Serbia; vii) police reform: internal affairs; viii) strengthening the Serbian public procurement system; ix)

harmonization of the Serbian customs enforcement division with the standards, organization and operational methodology of EU enforcement agencies: Component 3 – Risk analysis and risk management and post clearance audit; x) harmonization with the *acquis* in the field of transport – phase II.

Furthermore, three contracts for IPA twinning projects were approved by the Commission Steering Committee and notified in 2009 (notification of a twinning contract is related to the start of its legal duration). The three approved twinning contracts were the following: Implementation of IBM strategy (Austria and Hungary); Support to the establishment of the Ombudsman office (Greece and the Netherlands); Strengthening of the administrative capacities for implementation of an air quality management system (Czech Republic and Germany).

The absorption capacity of the Serbian government for twinning projects seemed to have increased, but judging on the basis of only three IPA projects that started activities in 2009 would be premature. On the other hand, twinning coordination did improve much on all levels, especially between the EU Delegation and the Serbian NCP for twinning located in the Serbian European Integration Office. This resulted in a number of activities to promote twinning among potential beneficiaries as well as to explain more closely twinning procedures. The improved quality could be already noticed at selection meetings.

Requests and delivery of TAIEX assistance registered significant increases in 2009. The number of requests from the Serbian authorities went from 89 in 2008 (4.64 % of the total) to 143 in 2009 (6.93 %). During 2009, 70 events were organised in Serbia (41 in 2008) and 188 in other countries with Serbia as a beneficiary (141 in 2008). Participation of Serbians increased from 1,915 in 2008 (5.44% of the total) to 3,241 in 2009 (8.57% of the total).<sup>78</sup>

#### 7.2.4.2 Component II: Cross-border Cooperation

**Tables 5: Status of implementation of IPA financial assistance (Component II) as at 31st December 2009 (in million EUR) per annual programme and distribution of total committed funds (2007-2009 allocations) by priority axes.**

	Committed	Contracted	RAC	%Contracted	Paid	RAL	%Paid
IPA 2007	8.20	1.25	6.95	15.24%	0.69	7.51	8.41%
IPA 2008	11.46	0.59	10.87	5.15%	0.19	11.27	1.66%
IPA 2009	12.25	0.00	12.25	0.00%	0.00	12.25	0.00%
<b>TOTAL</b>	<b>31.91</b>	<b>1.84</b>	<b>30.07</b>	<b>5.77%</b>	<b>0.88</b>	<b>31.03</b>	<b>2.76%</b>

Priority Axes	% of 2007-2009 allocations
CBC with Member States	65.01%
CBC within Western Balkans	24.44%
Participation to ERDF Transnational Programmes	10.55%
<b>TOTAL</b>	<b>100.00%</b>

The first calls for proposals for all IPA CBC programmes were launched during 2009. The calls for the programmes with Bosnia and Herzegovina, Croatia, Montenegro, Romania and Bulgaria covered the 2007 and 2008 IPA CBC allocations while the programme with Hungary and the IPA Adriatic programme covered the 2007, 2008 and 2009 allocations.

<sup>78</sup> Further information is available in the annual TAIEX activity reports: [http://ec.europa.eu/enlargement/taix/publications/reports/index\\_en.htm](http://ec.europa.eu/enlargement/taix/publications/reports/index_en.htm).

By the end of 2009 the first calls under all the programmes, except the second call under the South-East Europe Programme (SEE), were at different stages of the evaluation process. Applications received under such calls varied in number between 282 for the IPA Adriatic Programme (for EUR 63.7 million available under the call), 170 for the CBC with Hungary (EUR 16.6 million overall available), 166 for the CBC with Romania (worth EUR 10.34 million), 110 each for the CBCs with Croatia (EUR 3.24 million) and with Bulgaria (EUR 7.2 million), 74 and 57 for the CBCs with Bosnia and Herzegovina (EUR 3.24 million) and with Montenegro (EUR 2.98 million), respectively.

The first call for proposal of the ERDF-IPA funded South-East Europe Programme (SEE) was launched in 2008 and a total of 17 contracts were signed in the last quarter of 2009. The second call (worth EUR 1.26 million) was launched in November 2009. The first step of the call – submission of the Expression of interest – was closed on 21 December 2009, with more than 600 valid applications received.

### **7.3. Coherence, compatibility and coordination of aid**

The responsibility for donor coordination within the Serbian administration lies with the Sector for Programming and Management of EU funds and Development Assistance (DACU) and the Technical Secretariat of the National IPA Coordinator (NIPAC) at the Ministry of Finance. Apart from being the EU's and other donors' main counterpart for the planning and programming of international assistance, DACU is in charge of coordinating the annual preparation of a report on the "Needs of the Republic of Serbia for International Assistance" over the following three-year period. DACU has a leading role in this process by steering the IPA programming process with the line ministries. Sectoral working groups have been established to discuss the needs in each sector with the active involvement of the beneficiary institutions. DACU is also presenting the report of the needs assessment by indicating possible involvement of bilateral donors with future projects.

The EU Delegation in Belgrade holds regular sector donor coordination meetings with EU Member States representatives. On a two-monthly basis it also co-chairs (together with the World Bank) an informal donor group including international organisations and non-EU bilateral donors. Additionally, representatives of the Delegation participate in sector coordination groups convened at the initiative of line ministries and/or other donors. Close working relations are also maintained with IFIs (IMF, EIB, EBRD, World Bank, KfW). In general terms, donor coordination improved during 2009 and helped substantially to increase effectiveness and efficiency of external assistance by avoiding duplication and ensuring complementarity between IPA and bilateral assistance. Leading donors were identified in each sector groups to play the role of focal points with beneficiary institutions. Opportunities were also explored for combining IPA funds and funds provided by IFIs in future programmes.

### **7.4. Monitoring**

In 2009 Serbia was already included in the target area of the Results Oriented Monitoring (ROM) project managed centrally by the European Commission's Directorate General Enlargement (Regional Programmes unit). Accordingly all contracts with a value of more than EUR 1 million were subject to ROM, which enables the Commission to gather an independent opinion on the efficiency of project implementation, the sustainability of the actions funded and actual or prospective impact of IPA aid.

ROM is defined as the systematic collecting, analysing and using of information for the purpose of management and decision-making. Through a consistent approach, with standardised outputs, ROM highlights strengths and weaknesses in the implementation of EU external assistance projects, by assessing their relevance and quality of design, efficiency, effectiveness, impact and sustainability.

During 2009 the ROM contractor worked closely with the EU Delegation in order to ensure that the planned monitoring missions would be implemented as per the monitoring plan. According to this plan, 11 operations were visited and 12 reports produced in the areas of economic and development policy/planning, health policy and administrative management, medical services, health education, water transport, business support services and institutions and rural development. The results of these visits could be summarized as follows: improvements were clearly visible in the performance of the projects in relation to all five ROM criteria (relevance/quality of design, efficiency, effectiveness, impact and sustainability). This was due, on one hand, to the fact that, as the projects' implementation proceeded, activities were better stabilized and outputs and results started to be delivered and were accessed by the beneficiaries, thus increasing effectiveness and impact prospects. On the other hand, it was hoped that the ROM conclusions and recommendations had an added value and were adopted by the projects' relevant stakeholders.

Furthermore, the IPA Monitoring Committee continued its regular meetings, with a second meeting during June 2009 in order to monitor and review the ongoing financial assistance, to fulfil its supervising obligations in the context of the regular management report and to prepare the ground for the future set-up of IPA Monitoring Committees after DIS. This meeting allowed for an exchange of views between the Commission and the Serbian authorities. The main issues discussed were: the current state of play in implementation of CARDS/IPA (achievements and problems); a problem-oriented review of implementation of particular projects/sectors; DIS preparations; Serbian Needs Assessment 2009 – 2011.

The main conclusions of the meeting were as follows: deadlines of the Serbian DIS Roadmap needed to be respected by all involved parties in order to ensure timely conferral of management powers. A high level working group for DIS should be organized by the end of 2009; IPA procurement should be strictly monitored and NIPAC committed himself to facilitate solutions in case problems appeared. In this respect, regular meetings to discuss bottlenecks should be organized between the EU Delegation and the Serbian authorities.

Since no projects were contracted, no monitoring activity was carried out during 2009 for IPA Component II.

## **8. TURKEY**

### **8.1. The year in review**

As addressed in the Commission's *2009 Progress Report*, in 2009 Turkey continued to sufficiently fulfil the political criteria and continued to express its commitment to the EU accession process.<sup>79</sup> Free and fair local elections were held. Positive steps were taken in the areas of the judiciary, civil-military relations and cultural rights. In particular, a judiciary reform strategy and action plan were adopted; Parliament amended legislation to allow civilian courts to try military personnel in peace time; the government opened a wide-ranging public debate with a view to addressing the Kurdish issue and the public television started operating a channel which broadcasts entirely in the Kurdish language.

Turkey was affected by the economic crisis but its impact was mitigated by a resilient banking sector and anti-crisis measures. Regarding accession negotiations, additional chapters were opened (chapters 16 and 27). Turkey adopted a National Programme for the Adoption of the *acquis*. In general, the EU accession process continued to provide a strong incentive for Turkey to pursue reforms, strengthen democracy and human rights and further modernise the country. Concerns remained in a number of areas, including freedom of expression, press freedom, freedom of religion, trade union rights, civilian oversight of the military and women's rights and gender equality.

For more details on developments in 2009 in Turkey's preparation for EU membership, please refer to the Commission's *2009 Progress Report*, abovementioned.

### **8.2. IPA programming and implementation in 2009**

#### **8.2.1. MIPD 2009-2011**

The Multi-annual Indicative Planning Document (MIPD) for 2009-2011 is based on an indicative financial envelope of EUR 2002 million. As in previous years, in 2009 Turkey continued to benefit from all five components of the Instrument for Pre-Accession Assistance (IPA). In particular, Component I (Transition Assistance and Institution Building) supports Turkey's progress towards fully meeting the Copenhagen political criteria, efforts to harmonise legislation with the EU *acquis* and promotion of EU-Turkey Civil Society Dialogue; Component II (Cross-Border Cooperation) prepares Turkey for implementation of the Territorial Cooperation objective of the EU Structural Funds. Supports bilateral cross-border programmes with EU Member States as well as Turkey's participation in the European Neighbourhood Policy Instrument (ENPI) Black Sea Basins programme; Component III (Regional Development) supports three Operational Programmes: environment, transport and regional competitiveness; Component IV (Human Resources) addresses three major areas of intervention under the Operational Programme: employment, education and social inclusion; Component V (Rural Development) sets out three priority axes: adaptation of the agricultural sector and implementation of EU standards, preparatory actions for agri-environment measures and Leader-type of actions and development of the rural economy.

The revised MIPD 2009-2011 that was adopted on 29 June 2009<sup>80</sup> built on experience with the preparation and implementation of the previous MIPDs, annual programming of

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<sup>79</sup> Turkey 2009 Progress Report, SEC(2009)1334 of 14/10/2009, available at [http://ec.europa.eu/enlargement/pdf/key\\_documents/2009/tr\\_rapport\\_2009\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2009/tr_rapport_2009_en.pdf)

<sup>80</sup> Commission Decision C(2009)5041 of 29 June 2009 available at [http://ec.europa.eu/enlargement/pdf/mipd\\_turkey\\_2009\\_2011\\_en.pdf](http://ec.europa.eu/enlargement/pdf/mipd_turkey_2009_2011_en.pdf)

Component I in 2007 and 2008 as well as multi-annual programming of Components II, III, IV and V in 2007. For instance, enhanced focus/specification was introduced on reform of judiciary and public administration under the Component I objectives, to take account of recent legislative developments (Law on Foundations, further strengthened gender equality and civil society framework), as pointed out in the *2008 Progress Report*.<sup>81</sup> The draft revised MIPD was consulted with the Turkish authorities, EU Member States, international financial institutions (IFIs), bilateral and international organisations and Turkish civil society organisations active in a variety of areas and comments received were taken into account.

The European Court of Auditors (ECA) concluded in its Special Report on 'The European Commission's management of pre-accession assistance to Turkey' that there had been an insufficient direction and lack of specific criteria to determine the priorities of EU assistance, an insufficient compliance of pre-accession assistance with accession criteria and insufficient measurability of achievements of assistance given to Turkey between 2002 and 2006 under the Turkish Pre-Accession instrument.<sup>82</sup> At the same time the Court found that projects audited had achieved their intended outputs and that results were likely to be sustained in the future.

The Commission welcomed the ECA Special report and recognised that there had been a number of weaknesses in the early phases of pre-accession support to Turkey. The provision of EU assistance was a learning process for both sides identifying the right priorities and delivery mechanisms, just as it had been with the management of financial assistance for previous candidate countries that are now EU Member States. Since then a lot of progress was made, for instance with the introduction of IPA from 2007 onwards and with the decentralisation of management of assistance to the Turkish authorities since 2008, which has gradually resulted in more ownership and improved project design.

Under IPA the intervention logic has improved, and the Multi-Annual Indicative Planning Document (MIPD) together with the Accession Partnerships now provide strategic orientations and priorities with the sole aim of helping Turkey meet the accession criteria. Further improvements already under way (mostly after the reporting period) include the following:

- DG Enlargement is aiming to complement programming with a more sectoral approach where appropriate, with sector strategies aiming at both improved ownership and impact;
- Steps will be taken to follow up the recommendations of the 2009 IPA conference and the December 2009 Council conclusions on IPA, to better link financial assistance to political priorities;
- Future projects will have clearer objectives that will result in an improved intervention logic through more relevant and measurable indicators and benchmarks;
- Clearly defined conditions will be used when necessary to ensure that Turkish beneficiaries implement commitments necessary for financial assistance to achieve results and impacts;

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<sup>81</sup> SEC(2008) 2699 published 5 November 2008 available at [http://ec.europa.eu/enlargement/pdf/press\\_corner/key-documents/reports\\_nov\\_2008/turkey\\_progress\\_report\\_en.pdf](http://ec.europa.eu/enlargement/pdf/press_corner/key-documents/reports_nov_2008/turkey_progress_report_en.pdf).

<sup>82</sup> Special Report No 16/2009 *The European Commission's management of pre-accession assistance to Turkey*, published on 13 January 2010. Available at <http://eca.europa.eu/portal/pls/portal/docs/1/3632589.PDF>.

- Monitoring systems will be further improved together with the Turkish authorities, to increase the focus on results and impact of projects under implementation;
- Further action will be taken to address outstanding recommendations to strengthen the management and control systems for DIS (decentralised implementation) that will improve the supervision and control of funds;
- Additional specific audits, evaluations and close monitoring will ensure that improvements are effective and further adjustments to the system are made if necessary.

An evaluation on the intervention logic for programming pre-accession assistance to Turkey under IPA was also completed in September 2009: *Ad Hoc Evaluation of the European Commission's intervention logic for Financial Assistance in candidate countries and key lessons for MIPD 2010-2012 revision A case study – Turkey*.<sup>83</sup> The evaluation concluded that IPA programming under Component I was focused too much at project level. While most projects were relevant, a comprehensive multi-annual programming was not in place. The MIPDs should preferably be a first step in the direction of establishing a more strategic programming framework and could be further improved to allow for more efficient project selection and sequencing. These recommendations constitute useful lessons learned and provide a good basis for the revised MIPD for 2011-2013, to be developed in 2010.

**Table 1: MIFF<sup>84</sup> allocations per component, in million EUR**

Component	2009 <sup>85</sup>	2010	2011	2009-2011
I. Transition Assistance and Institution Building	233.2	211.3	230.6	<b>675.1</b>
II. Cross-Border Cooperation	9.4	9.6	9.8	<b>28.8</b>
III. Regional Development	182.7	238.1	291.4	<b>712.2</b>
IV. Human Resources Development	55.6	63.4	77.6	<b>196.6</b>
V. Rural Development	85.5	131.3	172.5	<b>389.3</b>
<b>TOTAL</b>	<b>566.4</b>	<b>653.7</b>	<b>781.9</b>	<b>2002.0</b>

### 8.2.2. Programming exercise

Assistance to Turkey is provided under annual programmes (Component I) or multi-annual Programmes (Components II-V). Programming under Components II-V was done in 2007 through negotiations between Turkey and the Commission on the objectives to be included in the Operational Programmes covering activities funded with the 2007-2009 allocations (Components II-IV) or for the period 2007-2013 (Component V). No budget support was provided under IPA 2009 for Turkey.

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

<b>TURKEY</b>	<b>2009</b>
<b>I. Transition Assistance and Institution Building</b>	<b>239.55</b>
Of which:	
National Programme	204.55
Energy Efficiency Multi-Beneficiary Crisis Response Facility – Turkey window	35.00
<b>II. Cross-Border Cooperation</b>	<b>3.05</b>
Of which:	

<sup>83</sup> Thematic Report No. R/ZZ/MIPD/0815 from 21 September 2009.

<sup>84</sup> Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2010-2012', COM(2008)705 of 5 November 2008.

<sup>85</sup> Final allocations (shown in the main report and in table 2) differ from these indicative figures following transfers between components I and II during the course of 2009.

CBC programme Turkey-Bulgaria	2.05
ENPI BLACK Sea Basin programme	1.00
<b>III. Regional Development</b>	<b>182.70</b>
Of which	
Regional Competitiveness Programme	54.80
Transport Programme	60.30
Environment Programme	67.60
<b>IV. Human Resources Development</b>	<b>55.60</b>
<b>V. Rural Development</b>	<b>85.50</b>
<b>TOTAL</b>	<b>566.40</b>

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

The 2009 programming exercise under Component I started in the summer 2008, when the Turkish National IPA Coordinator (NIPAC) invited potential beneficiaries to submit project ideas. The programming exercise was based on a “Programming Process Document” (PPD) agreed between the Commission and the Turkish authorities which defined the different steps, criteria to be used and deadlines for the programming. Based on this PPD, a preliminary list of projects was screened during a programming discussion between the Commission and the Turkish authorities in November 2008. Approximately 60 of the total 115 proposals submitted were accepted for further development into fully-fledged project fiches, according to the priorities identified in the Accession Partnership and accession negotiations, a relatively low number compared to the 2008 programming round, when approximately 170 proposals were initially submitted. This caused a certain concern and the Commission encouraged NIPAC’s pro-active involvement and support to project development efforts by less experienced beneficiary Ministries.

At this project identification stage, the focus for the selection of projects was to ensure that the objectives and scope of the proposed projects addressed priorities as identified in the Accession Partnership, the Progress Report, the Multi-Annual Indicative Planning Document and the related gap assessment with regard to the 2007-2009 MIPD, and were in line with existing sector strategies. Moreover, the projects needs and priorities had to be adequately identified and the projects had to directly address these needs. All relevant stakeholders for project development and implementation had to be identified.

At this stage the overall quality of the proposals received was still rather weak and the NIPAC services appeared to be influenced by legal and administrative uncertainty, as their legal status was undergoing clarification during the preparation of the adoption of the law on the organisation and duties of the Secretariat General for the European Union (EUSG), completed in July 2009. In order to obtain the necessary improvements within a short timeframe, it was decided to set up working groups with the participation of EUSG and EC Delegation sector experts to assist beneficiaries in their drafting efforts and to finalise the required documentation.

In fully designing and developing the projects for the IPA 2009 National Programme, careful account was taken of the results of projects programmed in previous years and lessons learned from past interventions. First and foremost, more attention was paid to project design. Moreover, project readiness requirements were systematically verified for project selection and those lacking key elements (such as needs analyses, feasibility studies and market studies) were deferred to subsequent years. Other key elements for projects to be approved were the capacity of the beneficiary, the likely sustainability of results, adequate impact and visibility, coordination with other linked activities as well as underlying risks, assumptions and commitments required for the project to go ahead.

As already mentioned, in future programming those criteria are going to be complemented by the gradual introduction of a more sectoral approach where appropriate, with sector strategies aiming at both improved ownership and impact and clearer links between financial assistance and political priorities. The intervention logic is going to be repeatedly reviewed in order to establish more relevant and measurable indicators and benchmarks, and efforts will be put to improving the monitoring systems together with the Turkish authorities, to increase the focus on results and impact of projects under implementation.

After intensive discussions and several rounds of corrections and quality checks, the final project fiches were transmitted to the Commission in May 2009 by the NIPAC. The draft National Programme for Turkey 2009 was consulted with EU Member States, international financing institutions (IFIs) and a selection of NGOs in Turkey in June 2009. The latter were selected based on a civil society survey conducted by the EU Delegation in Ankara and a representative sample of cooperation partners in the past, however no substantial comments were provided on the draft project fiches.

On 25 September the programme was presented by the Commission to the IPA Management Committee, who gave its approval. After adoption by the Commission on 20 November 2009, a first Financing Agreement covering Turkey's participation in EU Programmes 2010 was signed on 14 December 2009.

In the context of the economic crisis, in May 2009 it was agreed with the Turkish authorities that EUR 35 million from the total 2009 allocation for this component would be transferred to an energy efficiency facility under the multi-beneficiary crisis response package. An exceptional contribution to finance Turkey's participation in EU Programmes in 2010 was also made through a specific project within the National Programme, with a view to alleviate budgetary pressures (IPA support amounted to EUR 88 million, representing 58% of Turkey's participation fees for 2010, which totalled EUR 151 million).

The 2009 National Programme for Turkey under Component I<sup>86</sup> included in total 34 projects (see table below) selected in line with the strategic priorities set out in the 2009-2011 MIPD. The total number of contracts foreseen was 50, a slight reduction from the 2008 National Programme, which contained 59 contracts in total, but a notable decrease compared to the 2007 National Programme, which included 140 contracts. Contracts in the 2009 National Programme were of the following types:

- 12 twinning contracts (same as in 2008): 3 in the environment sector, 2 in customs, 2 related to the political criteria, 1 in the field of free movement of goods, 1 in the agriculture field, 1 in transport, 1 in justice, freedom and security and 1 in the field of financial control;
- 7 direct grant agreements (same as in 2008), 5 of which to be signed with the Council of Europe (CoE), due to its broad project experience in sensitive fields related to human rights;.
- 5 grant schemes (same as in 2008); 15 service contracts (compared to 18 in 2008); 11 supply contracts (compared to 14 in 2008).

86 % of the IPA funding was given as institution building, 14 % as investments (where the respective figures in the National Programme 2008 were 63 % and 27 %).

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<sup>86</sup> C(2009)9135 of 20 November 2009.

For example, the project "*Improved efficiency of the Turkish Criminal Justice system*" (EUR 3.4 million of EU contribution), the implementation of which is planned to start in 2011, aims at improving the application of human rights standards and strengthen the efficiency of, and confidence in, the criminal justice system in Turkey by strengthening the capacity of the judiciary and prosecution service. Through a comprehensive training programme for public prosecutors and penal judges by the Council of Europe, the project envisages to reduce the number of judgments of the European Court of Human Rights against Turkey, decrease the average duration of prosecutions and strengthen the justice academy. As such, the project will contribute directly to the MIPD objectives for the judiciary under the political criteria priority axis, formulated as "*Comprehensive training for the consistent interpretation of legal provisions related to human rights and fundamental freedoms; Strengthening the independence, impartiality and efficiency of the judiciary*".

The second objective in the 2009-2011 MIPD supports adoption and implementation of the EU *acquis* and identifies agriculture, environment, justice, freedom and security as well obligations stemming from the Customs Union as key priorities for IPA Component I funding. These priorities were supported through a number of projects in the 2009 National Programme, such as "*Extending the Pilot Farm Accountancy Data Network Project and Ensure Sustainability*", "*Strengthening Capacity against Cybercrime*", "*Capacity Building on Water Quality Monitoring*", and "*Modernisation of Turkish Customs Administration VI*" (enforcement and risk assessment). Implementation of these projects is expected to start in 2011.

The final percentage distribution within IPA 2009 Component I by priority axis was the following: 15.1% Political criteria, 33.7% *acquis* harmonisation, 48.7% Civil Society Dialogue and 2.5% Supporting activities. Such distribution diverge somewhat from the indicative allocations in the 2009-2011 MIPD (Political criteria 15-25%, *acquis* harmonisation 45-65%, Civil Society Dialogue 20-35% and Supporting activities 3-5%). However, this approach was agreed with Turkey and approved by EU Member States, as it was found justified by the circumstances caused by the economic crisis. The deviation from the MIPD 2009-2011 allocations stemmed from the additional contribution given to supporting Turkey's participation in EU Programmes.

**Table 3: Indicative financial allocations for the year 2009 under the annual National Programme, per priority axis and per project, in million EUR**

Priority Axis	Projects	Budget
<b>Progress towards fully meeting the Copenhagen political criteria</b>		<b>30.92</b>
	Democratic Citizenship and Human Rights Education	7.65
	Women's Shelters for Combating Domestic Violence	9.14
	Mental Health care and Drug Addiction treatment services in prisons	1.35
	Improved Efficiency of Turkish Criminal Justice System	3.40
	Consolidating Ethics in the Public Sector	1.20
	Strengthening Coordination of Anti-corruption policies and practices	1.36
	Implementation Capacity of Turkish Police to Prevent Disproportionate Use of Force	1.90
	Improved Capacity of Civil Enforcement Offices	1.70
	Improved Integration of Disabled Persons into Society	3.22
<b>Adoption and implementation of the <i>acquis communautaire</i></b>		<b>68.90</b>
	Quality Control Tests for Human Vaccines and Sera	3.26
	Supply of chemical metrology equipment to TUBITAK UME	2.55
	Extending the Pilot FADN Project and Ensure Sustainability	1.38
	Weight and Dimension Controls of Commercial Vehicles	9.91
	Strengthening Intermodal transport in Turkey	0.95

	Structure and Capacity Improvement of Turkey Electricity Transmission Corporation (TEIAS)	1.80
	Upgrading Statistical System of Turkey Programme Phase III	2.70
	Strengthening Administrative Capacity of Ministry of Industry and Trade (MIT) in Industrial Strategy	1.12
	Capacity Improvement in the Economical and Social Cohesion (ESC) policy Phase II	1.80
	Strengthening Capacity against Cybercrime	1.33
	Aligning Higher Education with the European Higher Education Area (EHEA)	4.25
	Control of Industrial Volatile Organic Compound Emissions	2.63
	Capacity Building on Water Quality Monitoring	3.65
	Implementation Capacity of Environmental Noise Directive	5.56
	Implementation Capacity of Seveso II Directive	2.70
	Strengthening Institutional Capacity on CITES Implementations	1.32
	Alignment in Organ Donation (ALOD)	3.33
	Alignment in Human Tissues and Cells	2.70
	Modernisation of Turkish Customs Administration VI (enforcement)	13.34
	Modernisation of Turkish Customs Administration VI (risk management)	0.95
	Strengthening Institutional capacity of Inspection boards within Public Financial Management Control (PFMC) system	1.67
<b>Promotion of an EU-Turkey Civil Society Dialogue</b>		<b>99,60</b>
	Continuation of the Jean Monnet Scholarship Programme	6.88
	Civil Society Dialogue – EU-Turkey Chamber Forum II	4.50
	Participation in EU Programmes	88.22
<b>Support Activities</b>		<b>5.13</b>
	TR2009/0740.01 Support Activities to Strengthen the European Integration Process	5.13
<b>TOTAL</b>		<b>204.55</b>

During the spring of 2009 the Commission and the EU Delegation in Ankara conducted an internal review to draw lessons from the programming experiences in 2007-2009. These conclusions were introduced in the revised Programming Process Document presented for agreement to the Turkish institutions involved in programming. The lack of coherent sector strategies to guide programming was raised, as well as the positive experiences with sectoral working groups to convene relevant stakeholders throughout the programming cycle. The importance of ownership on the Turkish side was also underlined, and it was believed this would improve as soon as the awaited new law on the organisation and duties of the Secretariat General for the European Union (EUSG) would be adopted by the Turkish parliament.

These concerns as well as suggested solutions were presented to the Turkish side in the summer of 2009, when the 2010 programming round took off. The need for early preparations was a shared ambition and the NIPAC services agreed in principle with the idea of more regular working groups to steer the programming process when needed. The project ideas were submitted to the Commission in October 2009, and the first 2010 programming meeting took place in Ankara on 12 November. Similar to the previous programming round, approximately 60 out of the 110 proposals were retained for development into full project fiches. Discussions on how to make programming more strategic and better linked to political priorities were held, but no concrete measures were agreed. The Turkish authorities pointed to the importance of keeping flexibility on sectors supported, based on upcoming needs, as well as the incitement brought to the different Ministries to maintain the EU reform process through the annual project development phase.

A *Country Programme Interim Evaluation of EU assistance to Turkey* between 2005 and 2008 was launched in September 2009. The preliminary conclusions presented in the final phase of the field work in December 2009 supported previous analysis on the need for a more comprehensive review of the 2009-2011 MIPD and of the Sectoral Monitoring Sub-Committee system, as well as for reinforcing the capacity of the key Turkish institutions involved in programming, implementation and monitoring of EU assistance.

#### 8.2.2.2 *Component II: Cross-border Cooperation (CBC)*

Turkey's participation in the European Neighbourhood Policy Instrument (ENPI) Black Sea Basin programme 2007-2013<sup>87</sup> for 2009 was funded with EUR 1 million, as in previous years. The programme supports stronger and sustainable economic and social development of the regions of the Black Sea basin and enhanced mutual understanding through regional partnerships. Local, people-to-people type actions are promoted, by supporting cultural and educational initiatives for the establishment of a common cultural environment in the basin. The Commission adopted the annual programme for Turkey's participation on 9 October 2009.

The 2007-2009 Turkey – Bulgaria CBC programme was adopted by the Commission on 21 December 2007<sup>88</sup>. It aimed at helping the border region between Turkey and Bulgaria to overcome development problems resulting from its relative isolation and supporting the development of co-operative networks on both sides of the border.

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

The four relevant multi-annual operational programmes (OPs) under Component III and IV were prepared by the Turkish authorities and adopted by the Commission in 2007.<sup>89</sup> As regards Component V a multi-annual rural development programme for 2007-2013 was prepared by Turkey and adopted by the Commission in 2008.<sup>90</sup> The second of the yearly modifications of the Turkish IPA Rural Development Programme was approved by the Member States in the Rural Development Committee on 22 July 2009 and was subsequently adopted by the Commission on 29 October 2009.<sup>91</sup> For further details, see the IPA Report 2008.<sup>92</sup>

### **8.2.3. Implementation Modalities and Structures**

Decentralised implementation, aimed at preparing the candidate countries for managing EU funds as future Member States, is the standard implementation mode for the Instrument of Pre-Accession according to the IPA Regulation. Such implementation mode places ownership and responsibility for the management of funds into the hands of the national authorities. The system is accredited ("conferral of management") once the Commission has assured itself through audits and assessments that the systems set up by the beneficiary country are

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<sup>87</sup> C(2008)7406 of 27 November 2008.

<sup>88</sup> C(2007)6477. The programme will be updated in 2010.

<sup>89</sup> The Environment, Transport, Regional Competitiveness and Human Resources Development operational programmes were adopted, respectively, by Commission Decisions C(2007)5758 of 29 November 2007, C(2007)6053 of 7 December 2007, C(2007)5758 of 29 November 2007 and C(2007)6030 of 7 December 2007. These operational programmes will be updated in 2010.

<sup>90</sup> C(2008)691 of 25 February 2008.

<sup>91</sup> C(2009)8022.

<sup>92</sup> Background document to the 2008 annual report on the implementation of the instrument for pre-accession COM(2009)699 final available at [http://ec.europa.eu/enlargement/pdf/press\\_corner/key-documents/financial\\_assistance/2008/annex\\_working\\_document\\_en.pdf](http://ec.europa.eu/enlargement/pdf/press_corner/key-documents/financial_assistance/2008/annex_working_document_en.pdf).

adequate for the management of funds. Following the conferral of management to the systems, the Commission verifies through further audits and supervision that these systems function properly and where weaknesses are detected, corrective measures are taken to ensure the sound management of EU funds.

In 2009, assistance under IPA component I-IV in Turkey was implemented primarily through decentralised management with *ex-ante* controls by the EU Delegation<sup>93</sup>. Exceptions related to the Turkey-Bulgaria CBC programme under Component II, which was implemented by shared management with the participating EU Member State; one project under the National Programme 2008, which due to its nature was implemented by centralised management through an administrative arrangement between the EU Delegation and the Joint Research Center (the Institute for Reference Materials and Measurements); the multi-beneficiary Energy Efficiency Crisis response facility, implemented centralised by the Regional Programmes Unit in DG Enlargement through contribution agreements with the European Investment Bank and the European Bank for Reconstruction and Development.

Turkey was conferred decentralised management powers (with *ex-ante* controls) for the operational programmes under Component III and IV in July and August 2009. Four Financing Agreements under these two components (one per operational programme) were subsequently signed between the Commission and Turkey between July and November 2009, thus enabling implementation to commence. By the end of 2009 Turkey had prepared roadmaps for full decentralisation of management of EU funds without *ex-ante* controls. These roadmaps will be reviewed in 2010 and will set benchmarks and target rates for full decentralisation.

Following some difficulties in the performance of the EU Secretariat General (EUSG) in handling programming, monitoring and project management functions under Component I, a new law was adopted in July 2009 providing the basis for strengthening that institution, including staffing levels. During the reporting period, the National Authorising Officer (NAO), the National Fund and the Central Finance and Contracts Unit (CFCU) all made progress in establishing adequate procedures and organisational structures as part of an improved supervision under the decentralised implementation system (DIS), even though some weaknesses in the management and control systems remained to be addressed in 2010. The Turkish authorities prepared plans to address them, for example, through a substantial increase of staffing at the CFCU and EUSG, although at the end of 2009 this had not yet materialised into recruitments being started in practice.

During a transition period running from 2007 to 2010, the operating structures for implementing the operational programmes under Component III and IV (Ministry of Environment and Forestry, Ministry of Transport, Ministry of Industry and Trade and Ministry of Labour and Social Security) delegated certain functions related to tendering and contracting of projects to the CFCU, to give themselves time to prepare for these tasks. Since the CFCU had previous experience from tendering and contracting under the Turkish Pre-Accession Instrument between 2002 and 2006, this was agreed to be the best solution while the relevant Ministries completed the necessary accreditation processes. At the same time this stretched further the capacity of the CFCU in handling the tendering procedures under Components I-IV, with a substantial number of contracts to be handled.

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<sup>93</sup> The Commission had transferred management powers to Turkey for Component I in 2008 and on that same year had granted Turkey's participation in the ENPI Black Sea basin programme under Component II.

The year 2009 did not see positive developments with regard to implementation of IPA Component V. In all IPA beneficiary countries, the IPA Rural Development programme is to be implemented by directly conferring decentralised management powers without *ex-ante* controls. Despite continued efforts of all IPA Rural Development-related structures in Turkey and intensive support by the Commission in 2009, delays in the timetable for national accreditation and consequently for the Commission decision to confer management powers to Turkey continued to accumulate. Reasons for this included the complicated and lengthy procedures necessary to put the legal system in place and the complex structure of the IPA Rural Development Programme, with many measures and sub-measures and a varied geographic scope, as preferred by the Turkish authorities. A high-level political commitment and support for the process were not ensured, which could have possibly mitigated the problems encountered.

A revised Action Plan was prepared in April 2009 and national accreditation was expected to be completed after the reporting period. Conferral of management by the Commission could then be expected in 2011. This situation delays the start of implementation under IPA Component V and puts at risk the funds allocated for 2007 and 2008.

As mentioned above, the Bulgaria – Turkey Cross-Border cooperation programme under Component II is implemented under shared management and the Managing Authority is the Ministry of Regional Development and Public Works in Bulgaria. There was only slow progress in 2009 in developing the Management and Control System and improving the administrative capacity on the Turkish side.

Turkey informed about its intention to transfer the management responsibility for Component II from the Turkish International Cooperation and Development Agency (TIKA) to the EUSG.

In summary, Turkey has made progress in 2009 in setting up the management and control systems for managing the five components of IPA. However, progress was uneven and there were frequent delays and capacity limitations. If not addressed decisively in 2010, this could threaten the full absorption of funds allocated. In addition, outstanding concerns were on-the-spot monitoring of projects, management and follow-up of irregularities and the still high rejection rates of dossiers submitted to the EU Delegation for *ex-ante* control. These weaknesses were recognised by the Turkish administration and credible plans have been put in place to address them in 2010. The actual outcome will depend on plans being implemented, which will be closely monitored by the Commission.

#### **8.2.4. Overview of IPA projects/contracts implemented in 2009**

As mentioned in the background document to the 2008 IPA Annual Report<sup>94</sup> the implementation of IPA in Turkey could only start in 2009, due to the late ratification of the IPA Framework Agreement (notified to the European Commission on 24 December 2008). This created a substantial back-log of tendering and contracting files which could only be tackled as from the beginning of 2009, inflicting a major administrative burden on the Turkish institutions involved in the implementation of IPA funds. Further capacity increases of key institutions have been agreed with the Turkish authorities to reduce this back-log and move towards timelier implementation.

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<sup>94</sup> 2008 Annual Report on the Implementation of Instrument of Pre-Accession COM(2009)699 final of 23 December 2009.

**Table 4: Status of implementation of IPA financial assistance (Components I to V) as at 31st December 2009 (in million EUR)**

	Committed	Paid	RAL <sup>95</sup>	% Paid
<b>IPA 2007-2008-2009</b>	<b>1566.8</b>	<b>432.61</b>	<b>1134.19</b>	<b>27.61%</b>

8.2.4.1 *Component I: Transition Assistance and Institution Building*

**Tables 5: Status of implementation of IPA financial assistance (Component I) as at 31st December 2009 (in million EUR) per annual programme and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Contracted	RAC <sup>96</sup>	% Contracted	Paid	RAL	% Paid
IPA 2007	256.20	91.68	164.52	<b>35.78%</b>	72.90	183.31	<b>28.45%</b>
IPA 2008	256.13	67.99	188.14	<b>26.54%</b>	66.73	189.39	<b>26.05%</b>
IPA 2009	204.55	88.13	116.42	<b>43.08%</b>	88.13	116.42	<b>43.08%</b>
<b>TOTAL</b>	<b>716.88</b>	<b>247.80</b>	<b>469.08</b>	<b>34.57%</b>	<b>227.75</b>	<b>489.12</b>	<b>31.77%</b>

Priority Axes	% of 2007-2009 allocations
Political criteria	14.72%
Civil society development	5.61%
Civil society dialogue	29.67%
Ability to assume membership obligations	46.64%
Support programmes	3.37%
<b>TOTAL</b>	<b>100.00%</b>

Two financing agreements (due to different management modes, decentralised/centralised) for implementation of the 2008 National Programme were signed in March and April 2009 amounting to a total of EUR 256 million. Twenty contracts were signed in 2009 under the 2007 National Programme, consisting of: i) 9 twinning contracts amounting to EUR 12.5 million in total, with Germany (4), the United Kingdom (3), the Netherlands (1), and Austria (1) as lead partners, implementation periods of between 15 and 39 months and covering the *acquis* fields of justice and home affairs, environment, internal market, agriculture and fisheries; ii) 8 supply contracts amounting to EUR 0.7 million in total and 3 direct agreements totalling EUR 10 million (IPA contributions only).

The remaining funds contracted in the year refer to Turkey's participation in EU Programmes and Agencies, a number of small framework contracts under *Support Activities to Strengthen the European Integration Process* project and individual grants given under the *Continuation of the Jean Monnet Scholarship Programme*. As the implementation of most of the 2007 projects only started in late 2009, concrete results were not yet available by the end of the reporting period.

The first twinning contract from the 2007 programme to be concluded was for *Development of Work with Juveniles and Victims by the Turkish Probation Service* with a total budget of EUR 1.79 million, where the beneficiary is the Ministry of Justice. The contract was signed with the United Kingdom in January 2009 and has an implementation period of 24 months. Experts from the Netherlands and Hungary are also taking part and in total there will be over 900 days of EU Member States expert time spent on the project. The objective is to rehabilitate victims of crime and prevent re-offending of children through improving the institutional capacity of probation services in connection with victims of crime and juvenile

<sup>95</sup> Remains to be paid (*Reste à Liquider*).

<sup>96</sup> Remains to be contracted (*Reste à Contracter*).

studies. The project has therefore two main components: work with juveniles and work with victims, with an additional component on communication and publicity. Study visits have been made by the Turkish probation teams to England, Northern Ireland, Austria, Hungary, France and Germany to study best practices in these fields. A wide range of experts from Member States have now visited Turkey on working missions, taking place practically every week, making a variety of presentations on juveniles and victims work and undertaking missions to prepare project materials.

Project implementation has proceeded smoothly, all planned activities have taken place and the mandatory results of increasing victim referrals and reducing re-offending of juveniles are on target. More than 20 strategic reference documents including programme and training manuals, policies, inter-agency handbooks and national standards have been prepared, such as *National standards for victims and juveniles* and *Policies for work with victims and juveniles*. These are being piloted during 6 months in 30 probation service branches before a full country-wide roll out of the training programmes is planned. Communication experts have also advised on appropriate materials to publicise the progress of the project. Other key agencies in Turkey working with juveniles and victims are closely associated to the project and high level seminars have taken place with judges, prosecutors and chief officers from other related agencies, as well as inter-agency meetings across Turkey, in Istanbul and 25 other cities.

Overall the project has made significant progress during and after the reporting period and will constitute an important contribution to protect children's rights in line with EU and international standards as well as to the continued efforts to tackle the problem of street children, both being short-term priorities in the Accession Partnership for Turkey as from 2006. The project also responded to the aim of establishing new national institution for supervising offenders and overseeing their re-socialization, as outlined in Turkey's National Programme for the Adoption of the *Acquis* from 2006.

One contract was concluded in 2009 under IPA 2008, a direct agreement signed on 13 November with the Association of Civil Society Development Center (STGM) worth EUR 2.2 million, under the project *Civil Society Facility-Civil Society Development for Active Participation*.

Turkey's participation in EU Programmes and Agencies is supported through IPA Component I funds each year, this cooperation being considered an important building block in EU-Turkey relations by enhancing mutual understanding on both sides. In 2009 Turkey's participation fees in the following programs/agencies for 2010 were partly supported through IPA (EU support in percentages within parenthesis): *Lifelong Learning* (62 %) and *Youth in Action* (62 %); *Culture 2007* (75 %); *European Environment Agency* (35 %); *PROGRESS* (20 %); *Competitiveness and Innovation Programme (Entrepreneurship and Innovation* as well as the *Information and Communication Technologies Policy Support*, both 30 %); *Customs 2013* (37 %) and *Seventh EU Research Framework Programme* (62 %).

Turkey's participation in the *Lifelong Learning* and *Youth in Action* programmes in 2009 was successful, and the number of applications continued to increase. Turkey's entry ticket to the programmes in 2009 amounted to EUR 75.7 million in total (out of which IPA contributed to the tune of EUR 47.7 million from the 2008 National Programme). In addition, Turkey provided additional funds from its national budget (EUR 3.6 million) as a supplement to support more beneficiaries. Overall the number of beneficiaries in 2009 was estimated at around 35 000. Participation in both programmes is a significant factor to enhance mutual knowledge and understanding between Turkey and the EU, encourage civil society networks,

and is of great importance for Turkey's overall accession process. Not the least, it gives many Turkish beneficiaries a first hand experience of living in an EU country. Erasmus (part of *Lifelong Learning* programme) helps also to create a 'European Higher Education Area' through supporting higher education institutions in Turkey to work together with similar institutions in the EU through intensive programmes, networks and multilateral projects.

Turkey's participation in the *Seventh EU Research Framework Programme (FP7)* continued to increase and the possibility to engage in research cooperation between the EU and Turkey contributed to strengthening Turkish research capacity. Turkey's entry ticket to the programme in 2009 amounted to EUR 45.5 million in total, out of which IPA contributed with EUR 13.1 million from the 2008 National Programme. Turkey also took measures to strengthen its research capacity at national level in line with EU research policy and has contributed towards the creation of the European Research Area. Through strengthening the research capacity and cooperating under the FP7, Turkey's compliance with EU *acquis* is facilitated and economic growth and sustainable employment are promoted.

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

**Tables 6: Status of implementation of IPA financial assistance (Component II) as at 31st December 2009 (in million EUR) per annual programme and distribution of total committed funds (2007-2009 allocations) by priority axes**

	<b>Committed</b>	<b>Contracted</b>	<b>RAC</b>	<b>% Contracted</b>	<b>Paid</b>	<b>RAL</b>	<b>%Paid</b>
IPA 2007	2.10	0.06	2.04	<b>2.63%</b>	0.04	2.05	<b>2.11%</b>
IPA 2008	2.87	0.00	2.87	<b>0.00%</b>	0.00	2.87	<b>0.00%</b>
IPA 2009	3.05	0.00	3.05	<b>0.00%</b>	0.00	3.05	<b>0.00%</b>
<b>TOTAL</b>	<b>8.02</b>	<b>0.06</b>	<b>7.96</b>	<b>0.69%</b>	<b>0.04</b>	<b>7.98</b>	<b>0.55%</b>

<b>Priority Axes</b>	<b>% of 2007-2009 allocations</b>
CBC with Member States	62.60%
Participation to ENPI (Black Sea basin) Transnational Programme	37.40%
<b>TOTAL</b>	<b>100.00%</b>

In 2009, implementation of, and Turkey's participation in, the ENPI Black Sea Basin programme was at an early stage. The Joint Management Authority of the programme, which is based in Romania, prepared the first call for proposal which was expected to result in contracts to be concluded after the reporting period.

The first call for proposals under the Bulgaria – Turkey cross-border cooperation programme was launched by the Bulgarian Managing Authority on 28 September 2009. 111 applications were received by the closing deadline of 28 December 2009, a higher number than expected, which showed wide interest in this type of actions. The assessment of the applications was delayed due to a belated assessor nomination process in Turkey. Overall, both sides showed good cooperation spirit, but start of implementation was delayed due to lengthy administrative procedures and decision making processes, mainly on the Turkish side. The transfer of competence in Turkey from TIKA to EUSG should help resolve many of the issues.

### 8.2.4.3 Components III-V

#### 8.2.4.3.1 Component III: Regional development

**Tables 7: Status of implementation of IPA financial assistance (Component III) as at 31st December 2009 (in million EUR) and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Paid	RAL	% Paid
<b>IPA 2007-2008-2009</b>	<b>524.00</b>	<b>157.20</b>	<b>366.80</b>	<b>30.00%</b>

Priority Axes	% of 2007-2009 allocations
Transport	34.29%
Environment	38.95%
Regional Competitiveness	26.76%
<b>TOTAL</b>	<b>100.00%</b>

After the signature of the financing agreements for the three operational programmes in September and November 2009, pre-financing was paid and implementation could formally take off. The relevant Ministries designated as operating structures prepared a pipeline of projects through launching calls for applications that were later approved by the Commission. The response in all three operational programmes was massive. For instance, under the Regional competitiveness operational programme, 532 applications amounting to EUR 1.3 billion in total were received, compared to ‘only’ EUR 76 million allocated for this package (of which EUR 57 million from IPA). Subsequently 42 projects were selected to be prepared for EU assistance, however only few contracts could be signed before the end of 2009.

Under the transport operational programme a first major rail project (*Ankara Istanbul High Speed train – Köseköy/Gebze section* project) of EUR 160 million was approved by the Commission in December 2009 and project implementation could start after the reporting period. Under the environment operational programme the *Ordu wastewater treatment plant* project was approved by the Commission in April 2009 and the bilateral project agreement was signed in November 2009, with implementation starting thereafter. There was a growing concern about delays in preparation and publication of tender documents which was critical for a smooth implementation of projects and absorption of funds.

#### 8.2.4.3.2 Component IV: Human Resources Development

**Tables 8: Status of implementation of IPA financial assistance (Component IV) as at 31st December 2009 (in million EUR) and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Paid	RAL	% Paid
<b>IPA 2007-2008-2009</b>	<b>158.70</b>	<b>47.61</b>	<b>111.09</b>	<b>30.00%</b>

Priority Axes	% of 2007-2009 allocations
Employment	44.00%
Education	19.29%
Adaptability	10.71%
Social inclusion	20.00%
Technical assistance	6.00%
<b>TOTAL</b>	<b>100.00%</b>

The Ministry of Labour and Social Security, appointed as the operating structure for the Human Resources Development operational programme, launched the first operations in early

2009, including the publication of three calls for proposals in February and two more in June. As an example, one call for proposals launched on 19 June aimed at improving access for girls to secondary education and Vocational Education and Training (VET), and increasing awareness about the importance of girls' education.

A large number of applications, almost 3 600 for the five calls for proposals together, were received by the corresponding deadlines (between May and October 2009). It represented a challenge for the Turkish authorities to accomplish a smooth management of the evaluation processes of the calls. No contracts were signed by the end of 2009.

#### 8.2.4.3.3 Component V: Rural Development

**Tables 9: Status of implementation of IPA financial assistance (Component V) as at 31st December 2009 (in million EUR) and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Paid	RAL	% Paid
IPA 2007-2008-2009	159.20	0.00	159.20	0.00%

Priority Axes	% of overall 2007-2009 allocations
Improving market efficiency	73.00%
Preparation of agri-environmental measures and local rural development strategies	0.00%
Development of rural economy	25.00%
Technical Assistance	2.00%
<b>TOTAL</b>	<b>100.00%</b>

Programme implementation under the rural development component could not start in 2009 due to the delays in national accreditation of the necessary structures. Therefore, no funds were spent under this component by the end of 2009. However, the Commission put a lot of effort to support the Turkish authorities through a number of counselling and clarification meetings organised on various levels and provision of financial assistance for capacity building projects within the scope of IPA component I. A number of fact-finding audit missions were also organised in order to periodically assess the level of preparation of the Turkish authorities.

### 8.3. Coherence, compatibility and coordination of aid

With a number of different donors present in Turkey, efficient donor coordination and cooperation is important to make best use of limited resources, create synergies, and avoid overlapping of assistance. There are good examples of coordination of EU pre-accession assistance programmes in 2009, notably with various United Nations organisations and the Council of Europe that are currently implementing several EU funded projects in Turkey through direct agreements. As regards cooperation with IFIs present in Turkey (the World Bank, the Islamic Development Bank, KfW, the EIB and, since recently, also the EBRD) and EU Member States, there was a high level of information sharing between donors, but few concrete examples of joint cooperation programmes/projects until the end of 2009.

Since the introduction of IPA in 2007, consultation mechanisms of strategic documents (such as the MIPD) and programming documents (such as project lists and national programmes) have been strengthened and enhanced, among other things by including EU Member States, local offices of IFIs and civil society representatives in consultations conducted by the EU Delegation. However, in concrete terms by the end of the reporting period there were only

limited results, with few substantial comments received through the various consultations conducted. Further efforts are needed to improve the ownership on the Turkish side, where the key institutions have so far not shown sufficient commitment to take over the coordination initiatives launched by the EU Delegation. With additional initiatives in this area planned by the Commission, improvements in the cooperation mechanisms are expected for 2010.

High-level conferences related to pre-accession assistance were held in Tirana in April 2009 and in Brussels in October 2009, where the Commission and EU Member States, together with IFIs and non-EU donors, agreed on an active and affirmative approach concerning the need for enhanced donor coordination and more effective management of funds. For the future, these initiatives will contribute to make aid and assistance to Turkey more coherent. This aim is also concretely followed up at the level of each project intervention programmed, where compatibility with linked activities by the Commission, other donors and IFIs is screened.

#### **8.4. Monitoring**

Due to IPA implementation having only just begun in 2009, monitoring was only gradually receiving a higher level of attention. Discussions in monitoring committees were still focused on programming related issues and the setting up of adequate management and control systems, with only limited scope for discussions on on-spot monitoring of ongoing projects. This is expected to change in the coming years as more projects get under way.

The IPA Monitoring Committee for all five components took place on 16 October 2009 in Ankara, discussing progress and concerns in implementation. The Commission raised its concerns about the delayed accreditation process for the Rural Development programme and it was agreed that all efforts should now be pooled to achieve rapid progress and possibly catch up with some of the delays. The Annual Implementation Report of the IPA assistance under 2008 submitted by Turkey was approved by the Commission on that occasion, even though it was recognised that it was still rather descriptive and not yet a fully appropriate monitoring tool identifying key weaknesses and proposing corrective actions.

Sector Monitoring Sub-Committees (SMSCs) for Component I were held in 2009 for the following sectors: Civil Society Dialogue, Public Finance, Statistics & Accession Process Support, Cross Border Cooperation, Human Resources Development, Internal Market, Customs Union, Energy, Rural Development, Regional Development & Transport, Environment, Justice, Liberty and Security and Political Criteria. Plans exist for future SMSCs to better link sector policy priorities to concrete project discussion, thereby establishing closer linkages between the progress of projects and higher-level strategic considerations within a certain sector. Furthermore, a better and more active involvement of beneficiaries in the monitoring discussions remains desirable.

Transition Assistance and Institutional Building Sectoral Committees were held on 28 January and 16 October 2009, combined with the meetings concerning the programme financing Turkey's participation to the ENPI Black Sea basin programme under Component II. The January Committee agreed that the monitoring system should be strengthened through the introduction of results oriented monitoring (ROM)<sup>97</sup> to assist in particular the EUSG, but also the CFCU in carrying out monitoring of the intensity needed. The October Committee referred positively to the new law on EUSG adopted in July 2009 as providing the basis for

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<sup>97</sup> ROM is based on regular on-site assessments by independent experts of ongoing projects and programmes which are methodologically appraised against the criteria: relevance, efficiency, effectiveness, potential impact and likely sustainability.

increasing its staffing levels, and the Commission expressed its optimism for improved performance both as regarded programming and monitoring under IPA Component I. A more strategic programming approach through the establishment of sectoral working groups was proposed by the Commission. Despite signs of improvements, the Commission underlined that the Turkish institutions should step up their monitoring efforts. This could partly be achieved through increased staffing at the EUSG as planned for 2010, but also through simplified Monitoring Report templates to be provided by the Commission.

No IPA Joint Monitoring Committee on Bulgaria-Turkey IPA CBC Programme under Component II was held in 2009, but a technical meeting took place on 20 February 2009 where the transfer of management responsibility from the Turkish International Cooperation and Development Agency (TIKA) to the EUSG was discussed.

The IPA Regional Development (Component III) Sectoral Committees for the operational programmes were organised as follows for the three operational programmes: on Environment on 22 January and 20 November 2009, on Transport on 21 January and 20 November 2009, and on Regional Competitiveness on 22 January and 19 November 2009.

As no actual implementation on the ground had taken place in 2009 the Sectoral Monitoring Committees (SMCs) under Component III discussed the state of play of the preparations for programme implementation, adoption of the decision on conferral of management powers, signature of Financing Agreements and capacity building in the Operating Structures. Furthermore, the SMCs discussed and approved the work plans, technical assistance plans and monitoring tools, as well as the Annual Implementation Report for 2008 for each of the programmes. The committees were informed on and discussed the on-going preparations of projects and IPA payment forecasts, as well as the “n+3” risks<sup>98</sup> associated with the delays with the preparation and publication of tender documents under each operational programme.

Human Resource Development (Component IV) Sectoral Committees were held on 29 June and 23 November 2009. Among other things, the Committee was informed about, and commented upon, implementation issues and the completion of the legal requirements for the implementation of the operational programme, and approved the mandate for the evaluation sub-committee. It was also informed about other issues such as the identification of new operations implementing the programme and future actions envisaged for 2010, such as the revision of the operational programme and its mid-term (interim) evaluation.

Rural Development Sectoral Committees (Component V) were held on 11 June and 3 December 2009. The Rules of procedure for the work of the Committee were officially approved in June. They were designed to ensure active involvement of Turkish NGOs in the process of monitoring programme implementation, by foreseeing that governmental and non-governmental members of the Committee are equally represented. In the June Monitoring Committee meeting the second proposal for a modification of the IPA Rural Development programme, adding another financial year but without changing the programme objectives, was also discussed and approved. In the December meeting a Communication and Publicity Action Plan and a Technical Assistance Action Plan were approved.

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<sup>98</sup> That is, risks associated with the “n+3” budgetary rule, as foreseen by Art. 166 (3)(a) of Regulation (EC, Euratom) No 1605/2002 of 25 June 2002.

## **PART II: MULTI-BENEFICIARY AND REGIONAL PROGRAMMES**

### **9. MULTI-BENEFICIARY**

#### **9.1. The year in review**

In 2009 the Western Balkans have moved closer to EU membership, as the region made progress, albeit unevenly, in reforms and in meeting established criteria and conditions.

A thorough assessment of each Beneficiary's progress in implementing the obligations under the Stabilisation and Association Agreements, including trade-related provisions, remains part and parcel of the careful steering process of candidate countries and potential candidates towards the EU. Each beneficiary's commitment to regional cooperation initiatives and its relations with other enlargement countries is also being assessed in the regular Progress Reports.

During the reporting period, the rule of law, in particular the fight against corruption and organised crime, remained a problem throughout the region. Law enforcement agencies will have to become more effective and work together in order to tackle the problems caused by international criminal organisations operating cross-borders. In its Enlargement Strategy and Progress Reports for 2009 the Commission pinpointed these challenges and the needs that will have to be addressed in the near future and the Multi-beneficiary programme for 2010 was accordingly drafted to match these requirements.

The global economic crisis has affected the economies of the Western Balkans and Turkey to a different degree but a number of features are common to all: economic activity has contracted; unemployment is growing and the fiscal position is deteriorating in all beneficiaries.

Regional cooperation in South–East Europe made important progress in 2009, in particular in the areas of energy and transport and cooperation in public administration reform. At the same time, IPA beneficiaries have assumed greater ownership of the process for further development of regional cooperation, also through greater involvement in the planning and programming of the IPA multi-beneficiary programmes.

However, more efforts are needed to improve the efficiency of regional structures and initiatives and to overcome bilateral disputes and disagreements, inter alia relating to Kosovo<sup>99</sup>. The Regional Cooperation Council needs further strengthening to build up its strategic role. Regional trade should strive to develop its full potential for economic development and to address the economic crisis. It should also be seen as a means for reconciliation in the Western Balkans.

#### **9.2. IPA programming and implementation in 2009**

##### **9.2.1. MIPD 2009-2011**

The Multi-beneficiary Multi-annual Indicative Planning Document (MIPD) 2009-2011<sup>100</sup> provides the strategic three-year plan for programming of the assistance to candidate countries and potential candidates through regional and horizontal projects:

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<sup>99</sup> Under UNSCR 1244/99.

<sup>100</sup> C(2009)4518, 16 June 2009.

- Regional projects aim at facilitating regional cooperation between the IPA beneficiaries. These projects endeavour to promote reconciliation, reconstruction and political cooperation.
- Horizontal projects address common needs across several IPA beneficiaries and seek to attain efficiencies and economies of scale in implementation.

The strategic choices under the 2009-2011 Multi-Beneficiary MIPD are addressed under the following five axes: 1.) *Political criteria*, where assistance focuses on Democracy and the Rule of Law, Human Rights and the Protection of Minorities, Regional Issues and International Obligations, Interim Civilian Administration and Civil Society Dialogue and Development; 2.) *Economic criteria*, where assistance focuses on Competitiveness of the Economies, Cooperation with International Financial Institutions and Education and Youth; 3.) *Ability to assume the obligations of EU membership*, where assistance focuses on the Free movement of goods, Intellectual and Industrial Property rights, Veterinary policy, Transport policy, Energy, Customs and Taxation, Statistics, Environment, TAIEX and Nuclear Safety and Radiation Protection; 4.) *Information and communication*; 5.) *Support Activities*, such as Audit, Monitoring and Evaluation as well as Project Preparation.

In particular the main new features in the Multi-Beneficiary MIPD 2009-2011 with regards to the previous adopted Multi-Beneficiary MIPD 2008-2010 are: Public finance management and public procurement, Regional Cooperation Initiatives, Participation of the relevant IPA countries in the Barcelona Process-Mediterranean Union, Competitiveness of the economies, and the Regional Environmental Network for Accession (RENA). As a result of the consultations with the different stakeholders, the Beneficiaries in particular, Energy has also been chosen as a prominent priority area in the MIPD.

The strategic choices within the scope of the 2009-2011 Multi-Beneficiary MIPD have been made based on the agreed principles of assistance under IPA, on guidance provided in the EU strategic documents, lessons learned from the programming and implementation of previous EU assistance and findings from consultations with, amongst others, the IPA beneficiaries, International Financial Institutions, the Regional Cooperation Council and other regional initiatives, Civil Society Organisations, EU Member States and Commission services.

The preparatory steps for the adoption of the Multi-beneficiary MIPD 2009-2011 were initiated long before 2009, when extensive written consultations and/or discussions at meetings with the different stakeholders took place.

The Multi-beneficiary MIPD 2009-2011 was approved by the IPA Committee on 26 May 2009 and adopted on 16 June 2009.

**Table 1: MIFF<sup>101</sup> allocations (Component I only), in million EUR<sup>102</sup>**

<b>Component</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2009-2011</b>
I. Transition Assistance and Institution Building	160.0	157.7	160.8	478.5
<b>TOTAL</b>	<b>160.0</b>	<b>157.7</b>	<b>160.8</b>	<b>478.5</b>

<sup>101</sup> Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2010-2012', COM(2008)705 of 5 November 2008.

<sup>102</sup> These indicative figures from the 2010-2012 MIFF differ from those in the main report following additional funds becoming available from the support expenditure envelope. See also footnote 105.

In order to comply with the annual revision of the multi-annual indicative planning documents, an assessment of the Multi-beneficiary MIPD 2009-2011 was carried out at the end of 2009 with the objective to check its validity in light of developments in the region and main challenges ahead. It was concluded that the scope, overall objectives and strategic choices of the 2009-2011 MIPD remained valid also for 2010. All stakeholders, including the donors' community were informed about the process and conclusions of this assessment and agreed that a revision of the MIPD was not required at this stage.

The assessment of the 2009-2011 Multi-beneficiary MIPD constituted a stepping stone toward an in-depth and comprehensive revision of the strategy in the 2011-2013 Multi-beneficiary MIPD for which a thorough planning and participatory consultation process with all stakeholders started in 2009. To this end, a number of Working Groups were set up to provide a framework for discussions with beneficiaries, donors, civil society and other stakeholders, analysing in particular the needs for regional cooperation.

Discussions in those Working Groups provided valuable contributions to the development of specific sector plans that will in turn feed into the draft MIPD for 2011-2013. This process should allow better tailoring of the new Multi-beneficiary strategy according to the needs of the beneficiaries in the region while at the same time enhancing ownership of the programme and complementarity of regional and horizontal programmes with national strategies.

### 9.2.2. Programming exercise

**Table 2: Indicative financial allocation for the year (Component I only), in million EUR**

<b>MULTI-BENEFICIARY</b>	<b>2009</b>
<b>I Transition Assistance and Institution Building</b>	<b>247.92<sup>103</sup></b>
Of which:	
Multi-Beneficiary Programme I	19.30
Multi-Beneficiary Programme II	168.50
Support to the operational budget of the Office of the High Representative (OHR) in Bosnia and Herzegovina	5.93
Tempus	15.55
Nuclear safety and radiation protection	8.50
Contribution to the Energy Community budget	2.94
TAIEX	9.00
Information and Communication	9.00
Monitoring	6.00
Evaluation and Audit	3.20
<b>TOTAL</b>	<b>247.92</b>

In designing the 2009 IPA Multi-beneficiary programme, particular note was taken of the results of projects programmed in previous years and lessons learned from experience in the implementation of previous projects in the specific areas. Among them: (i) the success of a programme/project depends to a large extent on its beneficiaries' sense of ownership over and involvement in it; (ii) a needs-driven approach is essential in order to achieve effectiveness for an action; (iii) in order to be secured for the "after implementation" stage, sustainability is to be thoroughly considered from the "planning" stage; (iv) good communication and coordination among all key stakeholders are crucial for any programme/project's success; therefore proper communication "protocols"/"procedures" are to be established from the very

<sup>103</sup> This amount includes national funds for Tempus, Nuclear safety and radiation protection and the crisis package for Turkey, as well as the use of carried over assigned revenues. This explains the difference between the figures here and those in the main report. Note that the amounts for Tempus and Nuclear Safety are also included in each country table 2.

beginning and complied with throughout the process and proper coordination mechanisms/structures are to be in place.

An IPA Multi-beneficiary Coordination meeting with the Beneficiaries was organised in Brussels on 15-16 January 2009 with the objective to discuss the IPA Multi-Beneficiary 2009 programming, including the IPA response to the financial crisis, the Civil Society Facility, and the Nuclear Safety Programme, as well as to discuss regional cooperation in general. The participants gave feedback on the proposed project ideas.

Furthermore, in the management of previous and ongoing IPA Multi-beneficiary, CARDS Regional and PHARE Multi-Country projects and programmes, a number of lessons have emerged through project monitoring and evaluation reports, as well as from the evaluation report on the implementation of CARDS assistance to the Western Balkans<sup>104</sup>, which are applicable to the Multi-beneficiary programme. By involving the beneficiaries and the Regional Cooperation Council in the initial project conception phase of the programming cycle through – primarily - the IPA Multi-beneficiary coordination meetings, which are held approximately three times a year, as well as by informing them on the outcomes of each step in the programming cycle, ownership of the Multi-beneficiary programme has improved considerably compared to, for example, the CARDS programme. Such involvement affords beneficiaries the opportunity to judge their absorption capacity for each project as well as to evaluate how each project would fit into the national plans.

In order to avoid duplications and ensure complementarities, close coordination with other donors, in particular EU Member States, was undertaken during the programming phase of the 2009 Multi-beneficiary programme through early consultation on the first project ideas. In addition, the IPA National Programmes were carefully assessed.

The 2010 programming exercise was initiated by mid 2009. An IPA Multi-beneficiary Coordination meeting with the Beneficiaries was organised in Zagreb on 9-10 June 2009 with the objective to discuss the preliminary project ideas for the IPA Multi-Beneficiary Programme 2010. A Multi-beneficiary Donor Coordination Meeting took place on 2 July 2009 with the same purpose, in order to ensure synergies and avoid overlaps. Consultation with Civil Society Organisations and IFIs took place as well.

Commitment by the Beneficiaries to make the necessary resources available, cooperate closely and share knowledge as well as experiences are essential to the success of the projects included under the Multi-beneficiary programme.

**TABLE 3: Indicative financial allocations for the year 2009 under Multi-Beneficiary (regional and horizontal) programmes, per priority axis and per project, in million EUR**

Priority Axis	Projects	Budget
<b>Political Criteria</b>		<b>33.33</b>
	Support to the operational budget of the Office of the High Representative (OHR) in Bosnia and Herzegovina	5.93
	MBP 1– PF1-Refugee return and provision of durable solutions for refugees and Internally Displaced Persons in the Western Balkans	1.00
	MBP1 -PF2 - Training in Public Procurement in the Western Balkans	4.00

<sup>104</sup> Ad-hoc evaluation of the CARDS regional programmes in the Western Balkans, Final report, December 2008.

	and Turkey	
	MBP 1 - PF3 - Regional School of Public Administration	4.40
	MBP 1 - PF4 - Civil Protection Cooperation	4.00
	MBP 2 - PF 1: Cooperation in Criminal Justice: Witness Protection in the Fight against Serious Crime and Terrorism (WINPRO)	4.00
	MBP 2 - PF 2: Civil Society Facility: Partnership Actions	10.00
<b>Economic Criteria</b>		<b>159.70</b>
	MBP 2 - PF 3: Regional Entrepreneurial Learning Centre	1.70
	MBP 2 - PF 4: Regional Programme on Trade and Investment in the Western Balkans	0.50
	MBP 2 - PF 5: Crisis Response Package	120.45
	MBP 2 - PF 6: Erasmus Mundus Action 1: Western Balkans - Turkey Windows	8.00
	MBP 2 - PF 7: Erasmus Mundus Action 2: Partnerships Lot - Western Balkans	12.00
	MBP 2 - PF 8: Youth in Action	1.50
	Tempus	15.55
<b>Assumption of the obligations of membership</b>		<b>35.69</b>
	MBP1 - PF5 - Regional Environmental Network for Accession	5.90
	MBP 2 -PF 9: Regional Blueprints Exercise on Customs and Taxation	1.45
	MBP 2 -PF 10: Taxation and Customs IT interconnectivity and operational capacity	0.50
	MBP 2 -PF 11: Statistical Cooperation	5.40
	MBP 2 -PF 12: Migration and socio-economic development in the Western Balkans	2.00
	Nuclear Safety	8.50
	Energy Community	2.94
	TAIEX	9.00
<b>Information and communication</b>		<b>9.00</b>
	Information and Communication	9.00
<b>Support activities</b>		<b>10.20</b>
	Monitoring	6.00
	MBP 2 - PF 13: Project Preparation Facility	1.00
	Audit and Evaluation	3.20
<b>TOTAL</b>		<b>247.92</b>

The table above reflects consistency on the distribution of the Multi-beneficiary assistance by the different areas of intervention as indicated in the Multi-beneficiary MIPD 2009-2011, where a predominant focus was given to the area of “*addressing the economic criteria*”. During the 2009 programming and due to the global economic crisis affecting also the economies of the Western Balkans and Turkey, more emphasis was put to help Beneficiaries tackle its effects, notably through the adoption of a comprehensive crisis response package. In accordance with the 2008 Enlargement package, regional cooperation, the rule of law, as well as actions under the Civil Society Facility have also been addressed under the 2009 programming.

During 2009 discussions took place on the need to revise the approach to planning and programming of IPA assistance, i.e. to move from a project-based to a sector- or programme-based approach. This approach, which is to be implemented in the 2011-13 MIPDs, is also applicable to the programming of IPA Multi-beneficiary assistance.

### 9.2.3. Implementation Modalities and Structures

Assistance under the IPA Multi-beneficiary programmes in 2009 was implemented: i) partly on a centralised basis by the Commission, and ii) partly in joint management with International Organisations based on Article 53a and d of the Financial Regulation, in accordance with the following distribution:

i) Support to the operational budget of the Office of the High Representative (OHR) in Bosnia and Herzegovina, MBP 1 2009 (except for PF1- refugee return), MBP 2 2009 (except for some components of PF 5- Crisis Response Package), Tempus 2009, Nuclear Safety 2009, Contribution to the Energy Community budget 2009, TAIEX 2009, Information and Communication 2009, Monitoring and Audit and Evaluation 2009;

ii) MBP 1 2009 for PF1- refugee return which is implemented by the Commission in joint management with the United Nations High Commissioner for Refugees (UNHCR); MBP 2 2009 for some components of PF 5- Crisis Response Package which are implemented by the Commission in joint management with the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the European Central Bank (ECB) and the OECD.

### 9.2.4. Overview of IPA projects/contracts implemented in 2009

In 2009 special efforts were made to mitigate the impact of the economic crisis in the Western Balkans and Turkey by channelling a substantial amount of assistance to the real economy via fast track implementation. As regards IPA 2009 allocations an important part of the funds, mostly related to the IPA Crisis Response Package and Municipal Investments, including commitments to programming and implementing large components of annual IPA allocations (e.g. Albania, Kosovo, Turkey) were contracted in at the end of 2009, long before the contracting deadlines, in order to speed up implementation.

The fact that the main part of the 2009 programming (in financial terms) was adopted already by mid 2009 has allowed for higher contracting rates than those achieved during 2008, as the programme was only adopted at the end of December.

**Tables 4: Status of implementation of IPA financial assistance (Component I) as at 31st December 2009 (in million EUR) per annual programme and distribution of total committed funds (2007-2009 allocations) by priority axes**

	Committed	Contracted	RAC <sup>105</sup>	% Contracted	Paid	RAL <sup>106</sup>	% Paid
<b>IPA 2007</b>	153.42	119.85	33.57	<b>78.12%</b>	98.32	55.10	<b>64.09%</b>
<b>IPA 2008</b>	196.54	164.79	31.75	<b>83.85%</b>	67.08	129.46	<b>34.13%</b>
<b>IPA 2009</b>	247.92	136.86	111.06	<b>55.20%</b>	96.14	151.78	<b>38.78%</b>
<b>TOTAL</b>	<b>597.88</b>	<b>421.50</b>	<b>176.38</b>	<b>70.50%</b>	<b>261.54</b>	<b>336.34</b>	<b>43.74%</b>

Priority Axes	% of 2007-2009 allocations
Political criteria	5.19%
Civil Society	4.68%
Support to interim civilian administration	6.63%

<sup>105</sup> Remains to be contracted (*Reste à Contracter*).

<sup>106</sup> Remains to be paid (*Reste à Liquider*).

Economic criteria	36.55%
Ability to assume membership obligations	7.99%
Regional support programmes	3.14%
TAIEX/SIGMA	6.97%
TEMPUS/Education/Youth	17.11%
Communication	3.90%
Nuclear Safety	3.94%
Technical support, monitoring, audit and evaluation	3.90%
<b>TOTAL</b>	<b>100.00%</b>

Multi-beneficiary programmes provide assistance only to actions under Component I - Transition Assistance and Institution Building.

Sectors/projects with positive results that could be considered as “success stories” are the following:

*Regional Cooperation Council (RCC):* Over the past two years the RCC has become the principal institution promoting regional co-operation in South East Europe, taking over successfully from the Stability Pact. After having established its Secretariat and becoming fully operational it is now working towards fulfilling its strategic role in the region, by ensuring clear and tangible results. The RCC has concentrated its work on six priority areas: economic and social development, energy and infrastructure, justice and home affairs, security cooperation, building human capital and parliamentary cooperation as an overarching theme.

The Commission is a member of the RCC and its Board, provides financial support for the Secretariat and is continuing to finance some of the initiatives established under the Stability Pact. The RCC Secretariat was set up in January 2008 and was fully functioning in May 2008. The EU has been contributing to the operating costs of the RCC since its inception, by means of two contracts, each worth EUR 1.5 million for the first three years of operation, up to December 2010, and will continue to do so for three more years.

During 2009, intensive consultations between the Commission and the Swedish Presidency of the Council took place to discuss the future strategic positioning of the RCC. As a result, the RCC, assisted by the Commission, has prepared its Strategic Programme for 2011-13. It will focus on analysing needs for regional cooperation in the Western Balkans, identifying gaps and overlaps and taking initiatives to address them effectively and efficiently. The RCC has also been involved during 2009 in the IPA Multi-beneficiary programming for both 2009 and 2010, to ensure that IPA priorities correspond to regional priorities and needs. During the RCC Financial Sub-Committee on 13 October 2009, Board Members discussed the issue of future financial support to the RCC Secretariat activities in the period 2011-2013.

*The Regional School of Public Administration (ReSPA):* The signing of the International Agreement which provides for the establishment of the Regional School of Public Administration in Montenegro was initiated on 21 November 2008 in Podgorica. It shall enter into force when five of the seven signatories have deposited their instruments of ratification, acceptance or approval with the Depositary, in this case, the government of Montenegro. By the end of 2009, four of the ReSPA members had ratified the International Agreement, namely Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia and Montenegro.

The Commission cooperated with the Organisation for Economic Cooperation and Development (OECD) on implementing the ReSPA project until the beginning of 2009 with a

view to strengthening the capacities of the institution and organising the training programme. At the beginning of 2009, this role of technical support was passed on to the European Institute of Public Administration (EIPA), whose mandate is to ensure the delivery of 2500 training participant days annually. A service contract was signed with EIPA on December 2008, starting implementation on January 2009 to this effect for a budget of EUR 2 million.

ReSPA remains a solid example of action towards real regional cooperation and its main impact so far was the determination and strong political commitment of all partners to push the project towards concretisation. Up to 2009 ReSPA has been working as a virtual school providing professional training in liaison with the National Schools and Agencies in order to develop coherent and complementary actions for upgrading the professionalism of the civil service and promoting European integration around the region and in the EU for an ever growing number of beneficiaries. By the end of 2009 the project had reached a cruise speed, starting with around 700 participant days per year and providing at the end of 2009 up to no less than 2 500 participant days annually. Another unplanned positive effect was the direct leverage impact on the development of the town of Danilovgrad, where ReSPA is located: as such, ReSPA should also be highlighted as best practice of synergy between a project with a regional scope and the territorial development strategy of a local community.

*Fight against organized crime:* The IPA 2008 grant contract "Police Cooperation: Fight against Organised Crime, in particular Illicit Drug Trafficking and the Prevention of Terrorism" was signed in December 2009, to start implementation in 2010. The project will not only contribute to foster police cooperation in the Western Balkans and strengthen the established International Law Enforcement Coordination Units, but will also assess the requirements to set up an International Law Enforcement Coordination Units in Kosovo and Turkey.

*Civil Society Facility (CSF):* The CSF was established in 2008 as a single facility for the benefit of all candidate countries and potential candidates, financed both from the IPA Multi-beneficiary programme and the national/annual IPA programmes. The objectives of the CSF are to strengthen civil society bodies and their role in the political process, enhance the capacity of local Civil Society Organisations (CSOs) for civic mobilisation and encourage networking, promote cooperation and the transfer of know-how between business, trade union and professional organisations in partner countries and corresponding EU level organisations.

Technical assistance under the Multi-beneficiary IPA programme was established in mid-2009, organising training events and ad hoc advisory services to locally established technical assistance desks in each country. Also known as TACSO, the project has developed a website ([www.tacso.org](http://www.tacso.org)) which acts as a coordination and information-sharing mechanism. TACSO has undertaken needs assessments for all countries and at regional level to identify the requirements of civil society and the local legal and financial environment. In addition, Local Advisory Groups have been established, consisting of representatives from EU Delegations, national government, civil society and other donors in order to discuss the needs and strategic issues for civil society. Since they are in a better position to give CSF support, they will identify and select projects at the local level.

Also under the CSF, "People to People" (P2P) projects started in 2008, initially financed through TAIEX, 10 events being organised that year. In 2009, 714 CSO representatives and 253 speakers participated in 19 P2P events. The response from participants at study tours has been overwhelmingly positive. Participants regularly stated that study tours helped them see the human face of the EU institutions. They also gained valuable knowledge about policies

and programmes and made very useful contacts. The CSF and in particular TACSO are presented at every P2P event.

Extensive consultation with civil society and assistance to CSOs is also being provided for in many of the national programmes. Civil society support also forms part of local donor coordination agendas. As donors (EU Member States as well as others) are progressively ending their support to the IPA countries, they are anxious to ensure that civil society continues to receive adequate and relevant support.

Partnership actions carried out between beneficiary CSOs and the EU led to a transfer of knowledge and networks as well as trans-national innovative projects. Under IPA 2008 support for these activities totaled EUR 4.5 million and focused on i) environment, energy efficiency, health and safety at work; ii) fight against corruption, organised crime and trafficking. Calls for proposals for both i) and ii) were launched during 2009 and grant contracts were signed at the end of 2009. In addition, iii) EUR 0.3 million were transferred to DG Environment (by sub-delegation) to support the Environment Forum and ensure exchange of good practice between EU and environmental NGOs in the IPA beneficiaries and alignment to the EU *acquis* in the sector. Under IPA 2009, a new programme was adopted including activities focused on the following sector priorities: socio-economic partners, minorities and vulnerable group organisations and cultural organisations.

*Western Balkan Investment Framework:* An effective and well co-ordinated co-operation with International Financial Institutions (IFIs) is politically important for the enlargement region with high investment needs and limited grant resources from the IPA budget. The main IFI partners of the Commission (largest programmes co-financed) are the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Council of Europe Development Bank (CEB) (altogether "European IFIs"). Together with EU Member States and the Commission those European IFIs have joined forces to establish the "Western Balkans Investment Framework", a single entry point for countries of the Western Balkans for their funding requests in support of infrastructure investments. In this framework, grant sources from the Commission (IPA- EUR 110 million), European IFIs (EUR 30 million) and EU Member States (more than EUR 20 million) are pooled to co-finance infrastructure investments along with loans from other IFIs (minimum EUR 2 billion expected). The main benefits of the Western Balkans Investment Framework are: (1) increased ownership by beneficiaries, due to the endorsement of projects requesting a grant by National IPA co-ordinators, ensuring a better alignment with national/regional priorities; (2) improved donor co-ordination with multiple IFIs co-financing the same project, gradually aligning respective procedures; (3) leverage of grants with IFI loans. The Western Balkans Investment Framework was officially launched on 8/9 December 2009.

In addition to the success stories mentioned above, the core of activities under the IPA Multi-beneficiary assistance which took place during 2009 are identified below, grouped by priority axis:

#### *9.2.4.1 Addressing the Political Criteria*

##### Refugee return

Actions in this field aim at facilitating voluntary repatriation and reintegration including local integration for the remaining persons in displacement. Activities are implemented under the Regional Programme for refugee return and provision of durable solutions for refugees and Internally Displaced Persons in the Western Balkans:

- IPA 2008: a contribution agreement with the UNHCR for EUR 1 million, signed on September 2008, was under implementation during 2009. From a cumulative and consolidated regional perspective, of the overall target group in Bosnia and Herzegovina, Croatia, Montenegro, Serbia and Kosovo, since the start of the project and up to 2009, 2339 refugees and 12560 returnees were provided with legal counselling, 552 individuals were given repatriation assistance and 365 individuals benefited from local integration assistance. This programme ended on 30 June 2009.

- IPA 2009: As a follow-up to the abovementioned agreement, another contribution agreement was signed with the UNHCR for EUR 1 million. Implementation of this agreement began on 1 July 2009, for a period of 12 months. During the reporting period the project was being implemented as planned.

Concrete results achieved during 2009 include the following:

i) the UNHCR provided extensive support to the Government of Serbia in the planning of a regional conference on durable solutions, which had been proposed by the Serbian Government during the High Commissioner visit in August 2009. In particular, the UNHCR supported the Serbian government in the organization of a regional expert-group meeting that took place in Belgrade in December 2009, with a view to prepare the grounds of the regional conference. In addition, UNHCR Representatives in all countries of the region undertook several follow up meetings, with both the government and other international organizations as well as within the UNHCR, in order to ensure an effective organization of the regional conference; ii) in November 2009, President Mesic of Croatia visited four returnee families in the Sisak-Moslavina and Karlovac counties. The visit was a follow-up to the conference on “*Refugee Protection and Humanitarian Work in Croatia in the past 18 years – Achievements and Challenges*” which the UNHCR hosted to mark the 2009 World Refugee Day. A round table with the President and his advisors was organized for returnees, local officials and NGOs from Croatia and neighbouring countries (NGOs from Bosnia and Herzegovina and Serbia participated); iii) in December 2009, the UNHCR in Croatia organized a regional NGO roundtable for legal aid providers; iv) the UNHCR in Serbia participated, together with other governmental, non-governmental and international actors, to a Government organized retreat to revise the “National Strategy for Resolving Problems of Refugees and IDPs”; v) individual repatriation assistance or preparation for repatriation was provided on a needs-basis to returnees to Croatia and Bosnia and Herzegovina from Montenegro, Serbia and Bosnia and Herzegovina and Croatia, respectively; vi) the production of new relevant TV documentaries in collaboration with the film-team and local counterparts in Serbia, Croatia and Kosovo continued, and regular broadcasting of these documentaries on public service televisions RTS and RTV took place on a weekly basis.

### Social Inclusion

Under IPA, the project *Regional support to marginalised communities* has been under implementation since 1 August 2009, as a follow-up to a CARDS project completed on 31 July 2009. The overall project purpose is to contribute to increased legal and social inclusion of marginalised communities and facilitate their full enjoyment of citizenship rights in the Western Balkans. In 2009 the project was being implemented as planned. With respect to all the countries, issues of Roma inclusion, obstacles to civil registration, necessary amendments to laws and accession to relevant international instruments have been brought to the attention of governmental representatives and other counterparts, in regular exchanges and at various occasions, including through specific letters directed to responsible policy makers in these areas. Continuous provision of legal advice and legal assistance to individuals has been

provided by the UNHCR's legal aid partners in all project countries, facilitating civil registration and the acquisition of documents necessary for access to basic rights. Several events and public information activities have been successfully developed during 2009.

#### Social Security Coordination

The project *Regional Programme for Social Security Coordination and Social Security Reforms in South-East Europe* has progressed according to schedule in 2009 in all the areas targeted. Its purpose is to tackle discrimination and the difficulties faced by vulnerable groups when trying to access the labour market and facilitate economic integration in the Beneficiaries. Several activities have taken place, including national training events and experts meeting and study visits. Thanks to and as a result of activities under the project, some Beneficiary parties have also identified shortcomings, notably in their existing bilateral agreements with other countries of the region and have requested the assistance of the Secretariat in order to draft new agreements.

#### Participation of the Western Balkans and Turkey in the Union for the Mediterranean

In 2009, a new programme was set up to support the involvement of Albania, Bosnia and Herzegovina, Croatia, Montenegro and Turkey in the Union for the Mediterranean, and in particular in Euro-Mediterranean events (institutional dialogue) as well as in a number of flagship projects, such as: the Horizon 2020 initiative (environmental protection of the Mediterranean); the Programme of Prevention, Reduction and management of the Disasters of natural and human origin in the Mediterranean region (PPRD); the Regional Transport Action Plan (RTAP) and other transport-related initiatives, e.g. Safemed and Motorways of the Sea. A budget of EUR 3.2 million has been earmarked for this programme, the management of which has been cross-delegated to the EuropeAid Cooperation Office.

Public Administration (The Regional School for Public Administration (ReSPA) – see details on success stories above.

#### Public Administration (Training in Public Procurement)

In 2009, a new project (part of the Multi-beneficiary Programme I 2009) was adopted, aiming to develop a sustainable procurement training strategy at regional and national levels in the Western Balkans and Turkey that is in compliance with EU public procurement legislation and practices and with related national legislation in the Beneficiaries. This training initiative, for which an IPA allocation of EUR 4 million has been agreed, is based on a tailor-made module created by the OECD SIGMA Team. The project will be implemented as of 2010 via a service contract.

#### Disaster Risk Reduction

The project "*Disaster Risk Reduction in South East Europe*", under implementation during 2009, aimed at building capacity and developing strategies for disaster risk reduction (contract signed with UNDP in March 2009), as well as fostering regional cooperation, in particular through better management and exchange of information on meteorological, hydrological and climate data (contract signed with World Meteorological Organisation (WMO) in April 2009). The project has experienced some delays in implementation due to late mobilisation of resources which will most probably result in a contract amendment for project extension and other adjustments.

A call for tenders was launched during 2009 for the project “*Civil Protection Cooperation*”. The activities foreseen envisage to increase the IPA Beneficiaries’ capability to work with the EU Civil Protection Mechanism and contribute to the development of their capacities through specific trainings, workshops, exchange of experts and joint exercises.

### Justice, Freedom and Security

The project “*Regional support to the update, implementation and monitoring of the Integrated Border Management (IBM) strategies and related Action Plans and development of regional and cross border initiatives*” started implementation in June 2009. The objectives of the project are to: ensure a regionally harmonised implementation of the national IBM strategies and the associated Action Plans (AP); further enhance regional co-operation through the sharing of best practices and lessons learned in implementing the IBM model, the establishment of common standards and procedures, the improvement of operational cooperation, and the intensification of communication and information exchange; support cross-border inter-agency cooperation; and further support the development of compatible information systems. During the inception phase, an overall assessment of the state of play of IBM strategies in the Beneficiaries was carried out, and Assessment and Monitoring Team visits have started.

For the project “*Police Cooperation: Fight against organised crime, in particular illicit drug trafficking, and the prevention of terrorism*”, see details on the “success stories” above.

A call for proposals was launched in September 2009 under the project “*Cooperation in Criminal Justice: Witness Protection in the Fight against Serious Crime and Terrorism (WINPRO)*”. Assessment of full applications will be concluded after the reporting period. The specific objectives of the project are to promote a coordinated and harmonised use of witness protection procedural and non procedural measures at regional and European level; facilitate operational cross-border, regional and European cooperation and coordination on relocation of witnesses and change of identity.

Support to the Regional Cooperation Council – see details on success stories above.

### Civil Society Development and Dialogue

Civil society plays a fundamental role in bringing about the acceptance and the implementation of EU values in aspiring EU Member States. Several actions were under implementation:

- Under IPA 2007, the *Multi-beneficiary Civil Society – Media Project* was under implementation during 2009. The project aims at encouraging and accelerating media reform in the Beneficiaries, consolidating European standards and bringing more media protection, professionalism and independence by giving grants to UNESCO, Sense News Agency and nine public broadcasters. Most of the contracts, all of which started at the end of 2008, continued to be implemented during 2009. Regarding the Direct Agreement signed with ‘Sense New Agency’ in order to contribute to “*Strengthening Regional News Exchange from the International War Crimes Tribunal (ICTY), the international Court of Justice (ICJ) and the international Criminal Court (ICC)*”, the celebration of the 400th edition of TV Tribunal and 9 years of Sense production was organised with judges and prosecutors from the ICTY and ambassadors of the Western Balkans. The closing conference was held on 28 September 2009 in Brussels. The project continues its implementation during 2010.

- *Civil Society Facility* – see details on success stories above.

- Under IPA 2007, *Regional programme on Civil Society – Media component in South-East Europe*, the Commission invited the media stakeholders in the Western Balkans and Turkey to pursue their efforts to align their audiovisual legislation and practice with European standards on media and the European legal framework. The process was kick-started in December 2008 by a conference on "The Audiovisual Media Services Directive in the context of digitalisation: a new era for Europe's audiovisual media regulation" organised by the Commission in Istanbul, Turkey.

#### 9.2.4.2 *Addressing the Economic Criteria*

##### IFI Cooperation and Competitiveness

The Western Balkans Investment Framework (WBIF) – see details on success stories above – will allow IFIs to consolidate financial instruments and resources available and invest in a coordinated and strategic manner for the benefit of the Western Balkans. The aim of the WBIF is to include the following facilities (up to 2009 only IPF) and funds under the same governance mechanism, and with the beneficiaries' direct involvement with the IFIs, the EU and bilateral donors on the projects' requests:

(i) Support to infrastructure investments, including Municipalities.

- *Infrastructure Projects Facility (IPF)*: The IPF was initially set up under CARDS and continued its implementation with additional resources under IPA 2008. The IPF – Technical Assistance 2 was contracted in November 2009 and mobilization of the project team into the region was due to follow after the reporting period. The Municipal Window part of the IPF, contracted at the end of 2009, provides grant co-financing of larger financial packages of loans and grants from IFIs for municipal projects in the area of environment (water treatment and sanitation, water distribution, district heating), and transport (urban transport).

During 2009, discussions took place on the transition of the IPF management structures – an operational Secretariat and a Steering Committee - into the WBIF structures. These structures have now become the Project Financiers' Group and the Steering Committee, respectively carrying out the technical and financial analysis of projects and their approval for grant funding.

(ii) Promotion of energy efficiency investments

- *Energy Efficiency Finance Facility (EEFF)*: The aim is to financially assist the beneficiary countries to promote investments in energy efficiency and renewable energy generation in order to improve the energy performance of the building and industry sectors. The Programme on Energy Efficiency Finance Facility under IPA 2007, for which Contribution agreements with the EIB, the EBRD, and the CEB in cooperation with Kreditanstalt für Wiederaufbau (KfW) were signed in 2008, was under implementation during 2009. Under the Contribution agreement between the EBRD and the Commission, two project agreements, one with Banca Intesa in Serbia and one with Raiffeisen Bank in Bosnia and Herzegovina, were approved for funding and signed in March and April 2009 respectively. The projects will help the beneficiary banks extend their portfolio of energy investments, improve their capacity to manage the credit lines, prepare energy efficient projects and assess investments in the field. The banks will also benefit from tailored technical assistance for project preparation and verification.

- *Southeast Europe Energy Efficiency Fund* under IPA 2009 (Crisis Response Package): The EIB, KfW and the Commission have agreed in December 2009 to create a Southeast Europe Energy Efficiency Fund (SE4F). The SE4F is structured as an investment company with variable shared capital (“SICAV”). Its main activities consist in promoting investments in energy efficiency for private and public entities. To that effect, the Commission signed a mandate with the European Investment Fund (EIF) in December 2009.

(iii) Support to private investments

-*European Fund for Southeast Europe (EFSE)*: The aim is to foster economic development and prosperity in Southeast Europe through sustainable provision of additional development finance, notably to the small and micro enterprise sector and to private households via local financial institutions. EFSE is supported through all three IPA Programmes 2007- 2009.

EFSE is built as a Public and Private Partnership with the aim of attracting private sector capital and thereby leveraging public and donor funds into the region for the development of the private sector. EFSE is a regional Fund extending loans to local commercial banks and micro finance institutions in Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Montenegro and Serbia, as well as Kosovo, Romania, Bulgaria and Moldova for on lending to micro and small enterprises and households.

Following the financial crisis EFSE continued to monitor more closely its partners. By the end of the reporting period no financial intermediaries benefiting from EFSE had defaulted on their commitments, but portfolio quality decreased in some cases.

- *Private Sector Support Facility for the Western Balkans* under IPA 2009 (Crisis Response Package): The purpose of the Facility is to provide loans, supported by grants and technical assistance to the region for (a) industrial investments necessary for SMEs to be in line with the acquis and (b) energy efficiency investments in the private sector. The Facility shall comprise three independent windows: (i) the SME Competitiveness Support Window, (ii) the Energy Efficiency Window, and (iii) the EBRD Turn Around Management and Business Advisory Service Programme Window. The Contribution Agreement with EBRD for managing the Facility was signed in December 2009. A similar Facility was set up in December 2009 for Turkey.

- *SME Recovery Support Loan (for Turkey)* under IPA 2009 (Crisis Response Package): To assist local banks expand their lending for the benefit of eligible investments carried out by SMEs. In the context of the action, EIB shall extend loans from its own resources with the EU contribution loans. The Contribution Agreement with the EIB was signed in December 2009.

(iv) Competitiveness and Trade

- The *Regional Entrepreneurial Centre* project under IPA 2009 aims at contributing to the implementation of the Small Business Act for Europe<sup>107</sup> using the experience and the instruments developed in the application of the European Charter for Small Enterprises, in particular the elements of entrepreneurship and education and improved skills for enterprises. The contract with the South East European Centre for Entrepreneurial Learning (SEECCEL) for the implementation of the project was signed in December 2009.

- *Trade*: The aim of the projects under this area is to support the monitoring and implementation of the Central European Free Trade Agreement 2006 (CEFTA) and activities

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<sup>107</sup> <http://ec.europa.eu/enterprise/policies/sme/small-business-act/>.

of the South East European Investment Committee. During 2009, three programmes/projects were under implementation, Trade 2007, Trade 2008 and Trade 2009. In all the three, part of the IPA support was dedicated to co-financing the CEFTA secretariat's operational costs. Other activities were aimed at strengthening the administration capacity of the beneficiaries to formulate and implement policies furthering both the implementation of CEFTA and promoting trade and investment. The CEFTA Joint Committee Meeting, composed of representatives of each Party to the Agreement (ministers responsible for trade) took place on 29 October 2009 in Montenegro. *Inter alia*, the representatives reaffirmed their commitment to exploit CEFTA as a forum for discussion and resolution of all the issues raised in mutual trade and cooperation and stressed the importance of enhanced regional cooperation and successful implementation of the Agreement as complimentary processes on their ways to EU integration. The CEFTA Secretariat started working on the preparations for the Serbian Chairmanship of CEFTA for the year 2010.

### Education

The aim of IPA Multi-Beneficiary assistance in this field is to support the modernisation, development and quality of higher education systems through balanced cooperation between local higher education institutions and those of the EU Member States. Multi-beneficiary IPA assistance is provided in Education via the following programmes:

-*Tempus IV*: mainly implemented through calls for proposals. During 2009, the second call for proposals was completed. Out of the 127 applications received from Western Balkans' applicants, 24 were recommended for funding. 84% of the proposals selected for funding were *Joint Projects* which are based on multilateral partnerships between higher education institutions in the EU and the Beneficiaries. 16% were *Structural Projects* which seek to contribute to the development and reform of education institutions and systems in Beneficiaries, as well as to enhance their quality and increase their convergence with EU developments. The third call for proposals was launched. Also, information campaigns and meetings with all national contact points in the EU and National Tempus Offices took place and a thematic study on university governance was completed. The study provided an outline of the measures and policies adopted to improve university governance in the Tempus partner countries, mainly through Tempus but also through the ongoing education policies and reforms. It also highlighted the variety of governance models, for example in fundraising or decision-making bodies inside institutions. Finally the study tried to identify what higher education organisations and governments define as being the principles of 'good governance'.

- *Erasmus Mundus*: As from the academic year 2009-2010 (IPA 2008), students from Turkey are also eligible to this programme, which has been renamed "Erasmus Mundus Western Balkans - Turkey Window". A total of 156 students from the Western Balkans and Turkey were selected for the academic year 2009/2010.

Two projects for the Western Balkans Lot were selected in 2009, one coordinated by Ghent University, the other by the University of Graz under the former External Cooperation Window which was integrated at the end of 2008 as Action II "Partnerships" under the new Erasmus Mundus II programme. This action aims at promoting institutional cooperation and mobility activities.

During 2009 a new project under IPA 2009 funds (activities starting in the academic year 2010/2011) of EUR 20 million was earmarked for Erasmus Mundus, out of which EUR 8 million are foreseen for Erasmus Mundus Action 1 (approximately 200 scholarships for participation in Master Courses and Joint Doctorate Programs) and EUR 12 million for

Erasmus Mundus Action 2 (approximately 800 scholarships). The number of scholarships that can be delivered under this scheme is indicatively estimated at maximum 1000.

### Youth

The aim of IPA Multi-Beneficiary assistance in this field is to promote the sector of non-formal education and youth in the region by (i) supporting projects with partner countries and territories, in particular exchanges of young people and those active in youth work and youth organisations and (ii) support initiatives that reinforce mutual understanding, sense of solidarity and tolerance among young people and/or develop cooperation in the field of youth and civil society in these countries and territories.

The Western Balkans window, opened in 2007, provides additional support for projects submitted by young people, youth organisations and civil society organisations from the Western Balkans under the Youth in Action programme. Activities include youth exchanges, European Voluntary Service projects, and training and networking projects for youth workers and youth organisations. These activities have a strong non-formal learning component and are based on partnerships between organisations from the region and their counterparts from the EU. Over the period 2007-2009, 337 projects submitted by applicants from the Western Balkans were funded under the Youth in Action Programme. Out of these, 214 projects were funded by the Programme itself and an additional 123 projects by the complementary funds provided under IPA 2007 and IPA 2008 in the form of the Western Balkans Youth Window.

Under IPA 2007 support amounted to EUR 1 million and additional support of EUR 1.5 million each year was provided for under IPA 2008 and 2009. The EUR 1.5 million allocated under IPA 2009 will allow co-financing projects in 2010.

The Youth in Action Programme is implemented on basis of a permanent Call for Proposals, which foresees three deadlines (February, June and September every year). In 2009, 110 projects were selected for funding submitted by Western Balkans applicants. Out of these, 72 projects by the Youth Balkan Window. The geographic repartition of the successful projects submitted by Western Balkan applicants were the following: 40 projects presented by promoters from the former Yugoslav Republic of Macedonia, 35 projects by Serbian promoters, 21 projects by Bosnian and Herzegovina promoters, 8 projects by Albanian promoters, 3 projects by Montenegrin promoters, 2 projects by Croatian promoters and 1 project by a Kosovan promoter. In terms of thematic repartition, 6 projects (5 from the former Yugoslav Republic of Macedonia and 1 from Bosnia and Herzegovina) were granted under the Action 2 of the Programme (European Voluntary Service) and 104 projects were selected under the Action 3.1 of the Programme (Cooperation with neighbouring partner countries in the field of youth exchanges, training and networking). The permanent priorities of Youth in Action Programme are the following: European citizenship, participation of young people, cultural diversity and inclusion of young people with fewer opportunities.

#### 9.2.4.3. *European standards*

### Quality Infrastructure

The project *Quality infrastructure in the Western Balkans and Turkey* is funded under IPA 2008 and was under implementation during 2009. The aim is to improve the capacity of quality infrastructure bodies, all of which implement strategies to comply with accession negotiations Chapter 1 of the EU *acquis*, thereby enabling them to offer better services to economic operators, to facilitate trade in the EU and EFTA market, as well as in the markets of the beneficiaries. By the end of the reporting period, assessment reports on the quality of

infrastructure in the Western Balkans were completed and approved. Two sectoral assessments in Turkey were conducted and reported upon. Almost 50 laboratories and accreditation bodies from all beneficiaries were selected to participate in the proficiency testing exercise, and planning for the pre-proficiency testing training activity was completed. The Cooperation Committee approved nine hands-on training subjects, for which a tender was launched and networking activity begun. The project website was also launched.

### Industrial and Intellectual Property Rights (IPR)

There was one regional project on IPR under implementation during 2009 funded under IPA 2007. The aim was to provide technical assistance to the intellectual and industrial property rights' authorities in order to harmonise and to enforce processes and systems. The contract with the European Patent Office (EPO) was signed in November 2008. During the inception phase the beneficiaries submitted their request for technical assistance in the four areas covered by the project: legal harmonisation, capacity building, enforcement and sustainability of IP institutions. Project progress was discussed at the steering committees held on 15 April and 26 October 2009. Activities were being implemented in accordance to schedule in all four components of the project, according to the agreed prioritisation scheme. Between October and December 2009, 12 activities related to workshops, training and drafting of documentation started or were under implementation.

### Food safety, veterinary and phyto-sanitary policy

The project “*Support for the control/eradication of animal diseases*” under IPA 2008 was under implementation during 2009. The aim is to improve regional and cross-border cooperation in the Western Balkans and thereby ensure that the control and eradication of important animal diseases is harmonized and coordinated at a regional level. At the end of 2009, the tender dossier was finalised and the contracting procedure initiated.

### Energy

The aim of IPA Multi-Beneficiary assistance in this sector is to contribute to the budget of the Energy Community. In 2009 the budget of the Energy Community, established in accordance with Annex IV of the Treaty establishing the Energy Community<sup>108</sup>, amounted to almost EUR 2 million, out of which 98.10% was covered by IPA. Regular reporting activities on the utilisation of the budget are made to the Budget Committee of the Energy Community, chaired by the Commission, either through monthly, quarterly and annual reports or in the course of the Budget Committee meetings. Budget utilisation is dependent on the Work Program approved by the Ministerial Council, the decision making body of the Energy Community. Achievements of the Work Program are reported on a regularly basis to the parties at institutional meetings (Ministerial Council, Permanent High Level Group, Energy Community Regulatory Board). Formal negotiations with Turkey for the accession to the Energy Community started during 2009.

### Customs and Taxation

IPA Multi-Beneficiary assistance in this field aims at ensuring that systems and documentation in the area of taxation and customs are developed in accordance with EU requirements. The project “*Taxation and Customs IT interconnectivity and operational capacity*” under IPA 2007 was under implementation during 2009. The EU contribution

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<sup>108</sup> [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/ENERGY\\_COMMUNITY/Legal/Treaty](http://www.energy-community.org/portal/page/portal/ENC_HOME/ENERGY_COMMUNITY/Legal/Treaty).

amounted to EUR 0.5 million. The project includes technical assistance (CIRCA, development of strategic documents), development of training modules on IT management, and field missions. Five field missions and one workshop were undertaken during 2009. An additional amount of EUR 0.5 million was allocated under IPA 2009.

### Statistics

IPA Multi-Beneficiary assistance in this field supports the upgrade and strengthening of the statistical systems in the Western Balkans, in particular in macro-economic, price, external trade, agricultural, demographic and social and business statistics. The main activities developed in 2009 included: expert missions, workshops and seminars together with experts from the beneficiaries, financing of data collection as well as general statistical assistance; study visits to official statistics providers in Europe, training, consultation visits and traineeships. Activities under three consecutive projects in this field proceeded in 2009, as follows:

- Statistical cooperation for the Western Balkans and Turkey under IPA 2007 (EUR 3 million), July 2008 – March 2010. Implementation continued as scheduled in 2009 and four progress reports were received during the last quarter of the year and approved by Eurostat. The second interim report under IPA 2007 was received in December 2009. Implementation of activities continued as scheduled. Positive development to be integrated into the European Statistical System and to achieve sufficient alignment with the statistical *acquis* was shown. Continued support is required.
- Statistical cooperation for the Western Balkans and Turkey under IPA 2008 (EUR 4 million), December 2009 – November 2011. The project is implemented via a single service contract, which was signed on 12 October 2009. The kick-off meeting was held in December 2009 and implementation started.
- Statistical cooperation for the Western Balkans and Turkey under IPA 2009 (EUR 5.4 million), December 2010 – November 2012. The project was in the design phase at the end of 2009, namely preparation of the Terms of Reference and the Contract Forecast.

### Environment (including Climate Change)

Multi-beneficiary IPA assistance is provided in Environment via the following programmes under implementation during 2009:

- “Horizontal Programme on Environment” under IPA 2007 – EUR1.6 million - Support for investment preparation under the Danube-Black Sea (DABLAS) Task Force: a report was submitted, however resolution of unforeseeable local complications in one project site (Serbia, Novi Sad) is pending; support to monitoring transposition and implementation of the EU environmental *acquis*: Final progress monitoring reports for all Beneficiaries were agreed; developing the capacity of environmental NGOs, through transfer of best practice from NGOs in the EU Member States.
- Multi-beneficiary Programme 2a - ENV- EUR 1.8 million: Activities aim at a) improving integrated water management of the Sava river basin following the approach of the EU Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC); b) improving investments in projects, particularly relating to the protection of the water and water-related ecosystems in the Danube River and the Black Sea as well as facilitating stakeholder dialogue in relation to project financing in the IPA Beneficiaries of the Danube – Black Sea region under the DABLAS Task Force. Contracts for all activities were signed at the end of 2009.

- The project “*Regional Environmental Network for Accession (RENA)*” under IPA 2009 – EUR 5.9 million was adopted in 2009. RENA aims at establishing tools to assist IPA Beneficiaries in harmonising legal frameworks, improving capacity and designing appropriate intervention mechanisms in line with the EU environmental *acquis*. It will facilitate exchange of experience and best practices in the field of environment (including climate change) and help to jointly tackle the environmental challenges (including climate change). Procurement was carried out during 2009.

#### Nuclear safety and radiation protection

The aim of IPA Multi-Beneficiary assistance in this field is to enhance the technical competence and administrative capacity of national radiation safety authorities and other relevant public organisations, contribute to aligning national legislation and regulations in the nuclear field with the *acquis* and support construction, fitting out and/or upgrading of facilities involving the handling and management of radionuclides according to best EU practices.

The IPA horizontal programme on nuclear safety and radiation protection started in 2007. The total budget allocated over the last three years amounts to about EUR 24 million. A total of 32 projects were programmed so far under this programme, out of which 8 have been contracted up to 2009.

The Contribution Agreement with the International Atomic Energy Agency on support to the Vinča Nuclear Institute Decommissioning Project under IPA 2008 was amended in September 2009 in order to accelerate funding for the repatriation of the spent nuclear fuel from Serbia to the Russian Federation and to cover some modifications brought to the work programme.

Assessment of the regulatory infrastructure in the Western Balkan countries under IPA 2008 came to an end in December 2009 following the organisation of a concluding seminar which took place in October 2009 in Ljubljana. As its main result, the project produced a detailed assessment of the current situation regarding the nuclear regulatory bodies in the Western Balkans and can be considered as very successful. The final report provides a number of very valuable input data for the future strategies to be drawn up in 2010 on national plans of actions to be implemented by the Western Balkans in order to comply with the *acquis* in the nuclear area until accession.

The Contribution Agreement with the International Atomic Energy Agency on the assessment of the management of sealed radioactive sources in the Western Balkan countries under IPA 2007 – regional component was extended until after the reporting period, due to the late signature of an amendment extending the project to Serbia and Kosovo. Discussion of the final report took place in Vienna after the reporting period.

Assistance to enhance capabilities of the Western Balkans to develop regulations on Naturally Occurring Radioactive Materials and Technologically Enhanced Naturally Occurring Radioactive Materials under IPA 2007 came to an end in December 2009 following a concluding seminar that was held in Brussels. This assessment showed that specific legislation and regulations on NORM and TENORM must be laid down by each Beneficiary. To a large extent, this project can be considered as successful, since the final report provided can be considered as a good reference point for future actions to be taken.

Management of medical radioactive waste in Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Montenegro and Serbia as well as Kosovo under IPA 2007 was extended until after the reporting period to better finalise reporting. The project was

concluded by a technical seminar that was held in December 2009 in Brussels. The project highlighted the rather important number of gaps and deficiencies currently existing in each of the Western Balkans in terms of regulations and management practices for radionuclides in medical establishments. The project, by evaluating the current situation in the Western Balkans, has managed to highlight a number of rather important gaps and deficiencies currently existing in terms of regulations and management practices for radionuclides in medical establishments which can be proved as a good basis for future actions. Furthermore, the closing seminar was very well perceived by the Beneficiaries. Under these circumstances, this project can be characterised as a highly successful one.

Contribution Agreement with the International Atomic Energy Agency on the assessment of the prevention and combat of illicit trafficking of nuclear materials and radiation sources in the Western Balkans under IPA 2007 has been extended until after the reporting period due to the late signature of an amendment extending the project to Serbia and Kosovo. Discussion of the final report took place in Vienna after the reporting period.

Monitoring of radioactivity of the environment in the Western Balkans under IPA 2007 is about to come to an end. The draft final report showed that an important effort must be undertaken by each Beneficiary in order to comply with the *acquis* (Articles 35 and 36 of the Euratom Treaty).

#### 9.2.4.4 *Participation in EU Programmes and Agencies*

The Western Balkans can participate in EU agencies on a case-by-case basis and the ticket to participate in the programmes or agencies is financed through the national IPA programmes. As was the case with previous enlargements however, the EU supports the EU Agencies to prepare their counterparts in the beneficiaries for participation in the activities of the EU Agencies.

During 2009, several grants were awarded under the 2008 IPA programme to prepare Beneficiaries for future participation in the EU Agencies. The programme is implemented by the following agencies: (i) Community Plant Variety Office; (ii) European Aviation Safety Agency; (iii) European Centre for Disease Prevention and Control; (iv) European Food Safety Authority; (v) European Maritime Safety Agency; (vi) European Agency for Safety and Health at Work; (vii) European Foundation for the Improvement of Living and Working Conditions; (viii) European Chemical Agency; (ix) European Environment Agency; (x) European Monitoring Centre for Drugs and Drug Addiction; (xi) European Medicines Agency and (xii) European Railway Agency.

Activities foreseen under the programme adopted in 2007 (as well as under CARDS 2005), have ended during 2009. The Agencies presented their final reports under the CARDS and IPA 2007 programmes to the Commission for assessment. As this assistance continues under the IPA 2008 programme, it is too soon to present final results, but it can be concluded that some beneficiaries are already knocking on the door of some Agencies, notably the EEA and the EMCDDA. Croatia planned to join the EMCDDA sometimes in 2010.

A conference organised by the EMCDDA in Sintra (Lisbon, Portugal) in November 2009 allowed beneficiaries to exchange views with the Agencies. At this event both parties increased their mutual understanding on the needs, requirements and way forward.

### **9.3. Coherence, compatibility and coordination of aid**

For the programming of the Multi-beneficiary Programme, DG Enlargement has established a transparent consultation process with EU Member States and other donors, IFIs, Civil Society Organisations and the Regional Cooperation Council. This process aims at ensuring complementarities and avoiding overlaps. DG Enlargement staff responsible for the implementation of the Multi-beneficiary programmes also participate in regional networks and structures to facilitate coordination amongst the stakeholders and donors active in the region. Special importance is being given to the role of the RCC as the interlocutor for the Beneficiaries, especially for the regional cooperation process in the Western Balkans.

The Commission ensures regular written consultation on programme/project documentation, including Project Fiches, to EU Member States and other donors, IFIs, Civil Society Organisations and the RCC. Other Donors also communicate pertinent information regarding bilateral projects in the fields covered by the Multi-beneficiary programme. In the case of projects to be implemented under joint management with International Organisations or in cooperation with IFIs, close consultations are maintained in order to ensure coordination for projects jointly developed.

Several IPA Multi-beneficiary Coordination meetings with the Beneficiaries were organised during 2009: in Brussels on 15-16 January 2009, where it was concluded that further efforts to inform and involve the EU Delegations and Beneficiaries in the implementation of the Multi-beneficiary Programmes should be made; in Croatia on 9-10 June 2009, where strategic discussions on the Multi-beneficiary programme 2011-2013 held in workshops took place; in Skopje on 18-19 November 2009 where the preliminary outcomes of the various Strategic Working Group meetings held in October 2009 in Brussels were exchanged.

As already mentioned, a Multi-beneficiary Donor Coordination Meeting took place on 2 July 2009 to start discussing the preliminary project ideas for the Multi-beneficiary Programme 2010, in order to ensure synergies and avoid overlaps, as well as to explain the different steps for the programming of IPA Multi-beneficiary assistance in 2011 - 2013. IFIs and implementing agencies, in particular from the UN organisations were also involved in the discussions of the Sector Working Groups, set up to better analyse the needs for regional cooperation and tailor accordingly the MIPD for the new programming cycle 2011 – 2013.

In comparison with previous years, participation from the Beneficiaries and other donors in the exchange of information has considerably increased, in particular with regards to the new approach to 2011-13 Multi-Beneficiary IPA programming, focusing on long-term strategic planning with Beneficiaries and other relevant donors from the initiation phase on, including project preparation.

### **9.4. Monitoring**

IPA Multi-beneficiary programmes are monitored by an external company using Results-Oriented Monitoring (ROM). The purpose of ROM is to provide a clear, objective, consistent and user-friendly snapshot on projects implementation as well as providing information on best practices/common mistakes and recommendations for improvement to the Commission and the Beneficiaries.

Through a consistent approach, with standardised outputs, ROM highlights strengths and weaknesses in the implementation of EU external assistance projects, by assessing projects' relevance, quality of design, efficiency, impact and sustainability. The general principle and

aim is to monitor ongoing projects of at least EUR 1 million EU contribution and a minimum duration of 12 months.

The average ratings for CARDS and IPA Regional and Multi-beneficiary projects monitored in 2009 in comparison to the ones monitored in 2008 show improvements in almost all criteria (see below), and a better performance in average. During the reporting period, 25 projects were monitored by means of 152 monitoring missions. The majority (68.8%) of regional projects monitored in 2009 are in the area of good performance. No reports flagged serious problems in project implementation. However there is one project, “European Investor Outreach Program (EIOP) – Phase 2” which has shown a low performance in terms of sustainability, i.e. likelihood of a continuation in the stream of benefits produced by the project after the period of external support has ended.

<b>Criterion</b>	<b>2008</b>	<b>2009</b>
Relevance/Quality of design	2.81	2.89
Efficiency	2.99	2.86
Effectiveness	2.82	3.00
Impact	2.94	2.96
Sustainability	2.91	3.06
<b>Average<sup>109</sup></b>	<b>2.89</b>	<b>2.95</b>

In general, project managers carry out several monitoring missions to the projects they are responsible for, participate in steering committees and meet regularly the project stakeholders. To complement the day-to-day project management and missions undertaken to verify the progress of the projects, a system of Monitoring Maps per project has been put in place in late 2009. These monitoring maps are a way of systematically monitor individual contracts based on an initial risk assessment of what type of controls are necessary for the contract followed by the identification of the appropriate means of control (verification, missions, external monitoring, audits etc).

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<sup>109</sup> Explanation of ROM Ratings: 4 =Very Good; 3=Good; 2=Problems; 1=Serious deficiencies.

## PART III: FINANCIAL DATA

### BREAKDOWN OF IPA COMMITMENTS IN 2009 IN MILLION EUR

#### 1. COMPONENT I – TRANSITION ASSISTANCE AND INSTITUTION BUILDING PROGRAMMES

##### COUNTRY ALLOCATIONS

COUNTRY	ANNUAL PROGRAMME	NUCLEAR SAFETY	TEMPUS	BUDGET SUPPORT	TOTAL
<b>Albania</b>	69.86	0.50	1.00	-	<b>71.36</b>
<b>Bosnia &amp; Herzegovina</b>	80.50	1.00	2.40	-	<b>83.90</b>
<b>Croatia</b>	44.60	1.00	-	-	<b>45.60</b>
<b>former Yugoslav Republic of Macedonia</b>	37.06	0.50	1.75	-	<b>39.31</b>
<b>Kosovo</b>	103.60	0.30	2.20	-	<b>106.10</b>
<b>Montenegro</b>	28.43	0.20	1.20	-	<b>29.83</b>
<b>Serbia</b>	70.55	5.00	7.00	100.00	<b>182.55</b>
<b>Turkey</b>	204.55	-	-	-	<b>204.55</b>
<b>TOTAL</b>	<b>639.15</b>	<b>8.50</b>	<b>15.55</b>	<b>100.00</b>	<b>763.20</b>

##### MULTI-BENEFICIARY ALLOCATIONS

Programme	Total*
Multi-beneficiary Programme I	19.30
Multi-beneficiary Programme II	168.50
Support to the operational budget of the Office of the High Representative (OHR) in Bosnia and Herzegovina	5.93
Contribution to the Energy Community budget	2.94
TAIEX	9.00
Information and Communication	9.00
Monitoring	6.00
Evaluation and Audit	3.20
<b>TOTAL</b>	<b>223.87</b>

\*Excluding Nuclear Safety and Tempus, which are presented under the country allocations table

#### 1.2 COMPONENT II – CROSS BORDER COOPERATION PROGRAMMES

##### 1.2.1 CROSS COUNTRY COOPERATION PROGRAMMES WITH MEMBER STATES

COUNTRY	BULGARIA	GREECE	HUNGARY	ROMANIA	SLOVENIA	ADRIATIC PROGRAMME	TOTAL
<b>Albania</b>	-	1.63	-	-	-	5.90	<b>7.53</b>
<b>Bosnia &amp; Herzegovina</b>	-	-	-	-	-	2.45	<b>2.45</b>
<b>Croatia</b>	-	-	2.62	-	3.21	7.31	<b>13.14</b>
<b>former Yugoslav Republic of Macedonia</b>	1.34	1.47	-	-	-	-	<b>2.81</b>
<b>Kosovo</b>	-	-	-	-	-	-	<b>0.00</b>
<b>Montenegro</b>	-	-	-	-	-	1.36	<b>1.36</b>
<b>Serbia</b>	2,36	-	2,49	2,94	-	0,60	<b>8.39</b>
<b>Turkey</b>	2.05	-	-	-	-	-	<b>2.05</b>
<b>TOTAL</b>	<b>5.75</b>	<b>3.10</b>	<b>5.11</b>	<b>2.94</b>	<b>3.21</b>	<b>17.62</b>	<b>37.73</b>

## 1.2.2 CROSS COUNTRY COOPERATION PROGRAMMES BETWEEN IPA COUNTRIES AND PARTICIPATION IN TRANSNATIONAL PROGRAMMES

Country	Albania	Bosnia & Herzegovina	Croatia	fYR Macedonia	Montenegro	Serbia	ERDF SE Europe / Med	ENPI Black Sea	Total
Albania	-	-	-	0.85	0.85	-	0.60	-	<b>2.30</b>
Bosnia & Herzegovina	-	-	1.00	-	0.50	0.70	0.56	-	<b>2.76</b>
Croatia	-	1.00	-	-	0.40	0.80	0.56	-	<b>2.76</b>
former Yugoslav Republic of Macedonia	1.00	-	-	-	-	-	0.56	-	<b>1.56</b>
Kosovo	-	-	-	-	-	-	-	-	<b>0.00</b>
Montenegro	0.60	0.60	0.50	-	-	0.60	1.01	-	<b>3.31</b>
Serbia	-	1.10	1.00	-	0.50	-	1.26	-	<b>3.86</b>
Turkey	-	-	-	-	-	-	-	1.00	<b>1.00</b>
<b>TOTAL</b>	<b>1.60</b>	<b>2.70</b>	<b>2.50</b>	<b>0.85</b>	<b>2.25</b>	<b>2.10</b>	<b>4.55</b>	<b>1.00</b>	<b>17.55</b>

## 1.3 COMPONENT III – REGIONAL DEVELOPMENT PROGRAMMES

COUNTRY	REGIONAL COMPETITIVENESS	TRANSPORT	ENVIRONMENT	TECHNICAL ASSISTANCE	TOTAL
Croatia	12.70	18.50	18.50	-	<b>49.70</b>
former Yugoslav Republic of Macedonia	-	15.70	3.90	1.20	<b>20.80</b>
Turkey	54.8	60.3	67.6	-	<b>182.70</b>
<b>TOTAL</b>	<b>67.50</b>	<b>94.5</b>	<b>90.00</b>	<b>1.20</b>	<b>253.20</b>

## 1.4 COMPONENT IV – HUMAN RESOURCES DEVELOPMENT PROGRAMMES

COUNTRY	REDUCING UNEMPLOYMENT	SOCIAL INCLUSION	EDUCATION AND TRAINING / HUMAN CAPITAL INVESTMENT	TECHNICAL ASSISTANCE / ADMINISTRATIVE CAPACITY	TOTAL
Croatia	2.85	4.00	5.95	1.4	<b>14.20</b>
former Yugoslav Republic of Macedonia	2.85	2.13	1.42	0.70	<b>7.10</b>
Turkey	8.56	17.00	4.25	25.79	<b>55.60</b>
<b>TOTAL</b>	<b>14.26</b>	<b>23.13</b>	<b>11.62</b>	<b>27.89</b>	<b>76.90</b>

## 1.5 COMPONENT V – RURAL DEVELOPMENT PROGRAMMES

COUNTRY	EU STANDARDS	PREPARATORY ACTIONS FOR AGRICULTURAL ENVIRONMENTAL MEASURES AND LEADER	DEVELOPMENT OF RURAL ECONOMY	TECHNICAL ASSISTANCE	TOTAL
Croatia	16.77	0.00	8.00	1.03	<b>25.80</b>
former Yugoslav Republic of Macedonia	7.96	0.00	1.84	0.41	<b>10.21</b>
Turkey	62.42	0.00	21.38	1.71	<b>85.51</b>
<b>TOTAL</b>	<b>87.15</b>	<b>0.00</b>	<b>31.22</b>	<b>3.15</b>	<b>121.52</b>