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FOR PRE-ACCESSION ASSISTANCE (IPA)

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PART I: COUNTRY SECTION

1. ALBANIA

1.1. The year in review

1.1.1. Political developments

In 2008, Albania made some progress on democracy and the rule of law and continued to play a constructive role in terms of stability and good regional cooperation. The Albanian parliament adopted major constitutional amendments and important legislative acts on the organisation of the judiciary. However, it still remained much to be done in order to ensure the independence, transparency and efficiency of the judiciary. Improvements are needed to establish an independent, efficient and merit-based civil service.

There was some progress in the fight against corruption and the perception of corruption improved slightly. But further efforts are required as corruption still remained widespread and continued to be a serious problem. Fighting corruption in the judiciary remains a key issue. There was progress on consolidating property rights and the legislative and institutional framework improved in the area of human rights and the protection of minorities, but overall progress remained limited as regards protection of women and minorities, and anti-discrimination policy for children. New prisons and pre-trial detention centres were built but very poor detention standards remained an issue of serious concern.

Civil society organisations remained weak and their participation in policy-making required further strengthening.

1.1.2. Macroeconomic developments and structural reforms

In 2008, the economy of Albania continued growing at a relatively fast pace. Inflationary pressures were contained and the country progressed towards establishing a functioning market economy. While macroeconomic stability was broadly maintained, risks increased as the current account deficit widened. The administration of public finances improved and State-induced distortions of competition remained limited. The government intensified its fight against corruption and tax evasion but the large informal sector remained an important challenge. Privatisation of large-scale state-owned companies progressed and the business environment improved, but unreliable energy supply, poor infrastructure, as well as weak rule of law and contract enforcement continued to hinder economic development.

1.1.3. Progress in meeting the *acquis communautaire*

Overall, Albania made progress, albeit unevenly, in aligning its legislation, policies and capacity with European standards and in implementing its Interim Agreement commitments.

In some areas, such as customs and competition, progress made in previous years was sustained. There were also positive developments on SME (Small and Medium-sized Enterprise) policy and in the field of electronic communications. In other areas, such as energy, transport and intellectual property rights, progress remained limited. The legal framework on food safety, veterinary and phytosanitary policy improved, but compliance with EU standards remained poor hindering Albania's capacity to export. Overall, administrative capacity and implementation of legislation remained weak.

In the field of justice, freedom and security, some progress was made in most areas, but further improvements are needed overall. Regarding visas, a reliable civil registry and address system was set up to improve document security. The law on foreigners was adopted. The EC-Albania visa facilitation agreement entered into force and the visa liberalisation dialogue

was launched. But distribution of biometric passports needs to be stepped up. The visa regime is not yet in line with EU standards.

Border control improved as a result of a new law on border management, better infrastructure and inter-agency co-operation. The legal framework and co-operation between banks and financial institutions on money laundering improved. However, organised crime remained a serious problem despite improvements in the legal framework and better co-operation with Interpol. A strategy to combat trafficking in human beings has been adopted, but much remains to be done, as Albania remained a significant country of origin for trafficking of human beings.

1.2. IPA in 2008

1.2.1. MIPD 2008-2010

As a potential candidate country, Albania benefits from the first two Components of IPA, including Component I for Transition Assistance and Institution Building and Component II for Cross-Border Cooperation. During the year 2008, the Multi-annual Indicative Planning Document (MIPD) 2008-2010 was adopted, and the MIPD 2009-2011 was prepared.

The indicative allocations to Albania under the Multi-annual Indicative Financial Framework (MIFF) for 2008-2010 amount to €245.1 million, as specified below in Table 1. Assistance is in line with the recommendations of the 2007 Enlargement Strategy and Progress Report, the European Partnership priorities and will address the requirements under the Stabilisation and Association Agreement (SAA).

The assistance to Albania in the 2008-2010 period addresses key issues such as public administration reform and rule of law enforcement, in particular as regards good governance and anti-corruption measures. This emphasis is reflected in an increase of funds allocated to the area of political requirements. Strengthening the administrative capacity in view of the implementation of the SAA is given a high priority to support the Albanian authorities in fulfilling the requirements of the SAA. There is a need to further support structural reforms in the country and to invest in related infrastructure, in particular in the area of regional development and *acquis* related infrastructure.

IPA support under the Transition Assistance and Institution Building Component amounts to €214.7 million.

IPA support for Cross-Border Co-operation amounts to €30.4 million and addresses cross-border activities between Albania and EU Member States as well as with adjacent Candidate and potential Candidate Countries, complementing the above sub-components.

Table 1: Albania: Multi-annual Indicative Financial Framework in million €

Component	2008	2009	2010	2008-2010
I. Transition Assistance and Institution Building	61.1	70.9	82.7	214.7
II. Cross-Border Cooperation	9.6	10.3	10.5	30.4
Total	70.7	81.2	93.2	245.1

1.2.2. Programming exercise

Table 2: Indicative financial allocation for Albania per component for the year 2008
(In million €, to nearest €10,000)

Albania	2008
I. Transition Assistance and Institution Building	62.12
Of which: National programme (Including Kukes region programme, i.e. funds transferred from IPA Component II to IPA Component I)	60.92
Nuclear Safety Programme	0.20
Tempus Programme	1.00
II. Cross-Border Cooperation¹	8.58
Of which : CBC Programme Albania -Montenegro	0.75
CBC Albania – the former Yugoslav Republic of Macedonia	0.75
CBC Albania - Greece in ERDF	1.49
CBC Adriatic in ERDF (Decentralised ²)	5.39
ERDF (South East Europe programme)	0.20
Total	70.7

1.2.2.1 Component I: Transition Assistance and Institution Building

The IPA 2008 National Programme for Albania was adopted by the Commission on 19 December 2008. IPA 2008 for Albania addresses key issues such as public administration reform and rule of law enforcement, particularly in the fields of good governance and anti-corruption. This reflects the increase of funds allocated to the area of political requirements under MIPD 2008-2010. Additionally, the programme supports the Albanian authorities in fulfilling the requirements of the SAA by funding projects which aim at strengthening the administrative capacities of the Albanian Institutions. The Programme also reflects the need to further support structural reforms in the country by investing, in particular, in the area of regional development and *acquis* related infrastructure.

¹ Programmes for component II are adopted for three years. Financial commitments are made annually and therefore figures above are just for 2008.

² As regards the Cross Border Cooperation IPA project "Adriatic in ERDF" – Shared Management, whose IPA allocation for 2008 is EUR 5.4 million, the European Commission's Delegation is not the Contracting Authority.

Table 3: Component I - Transition Assistance and Institution Building 2008 for Albania (in million €):

Priority Axis	Projects	Budget
<i>Political Requirements</i>		
	SAA Implementation	2.00
	Ministry of Works & Transport	1.00
	Civil Service Reform	1.00
	Public Procurements	1.50
	Treasury System	1.50
	Penitentiary Infrastructure	5.50
	Customs Procedures	3.50
	Against Corruption	2.00
	Project Preparation Facility	1.00
<i>Economic Requirements</i>		
	Secondary and Local Roads	8.00
	Vocational Education & Training	7.00
	Kukes Region	1.01
<i>Ability to assume the obligations of EU membership</i>		
	Metrology Infrastructure	3.00
	Rural Development	2.00
	Competition & State Aid	1.50
	Copyright Office	0.80
	Central Bank	1.00
	Zoonotic Diseases	5.70
	Civil Aviation Safety	1.00
	Highway Routes	2.50
	Maritime Sector	3.10
	Control System in Fisheries	2.00
	Environmental Monitoring	2.00
	Community Programmes	1.30
Total		60.91

1.2.2.2 Component II: Cross-Border Cooperation

IPA Component II supports the participation of Albania in two bilateral cross-border programmes with neighbouring candidate/potential candidate countries: Montenegro and the former Yugoslav Republic of Macedonia. With regards to cross-border cooperation with Member States, IPA Component II finances a bilateral programme Albania-Greece and the participation of Albania in the multilateral cross-border programme "Adriatic", where Albania, Bosnia and Herzegovina, Croatia, Montenegro and Serbia cooperate with Greece, Italy and Slovenia across the Adriatic Sea. Moreover, IPA Component II also finances a unilateral programme concerning the development of the Kukes region of Albania, bordering Kosovo, as well as the participation of Albania in the ERDF transnational programme "South-East Europe".

All Component II programmes involving Albania, except those with Member States, were presented to the IPA Committee on 29/30 October and were adopted by the Commission on

18/20 December. Although being prepared in 2007, the cross-border programmes with Member States (with Greece and the Adriatic) were adopted in March 2008. To be noted, as a condition for its implementation, the CBC programme with Greece – which should be put into operation according to the transitional arrangements referred to in Article 99 of the IPA Implementing Regulation No 718/2007 – required a parallel adoption decision covering the Greek side of the border (adopted in September 2008).

1.2.3. Implementation modalities and structures

All IPA assistance in Albania is carried out under centralised management. The work leading to decentralised management with *ex ante* controls is progressing. The government has set up the basis for the institutions that will be responsible for decentralised management. The Competent Accrediting Officer (CAO), the National Authorising Officer (NAO), and the Programme Authorising Officer (PAO) were nominated.

In 2008 the road map for decentralised management was prepared but it was only finalised outside the reporting period.

1.2.4 Overview of IPA programmes implemented

In 2008, the first IPA 2007 projects were contracted. IPA 2008 was launched, but no projects were contracted. At the end of 2008, contracting rates for the IPA 2007 programmes had reached 15% and 0% for IPA 2008, as shown below in Table 2.

Table 4: Albania- Status of financial assistance at the end of December 2008 (in million €), IPA annual national programmes

	Allocated	Contracted	RAC	% contracted	Paid	RAL	% paid
IPA 2007	49.27	7.52	41.75	15%	1.76	5.76	4%
IPA 2008	60.92	0.00	60.92	0%	0.00	0.00	0%

1.2.4.1. Component I – Transition Assistance and Institution Building

In 2008, the following IPA 2007 projects were contracted:

The project 'Police Assistance Mission of the European Community to Albania (PAMECA III)' was contracted in 2008 and started its activities on 5 May 2008. The Team is 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 Organised Crime, Terrorism, Integrated Border Management, Human, Financial and Material Resources Management, Community Policing and others. The project has proven so far 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 project of technical assistance to the Preparation of the Albanian Authorities for the EU decentralised management was contracted in December 2008 (amount allocated: €1 million). The overall objective of the project is to adequately prepare the Albanian Authorities for absorbing EU financial assistance, putting into place efficient structures and strengthening the capacities of key institutions for technical management of decentralised programmes in order to ensure sound management of decentralised management.

A project to the preparation of Terms of Reference for the service tender 'Supporting SMEs to become more competitive in the EU Market' has been contracted.

1.2.4.2. Component II – Cross Border Cooperation

In 2008, no projects of IPA 2007 Component II were contracted. The Call for Proposal for the ERDF South-East Europe under IPA 2007 CBC was launched in 2008, but not contracted.. No projects of IPA 2008 CBC were launched in 2008.

1.2.5. Participation in Community Programmes and Agencies

A Framework Agreement on the general principles for Albania's participation in Community programmes was signed in November 2004. In accordance with Articles 2 and 5 of this Framework Agreement, Albania shall pay a financial contribution to the budget of the Community programmes in which it participates and may request IPA assistance in this regard. No funds were allocated for Community programmes under IPA 2007. Two Community Programmes were planned under IPA 2008: (1) to co-finance the costs of the "entry-tickets" which the beneficiary country has to pay for the participation in Community programmes, and (2) to strengthen the capacity of the relevant administrative bodies to ensure proper participation of the beneficiary in Community Programmes. None of the IPA 2008 Community Programme projects were launched in 2008.

1.3. Monitoring and Results

1.3.1. Monitoring

No monitoring of IPA projects was carried out in 2008 as the IPA 2007 and 2008 programmes had not started to be implemented. Consequently, the monitoring of these programmes is yet to begin.

1.3.2 Evaluation results and lessons learned

As IPA project implementation started in 2008, no evaluations have been yet carried out, neither for component I nor for component II.

1.3.3 Sectors with positive results - Success story

Under component I, the contribution of PAMECA III has so far been found extremely valuable in identifying long term challenges and sustainability issues within the Albanian State Police. The project has also been instrumental in identifying ways forward and encourages continued progress within the Albanian State Police.

2. BOSNIA AND HERZEGOVINA

2.1. The year in review

2.1.1. Political developments

Progress over 2008 was exceptionally slow. Consequently, there was little advancement in addressing the key European Partnership priority, requesting Bosnia and Herzegovina to establish more functional and sustainable institutional structures. Bosnia and Herzegovina's system of governance continued to involve a significant international presence in 2008. Due to the concerns over political stability in the country and in the region as a whole, the closure of the Office of High Representative (OHR) was further postponed. The Peace Implementation Council decided to make the closure conditional on Bosnia and Herzegovina's progress on addressing five objectives and two conditions. One of the conditions was met in June when the Stabilisation and Association Agreement was signed.

2008 saw Bosnia and Herzegovina remain in the early phases of public administration reform, even if some progress was made. Regarding the judicial system, the adoption of the Strategy for Development of the Justice Sector for 2008-2012 was a positive development. Nevertheless, the disjointed character of the judicial system and disparities in the legal framework constituted barriers to the effective operation of the judiciary. In the fight against corruption limited progress was achieved. The National Anti-Corruption Strategy was again not properly implemented.

Little additional progress was achieved in improving the implementation of international human rights conventions. Some progress was made regarding the support provided by the authorities to civil society development. Progress in the area of minority rights, cultural rights and protection of minorities was limited.

2.1.2. Macroeconomic developments and structural reforms

In 2008 economic growth remained high and the external balance improved. The currency board arrangement continued to function smoothly, despite a relative acceleration in the growth of domestic lending, and the annual average inflation of the first eight months of 2008 stood at 8.0% in Bosnia and Herzegovina, after 1.5% in 2007. The increased fiscal revenue from the introduction of VAT in 2006 continued in 2008. In the first six months of 2008 net Foreign Direct Investment (FDI) declined strongly compared to the same period in the previous year and covered only 24% of the current account deficit. Despite robust economic growth, unemployment remained very high. Public spending, and in particular social spending, rose further, weakening the quality of fiscal adjustment and leading to liquidity problems in May. Slow expansion of productive capacities and structural rigidities hampered labour market participation. Progress in the restructuring and liquidation of State owned enterprises was slow and uneven across the country. The small and medium-sized enterprises (SME) sector grew, and enjoyed increased access to financing from private, public or EU funds. However, the informal sector remained large.

2.1.3. Progress in meeting the *acquis communautaire*

Bosnia and Herzegovina's progress in approximating to the *acquis* was limited overall. As regards free movement of goods, there remained a lack of proper conformity assessment infrastructure (testing and calibration laboratories, certification and inspection bodies) and the country's market surveillance system continued to be largely based on mandatory standards and pre-market control. Good progress was made in the field of customs and taxation. The implementation of customs-related provisions was adequate and Value Added Tax (VAT) collection improved in 2008.

Progress in the field of anti-trust control continued, whereas no progress was made regarding State aid. There were some improvements on public procurement however not in terms of legislative alignment. Little progress was made with regards to intellectual, industrial and commercial property rights. In the area of employment and social policies, the absence of State level competences remained an obstacle to the development of a countrywide strategy for employment. No progress was made with respect to social policies. Some progress was made in the area of education. Limited progress was made in the area of SMEs. The sector enjoyed increased access to financing, but no countrywide SME strategy was adopted. Important State-level Laws on wine, agriculture, food and rural development were adopted, but there was no progress on the adoption of a State-level agriculture strategy. Some progress was made on food safety as implementing legislation was adopted, but in the field of veterinary and phytosanitary policies progress was limited. As for environment, no progress was made. Bosnia and Herzegovina's preparations in the transport sector were positive. Energy sector reform stalled in 2008. Bosnia and Herzegovina made some progress in the area of information society and media. In the field of statistics, limited progress was made. Cooperation between the country's statistics institutions was still insufficient. In the area of justice, freedom and security, the Visa Facilitation Agreement entered into force in January 2008. Some progress was made in the areas of asylum and migration. Further efforts remain necessary to tackle money laundering. Some progress was made as regards police reform through the adoption of two state-level laws. However, the fragmentation of the police was not addressed. Action in fighting against organised crime activities was limited.

2.2. IPA in 2008

2.2.1. MIPD 2008-2010

As a potential candidate country, Bosnia and Herzegovina benefits from the first two components of IPA, including component I for Transition Assistance and Institution Building and component II for Cross-Border Cooperation.

The indicative allocation to Bosnia and Herzegovina under the Multi-annual Indicative Financial Framework (MIFF) for 2008–2010 amounts to €269.9 million, as specified below in table 1. The document was adopted by the Commission on 23 September 2008.

Through component I, the Multi-annual Indicative Planning Document (MIPD) provides support to Bosnia and Herzegovina in the following key reform areas:

Political criteria: In line with the 2007 Enlargement Strategy, the MIPD 2008 – 2010 has increased the share of assistance for the support of institution building, better governance and civil society. Priority will be given to assistance with the aim of strengthening administrative capacity and supporting domestic efforts on constitutional reform, ensuring that Bosnia and Herzegovina becomes a more democratic, sustainable and functional state. Priority will also be given to the support of the development of Bosnia and Herzegovina's civil society. IPA will support the public administration reform, including support to the customs and taxation administration, the reform of the judiciary and of the police with an emphasis on institution building.

Economic criteria: IPA will assist Bosnia and Herzegovina's economic development by supporting the establishment of regulatory capacity and the enhancement of entrepreneurial know-how. Further assistance will support the development of the SME sector, the economic development of the regions, and will improve trade policies. The education reform will be advanced to promote the development of economy and society and active labour market measures shall assist in combating unemployment. The health sector will be reformed to ease the burden on public finances and to deliver adequate health care to citizens.

Ability to assume the obligations of membership: IPA will assist Bosnia and Herzegovina to cope with the requirement to approximate to the European *acquis* in the areas of internal

market, sectoral policies, and justice, freedom and security. The emphasis of the support will be placed on supporting the development of strategies and policies to establish sectoral policies and a regulatory framework compatible with European standards.

In its component II, IPA will support Cross-Border Co-operation by proposing joint projects at the borders with Croatia, Montenegro and Serbia, with EU Member States through the IPA CBC Adriatic Programme and by supporting Bosnia and Herzegovina to participate in joint projects under the European Regional Development Fund's (ERDF) transnational programmes "South-East Europe" (SEE) and "Mediterranean" (MED).

Table 1: Bosnia and Herzegovina: Multi-annual Indicative Financial Framework (in million €)

	2008	2009	2010	Total
Transition Assistance and Institution Building	69.9	83.9	100.7	254.5
Cross-border Co-operation	4.9	5.2	5.3	15.4
Total	74.8	89.1	106.0	269.9

2.2.2. Programming Exercise

Table 2: Indicative financial allocation for Bosnia and Herzegovina per component for the year 2008 (in million €)

Component	2008
I. Transition assistance and Institution Building	69.9
§ National Programme Part I	12.5
§ National Programme Part II	54.3
§ Nuclear Safety	0.7
§ Education (Tempus)	2.4
II. Cross-border Cooperation	4.9
§ CBC programmes Bosnia and Herzegovina – Croatia	1.0
§ Bosnia and Herzegovina - Montenegro	0.5
§ Bosnia and Herzegovina - Serbia	0.7
§ ERDF	0.5
§ Adriatic programme	2.2

The IPA National Programme for 2008 was divided into two parts. Part I had a budget of €12.5 million and included the projects which were planned to be implemented with the highest priority (police reform, state court, state prison, project preparation facility, EU awareness). The Commission adopted the financing decision for part I on 9 October 2008.

Part II, with a budget of €54.25 million, included the remaining projects for the 2008 programme. The Commission adopted the financing decision for part II on 5 December 2008.

However, because Bosnia and Herzegovina did not sign the financing agreements for the two parts of the 2008 programme in 2008, (not concluded at the time of the preparation of this report) the benefits of an early implementation of the priority projects in part I of the programme were lost.

Table 2 provides the financial allocation for components I and II of the 2008 programme. (Please note that the allocation for the component I include an allocation of EUR3.15 million to the multi-beneficiary programme 2009.)

2.2.2.1 Component I: Transition Assistance and Institution Building

The IPA 2008 National Programme for Bosnia and Herzegovina was adopted by the Commission on 9 October 2008 for Part 1 and on 5 December 2008 for Part 2. The programme will provide support to the police reform and judiciary institutions. It also aims at facilitating the country's progress towards the EU membership through raising public awareness of the EU integration process and assisting the national authorities in planning, programming and implementing of the Instrument for Pre-Accession Assistance (IPA) by means of a Project Preparation Facility. Assistance is aimed at supporting the country's efforts in its transition from potential candidate to candidate status. Funds under IPA component I aim at providing for Institution Building which is needed to meet this objective. In particular, Bosnia and Herzegovina has to approximate to European standards, among other things, in the sectors of justice, freedom and security, where sustained efforts remain necessary in order to continue to increase the effectiveness of the legislative bodies.

Table 3 below provides an overview of the planned interventions in the component I of the 2008 programme.

Table 3: Component I - Transition Assistance and Institution Building 2008 for Bosnia and Herzegovina (in million €):

<i>Priority axis</i>	<i>Projects</i>	<i>Budget</i>
Political Requirements		
	State Court & Prosecutor's office	3.00
	State Prison	4.00
	Judicial Institutions	1.40
	Police Reform	2.00
	Project Preparation Facility	1.50
	Decentralised Implementation	1.50
	EU Awareness	2.00
	Mine Action Activities	2.20
	Vulnerable Groups	1.90
	Civil Society	3.50
Economic Requirements		
	Health Care System Development	2.85
	Education Reform	3.00
	Competitive Sectors	7.00
Ability to assume the obligations of EU membership		
	European Common Aviation Area	1.00
	Asylum	1.50
	Trade and Metrology	4.00
	IBM + ITA	3.80
	Central Bank	1.00

	Environment	4.00
	Community Programmes FP7	1.35
	Rural Development & Agri	4.00
	Energy Community	1.75
	Citizen Identification Protection	2.00
	Statistics (Census)	2.00
	Spatial Information	3.00
	Animal Health	1.50
		66.75

2.2.2.2 Component II: Cross-Border Cooperation

IPA Component II supports the participation of Bosnia and Herzegovina in three bilateral cross-border programmes with Croatia, Montenegro and Serbia. Concerning CBC with Member States, IPA Component II finances the participation of Bosnia and Herzegovina in the IPA CBC Adriatic programme. Finally, in 2008 the IPA Component II financed the participation of Bosnia and Herzegovina in the ERDF transnational programme "South-East Europe". Component II programmes involving Bosnia and Herzegovina were adopted in December 2007, except the IPA Adriatic programme, which was prepared in 2007 but adopted in March 2008

2.2.3. Implementation Modalities and Structures

Implementation of Component I and II programmes:

All programmes under IPA Component I and II are implemented on a centralised basis by the European Commission Delegation to Bosnia and Herzegovina in accordance with Article 53(a) of the Financial Regulation and the corresponding provisions of the Implementing Rules.

Multi-Beneficiary Programmes:

Bosnia and Herzegovina's participation in horizontal nuclear safety and education (Tempus) programmes are funded from the allocation under Component I of IPA but are implemented on a centralised basis by the European Commission in Brussels in the framework of the Multi-Beneficiary Programmes.

Preparation for decentralised management of IPA:

During 2008, Bosnia and Herzegovina continued its preparation for decentralised management for IPA funds. The Council of Ministers of Bosnia and Herzegovina adopted on 23 June 2008 the revised decentralised management Strategy. In November 2008, the Minister of Finance and Treasury was appointed as National IPA Coordinator (NIPAC). In addition, an IPA Advisory Board was created, composed of the NIPAC (president of the board), the Director of the Directorate for European Integration, the Ministers of Finance of the Entities and two other representatives from the Entity Governments.

The National Authorising Officer (NAO) and the Programme Authorising Officer (PAO) have to be reappointed for IPA since their mandate was only related to CARDS. The Central

Finance and Contracting Unit (CFCU) and the National Fund (NF) are established within the Ministry of Finance and Treasury but were not yet completely staffed in 2008.

An advisory mission of DG ENLARGEMENT (Unit E4 Operational Audit and Evaluation) for Operational Audit was carried out in July 2008 and a first gap assessment of the decentralised management structures was conducted in August 2008. Technical assistance was in place and also programmed under IPA 2008 to support the authorities in Bosnia and Herzegovina to continue the preparations for decentralised management.

2.2.4. Overview of IPA programmes implemented

The IPA Framework Agreement was signed on 20 February 2008 and entered into force on 30 July 2008 following the ratification by Bosnia and Herzegovina's Presidency and its publication in the Official Gazette of Bosnia and Herzegovina on 16 July. The delays were mainly caused by lack of due diligence in proceeding with the ratification and internal consultation procedures on the side of Bosnia and Herzegovina. Even after the Framework Agreement entered into force, its tax exemption provisions were not duly implemented by Bosnia and Herzegovina. Only on 4 December 2008, Bosnia and Herzegovina's House of Peoples adopted the amendments to the Law related to the VAT exemption of IPA funds opening the way to the implementation of the IPA programmes.

Table 4: Bosnia and Herzegovina- Status of financial assistance at the end of December 2008 (in million €)

	Allocated	Contracted	RAC	%Contracted	RAL	%Paid
IPA 2007	49.7	23.4	26.3	47.0	44.4	10.7
IPA 2008	66.8	1.6	65.2	2.4	66.7	0.1

2.2.4.1 Component I: Transition Assistance and Institution Building

The Financing Agreement for the IPA 2007 National Programme (adopted by Commission Decision C(2007)6698 on 19 December 2007) was signed on 31 July 2008 immediately following the entering into force of the IPA Framework Agreement. The exchange of letters between the European Commission Delegation and the authorities of Bosnia and Herzegovina took place on the same day. First tenders were launched in August 2008 but further procurement was put on hold because of the non-compliance of Bosnia and Herzegovina's legislation with the provisions of the IPA Framework Agreement in the field of tax exemption. In 2008, only six contribution agreements with international organisations (namely Council of Europe, the International Commission for Missing Persons, UNICEF, the United Nations' Development Programme (UNDP) and the High Judicial and Prosecutorial Council) with a total amount of €5.64 million were concluded.

The IPA 2008 National Programmes part I and II were adopted by the Commission on 9 October 2008 by Commission Decision C(2008)5659/2 and on 5 December 2008 by Commission Decision C(2008)7638. The draft Financing Agreement for part I of the 2008 programme was transmitted to the authorities of Bosnia and Herzegovina in November 2008 but not signed since. Therefore, implementation of the two programmes did not start during 2008.

2.2.4.2. Component II: Cross-Border Cooperation

The Financing Agreements for the 2007 Cross-border Cooperation Programmes with Croatia and Serbia were signed on 31 July 2008. The Financing Agreements for the 2007 programmes

with Montenegro and the ERDF South East Europe programme were signed on 30 October 2008. Joint implementation structures (Joint Management Committees, Joint Technical Secretariats and antennas) were established and the first meeting of the National Task Force for CBC programmes took place on 14 May 2008. The first meetings of the Joint Monitoring Committees for the respective programmes took place during November 2008. The Operating Structure placed in the Directorate for European Integration remains poorly staffed with only two out of six full time civil service positions filled.

The Financing Decisions for the 2008 Cross-Border Cooperation programmes with Montenegro (Decision C(2008)3991 of 31 July 2008), Serbia (Decision C(2008)3708 of 23 July 2008), Croatia (Decision C(2008)3814 of 25 July 2008), and for the participation in the ERDF programme (Decision C(2008)5609 of 7 October 2008) were adopted by the Commission during 2008. However, the related Financing Agreements for those programmes were not signed in 2008.

2.2.5 Participation in Community Programmes and Agencies

A Framework Agreement on the general principles for participation of Bosnia and Herzegovina in Community programmes was signed in November 2004. In accordance with Articles 2 and 5 of this Framework Agreement, Bosnia and Herzegovina shall pay a financial contribution to the budget of the Community programmes in which it participates and may request IPA assistance in this regard.

In November 2008 Bosnia and Herzegovina signed the Memorandum of Understanding (MoU) for the 7th Framework Programme for Research and Development. This is the first Community Programme in which Bosnia and Herzegovina is fully participating. €1.350.000 were allocated from IPA 2008 component to co-finance the entry tickets for participation of Bosnia and Herzegovina in 2009 in the seventh Framework Programme for Research and Competitiveness and Innovation Framework Programme (CIP).

2.3. Monitoring and Results

2.3.1. Monitoring

No monitoring of IPA projects was carried out in 2008 as the IPA 2007 and 2008 programmes had not started to be implemented yet. Consequently, the monitoring of these programmes was yet to begin.

2.3.2. Evaluation results and lessons learned

There were no evaluation results of IPA programmes in 2007 and 2008 as they have not started to be implemented yet. For the first and second year of IPA no lessons could be identified as the implementation only began in 2008.

2.3.3. Sectors with positive results - Success story box

For the first and second year of IPA, no sectors with positive results could be identified as the implementation of IPA programmes only started in 2008.

3. CROATIA

3.1. The year in review

3.1.1. Political developments

EU accession negotiations began with Croatia on 3 October 2005 and continued to progress well. By the end of December 2008, 22 out of 35 negotiation chapters had been opened. Out of these chapters, seven had been provisionally closed. Based on the overall progress being made by Croatia the Commission proposed in the enlargement package adopted on 5 November 2008, an indicative road map for reaching the final stage of accession negotiations by the end of 2009, provided Croatia fulfils all the necessary conditions. Croatia continued to meet the Copenhagen political criteria. New strategies and action plans as well as legislation for reforming the judiciary, the public administration and in fighting corruption were adopted. The anti-corruption body USKOK continued to intensify its activities. Croatia took some steps to address problems of minorities, including refugee return. Croatia continued to participate actively in regional cooperation. However, considerable challenges remained in key areas, such as reform of the still inefficient judicial system and public administration and in fighting organised crime and corruption, which remained widespread. Sustained efforts are needed across the board, leading to concrete results. Further attention needs to be paid to minority rights, especially refugee return. The prosecution of war crimes requires continued attention. There were problems of access by the International Criminal Tribunal for the former Yugoslavia (ICTY) to certain documents in Croatia. Regional cooperation needs to continue, as do efforts to solve outstanding bilateral problems with neighbours, especially on border delimitation.

3.1.2. Macroeconomic developments and structural reforms

The economy of Croatia continued to show a solid performance. Macroeconomic stability was preserved. Employment grew and unemployment continued to decline. Business registration procedures improved further. However, inflation rose considerably, largely due to higher energy and food prices. The current account deficit was growing. The implementation of structural reforms was slow. Significant subsidies to enterprises were not yet used effectively for restructuring. Further improvements in the business environment were needed.

3.1.3. Progress in meeting the *acquis communautaire*

Croatia improved its ability to take on the obligations of membership. Preparations for meeting EU requirements moved forward at a steady pace. Significant progress was made in economic and monetary policy and information society and media. Good progress was made in many chapters, such as public procurement, intellectual property law, customs union, food safety and financial services. However, significant efforts lie ahead, in particular in areas such as judiciary and fundamental rights, environment, competition policy and agriculture and rural development.

3.2. IPA in 2008

3.2.1. MIPD 2008-2010

The Multi-Annual Indicative Planning Document (MIPD) 2008-2010 for Croatia was adopted on 18 September 2008. It is based on an indicative financial envelope of **€451.4 million** for the period 2008-2010 and describes the objectives under IPA, which are:

- To assist Croatia in meeting the accession criteria, i.e. the political and economic criteria, as well as the adoption, implementation and enforcement of the *acquis* ;
- To **improve co-operation and good neighbourly relations** of Croatian regions with the neighbouring border areas;
- To support policy development as well as preparation for the implementation of the Community's cohesion and agricultural policies, with a view to EU membership.

Under IPA **Component I**, pre-accession assistance to Croatia will inter alia support under the political criteria public administration reform, judicial reform, and anti-corruption policy. Assistance under the economic criteria will focus on structural reforms in public finance, economic restructuring, business environment, statistics, land reform and labour market reform. In addition, pre-accession assistance will support institutional capacity building for *acquis* transposition and implementation according to the priorities identified in the Accession Partnership, the screening reports and subsequent negotiations in the different chapters of the *acquis*. Finally, capacity building can also be provided for the management of IPA projects and to re-enforce institutional capacity for the management of EU structural funds. Croatia's participation in Community Programmes will also continue to receive financial support under Component I.

Assistance to **Cross-border Cooperation (CBC)** provided under **Component II** aims at improving co-operation and good neighbourly relations of Croatian regions with the neighbouring border areas and familiarising Croatia with the rules and procedures governing the European Territorial Cooperation Objective under Structural Funds. The MIPD foresees continuing CBC with Hungary, Italy and Slovenia, and developing bilateral CBC programmes with Bosnia and Herzegovina, Montenegro, and Serbia.

Components III and IV aim at supporting Croatia in policy development as well as preparation for the implementation and management of the Community's cohesion policy, in particular regarding the European Regional Development Fund, the Cohesion Fund and the European Social Fund. In terms of pre-accession assistance under Components III and IV, priorities comprise *acquis*-related investment in environmental protection and the development of a European transport network together with support to the productive sector, in particular to Small and Medium-sized Enterprises (SMEs); **Component IV** priorities comprise investment in employment, education, social inclusion and human capital formation.

Component V aims at supporting Croatia in policy development as well as preparation for the implementation and management of the **Community's common agricultural policy**. Assistance under Component V will target three main priority axes. The first will provide assistance to improve market efficiency and implementation of Community standards. The second aims at preparing Croatia for the implementation of agri-environmental measures and local rural development strategies and the third at the development of the rural economy.

Coherence and concentration of assistance will be necessary for the effectiveness of IPA assistance under all components where appropriate effective coordination and complementarity with other IPA components will be assured.

Table 1: Croatia: Multi-annual Indicative Financial framework (in million €)

Component	2008	2009	2010	2008-2010
I. Transition Assistance and Institution Building	45.4	45.6	39.5	130.5
II. Cross-Border Cooperation	14.7	15.9	16.2	46.8
III. Regional Development	47.6	49.7	56.8	154.1
IV. Human Resources Development	12.7	14.2	15.7	42.6
V. Rural Development	25.6	25.8	26.0	77.4
Total	146.0	151.2	154.2	451.4

3.2.2. Programming exercise

The 2008 IPA allocations for Croatia are broken down as follows:

Table 2: Indicative financial allocation for Croatia per component for the year 2008 (in million €)

Croatia	2008
I Transition Assistance and Institution Building	45.4
II Cross-border cooperation	14.7
<i>of which CBC Croatia-Bosnia and Herzegovina</i>	<i>1.0</i>
<i>of which CBC Croatia-Montenegro</i>	<i>0.4</i>
<i>of which CBC Croatia-Serbia</i>	<i>0.8</i>
<i>of which CBC Adriatic Programme</i>	<i>6.7</i>
<i>of which CBC Hungary-Croatia</i>	<i>2.4</i>
<i>of which CBC Slovenia-Croatia</i>	<i>2.9</i>
<i>of which Participation of Croatia in ERDF programmes</i>	<i>0.5</i>
III Regional Development	47.6
<i>of which Regional Competitiveness Programme</i>	<i>11.6</i>
<i>of which Transport Programme</i>	<i>18.0</i>
<i>of which Environment Programme</i>	<i>18.0</i>
IV Human Resources Development	12.7
V Rural Development	25.6
TOTAL	146

Programmes for components II, III, IV are adopted for three years and for component V for 7 years. Financial commitments are made annually and therefore figures above are just for 2008

3.2.2.1. Component I: Transition Assistance and Institution Building

The IPA 2008 national programme for Croatia with an IPA contribution of €41.37 million was adopted by the Commission on 5 November 2008. It consists of 17 projects that are grouped under 4 strategic priority axes (political and economic criteria, ability to assume the obligations of membership, supporting programmes).

- Under the political criteria the reform of the judiciary will be addressed by the projects "Support to the reform of criminal proceedings" and "Development of the probation service". The projects "Enhancing the capacities of the civil society sector for the monitoring of implementation of the EU *Acquis*" and "Support to Romas" will contribute to progress in the area of human rights and the protection of minorities. The public administration reform will be addressed by the project "Implementation of the General Administrative Procedure Act".
- Under the economic criteria, and considering the vital role of the development of statistics in providing relevant and accurate information and monitoring the reforms in many sectors, a project on selected statistical areas will be supported.
- As concerns the ability to assume the obligations of membership, assistance under IPA 2008 will be concentrated on areas of activity with a large volume of legislation to be transposed and implemented, preparation to structural funds as well as with investments requirements in the *acquis*. This concerns the following chapters: Food safety, veterinary and phytosanitary policy; Fisheries; Transport policy; Energy; Social policy and Employment; Regional policy and coordination of structural instruments; Justice, freedom and security; Environment.
- Supporting programmes in 2008 will continue to provide for administrative capacity building for strategy development, project preparation and implementation, institution building support and SAA and *acquis* implementation through a "Facility for Project Preparation and Reinforcement of Administrative Capacity". "Participation in Community Programmes and Agencies" will also continue to receive financial support in 2008.

Table 3: Component I - Transition Assistance and Institution Building 2008 for Croatia (in million €):

Priority Axis	Projects	Budget
political criteria		10.535
	<i>Support to the reform of criminal proceedings</i>	1.900
	<i>Development of the probation services in Croatia</i>	1.635
	<i>Implementation of the General Administrative Procedures Act</i>	1.500
	<i>Civil Society Facility - Enhancing the capacities of the civil society sector for the monitoring of implementation of the EU Acquis</i>	3.000
	<i>Roma Support Project – Phase III</i>	2.500
economic criteria		1.000
	<i>Technical assistance in development of selected areas of statistics</i>	1.000
ability to assume obligations of membership		20.871
	<i>Continued Support to Capacity Strengthening of the Veterinary, Phytosanitary and Sanitary Border Inspection</i>	3.977
	<i>Support to animal disease control/eradication in the Republic of Croatia</i>	3.135

	<i>Strengthening the Market Component of the Croatian Fisheries Sector</i>	1.617
	<i>Efficient Functioning of the Control System for Roadside Inspections and Checks of the Driving Time, Breaks and Rest Periods on the Road and in the Undertakings</i>	1.857
	<i>Monitoring dependence and vulnerability of energy supply system with scope on security of supply</i>	0.990
	<i>Croatian Employment Service Labour Market Training Centre</i>	0.800
	<i>Support to the Management, Monitoring and Evaluation of the Structural Instruments in Croatia</i>	4.000
	<i>Blue Border Surveillance - Phase II</i>	3.450
	<i>Enforcement of the new Environmental Protection Act harmonised with EU legislation in cases of criminal offences against the environment</i>	1.045
supporting programmes		8.968
	<i>Facility for Project Preparation and Reinforcement of Administrative Capacity</i>	3.393
	<i>Participation of Croatia in Community Programmes and Agencies</i>	5.575
Total		41.374

3.2.2.2. Component II: Cross-Border Cooperation

Under Component II, Croatia participates in multi-annual cross-border programmes (CBC) with neighbouring IPA countries: CBC "Croatia-Bosnia and Herzegovina", CBC "Croatia-Montenegro" and CBC "Croatia-Serbia". Financing decisions allowing the deployment of IPA 2008 funding for these programmes were adopted respectively on 25 July, 17 July, and 29 August 2008.

These cross-border programmes aim at encouraging the creation of cross-border networks and partnerships and developing joint cross-border actions with a view to revitalizing the economy, protecting the nature and the environment and increasing social cohesion in the programming area. They also include technical assistance.

A programme financing the participation of Croatia in the ERDF European Territorial Co-operation transnational programmes "South-East Europe" and "Mediterranean" was also funded under the IPA 2008 Cross-border Co-operation component and adopted on 7 October 2008.

In 2008, the following multi-annual cross-border programmes between Croatia and Member States were also adopted: CBC "Adriatic", CBC "Hungary-Croatia", and CBC "Slovenia-Croatia", respectively on 25 March, 13 March and 27 February 2008.

3.2.2.3. Components III and IV: Strategic Coherence Framework

In accordance with the provisions of the Article 154 of the Commission Regulation (EC) n° 718/2007 Croatia established the Strategic Coherence Framework (SCF) for 2007-2013 covering IPA Components III (Regional Development) and IV (Human Resources Development).

Within the Strategic Coherence Framework (SCF) the supporting socio-economic analysis and subsequent strategy identified the key objectives and priorities 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 NSRF".

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

3.2.2.4 Component III: Regional Development

Three multi-annual operational programmes were adopted in 2007: "Regional Competitiveness OP" adopted on 29 November 2007, "Transportation OP" adopted on 7 December 2007 and "Environmental OP" adopted 29 November 2007. The IPA resources allocated to each programme are:

COMPONENT III PROGRAMMES	2007	2008	2009	TOTAL
<i>REGIONAL COMPETITIVENESS</i>	11.050,250	11.600,000	12.699,500	35.349,750
<i>TRANSPORTATION</i>	17.000,250	18.000,000	18.500,250	53.500,500
<i>ENVIRONMENTAL</i>	16.999,500	18.000,000	18.500,250	53.499,750

The "Regional Competitiveness" OP consists of 3 priority axes: "Improving development potential of the lagging behind regions", "Enhancing the competitiveness of the Croatian economy", and Technical Assistance. The "Transportation" OP encompasses 3 priority axes: "Upgrading Croatia's rail transport system", "Upgrading Croatia's inland waterway system", and Technical Assistance. The "Environmental" OP consists 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.

The strategy under component III foresees concentration of resources in the **transport** (Transportation OP), **environment** (Environmental OP) and **regional competitiveness** (Regional Competitiveness OP) sectors. It covers *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 is aimed at modernising and restructuring the productive capacity of disadvantaged regions in particular by providing services to enterprises, particularly small and medium sized.

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

Within each of the OP a separate priority on Technical Assistance has been introduced to support the national structures managing IPA as well as ensuring project preparation of high standards. A comprehensive institutional set up (Operating Structure consisting of a few bodies specific for each OP/priority) built for IPA will continue with some modifications under the Structural funds regime.

The implementation of the three OPs started at the end of 2008, following the signature of the related Financing Agreements in November 2008 in the aftermath of the related Decisions on conferral.

Work carried out in 2008 concentrated on the preparation and appraisal of projects/operations. Six major project applications in the environment and transport sectors were submitted to the Commission. Following the appraisal of these project applications, revised versions were resubmitted. No IPA funding decision for any major projects was adopted in 2008.

3.2.2.5 Component IV: Human Resources Development

A multi-annual operational programme "Human Resources Development" under Component IV for Croatia was adopted on 7 December 2007 and consists 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.

COMPONENT IV	2007	2008	2009	TOTAL
<i>HUMAN RESOURCES DEVELOPMENT</i>	11.4	12.7	14.2	38.3

3.2.2.6 Component V: Rural Development

A multi-annual "Programme for agriculture and rural development" (IPARD) under Component V for Croatia was adopted by the Commission on 25 February 2008 and consists of 3 priority axes: "Improving market efficiency and implementation of Community standards", "Preparatory actions for implementation of the agri-environmental measures and local rural development strategies", and "Development of the rural economy".

The IPARD programme, with its measures similar to those for Member States some of them being compulsory after accession, provides a good base for the preparation of the future post accession Rural Development programme.

The amendments to the programme adopted by the Commission decision on 27 October 2008 were essentially of technical nature and concerned mainly the adaptation of the financial tables to take into account the new financial allocation for 2010 (€26.0 million) according to the MIPD 2008-2010, the up-date of data included in the programme and the correction of editorial inconsistencies and mistakes.

Component V	2007	2008	2009	2010	TOTAL
Rural Development	25.5	25.6	25.8	26.0	102.9

3.2.3. Implementation modalities and structures

The European Commission and the Government of the Republic of Croatia signed on 27 August 2007 the framework agreement on the rules for co-operation concerning EC financial assistance to Croatia under IPA.

The Sectoral Agreement complementing the provisions of the Framework Agreement for component V was signed on 13 October 2008. In April 2008, the Croatian authorities notified the European Commission of their accreditation of the operating structures in charge of the management and implementation of the IPA components I to IV. Pursuant to these notifications, the European Commission reviewed the accreditation packages as well as the procedures and structures of the bodies concerned, resulting in six Decisions on conferral on Croatia of management powers for the decentralised management of IPA components I to IV:

- Conferral for IPA Component I Transition Assistance and Institution Building: Commission Decision of 28 October 2008;
- Conferral for IPA Component II Cross-border cooperation: Commission Decision of 14 November 2008.
- Conferral for Operational Programmes under IPA Component III: Regional Development. Environmental, Regional Competitiveness programmes respectively: Commission Decisions of 29 October 2008; Transportation programme: Commission Decision of 3 November 2008;
- Conferral for IPA Component IV: Human resources development: Commission Decision of 1 December 2008.

These decisions constitute the triggering factor for the deployment of the assistance under the IPA components I to IV, starting with the IPA 2007 funding. Indeed the financing agreements for the related 2007 programmes that operate under decentralised management could not be signed as long as the Decisions were not adopted. This effectively means that Croatia did not deploy any IPA assistance in 2008. Under the arrangements embedded in the aforementioned Decisions and financing agreements, it is the responsibility of Croatia to manage IPA financial activities in a decentralised mode. It is to be noted that *ex ante* controls operated by the Delegation remain an integral part of this decentralised system for these components.

Moving to a decentralised system is also as a crucial step in the Croatian administrations' learning process. This enables them to build in the requirements that they will need to meet in order for them to pass to the next stage, that is to say full decentralisation with only *ex post* controls by the Commission. Croatia envisages moving to full decentralisation in 2010.

The last Decisions that are awaited are on conferral of management powers for the component V (agriculture and rural development) that will require more time, as in this case, and differently from the other Decisions, conferral will be ensured on the principle that the Commission will not operate any more any *ex ante* control on the transactions. This therefore requires an even higher level of accountability and preparedness on the side of the Croatian administration. The Croatian Authorities have decided to split the 7 measures under the IPARD Programme into three different accreditation packages. Therefore, three Conferral Decisions, covering the various IPA component V measures, are expected to be adopted respectively in 2009 (one decision) and 2010 (two decisions).

On 12 November 2008 the Commission received its first accreditation package for this component and began to review it according to the requirements of the accreditation criteria included in the framework and Sectoral Agreement, with a view to conferral decisions. The Conferral decision for the first three measures: "Investments in agricultural holdings to restructure and to upgrade to Community standards", "Investments in the processing and marketing of agriculture and fishery products to restructure those activities and to upgrade them to Community standards" and "Improvement and development of rural infrastructure" was expected for the beginning of the second semester of 2009 and two further decisions were expected in 2010 for four remaining measures.

3.2.4. Overview of IPA programmes implemented

The implementation of programmes effectively starts once the conferral of decentralised management decision per component is taken by the Commission and the Framework and Financing Agreements have entered into force.

As specified in section 3.2.3 the conferral of management powers for the decentralised management of IPA components I to IV in Croatia were granted by the respective Commission decisions at the end of 2008. These decisions constitute the triggering factor for the deployment of the assistance under the IPA components I to IV, starting with the IPA 2007 funding. Indeed the financing agreements for the related 2007 programmes that operate under decentralised management could not be signed as long as the Decisions were not adopted. This effectively means that Croatia only started deploying IPA assistance in the year 2009.

3.2.5. Participation in Community Programmes and Agencies

A Protocol to the SAA on a Framework Agreement on the general principles for Croatia's participation in Community Programmes was signed in November 2004. In accordance with Articles 2 and 5 of this Framework Agreement, Croatia shall pay a financial contribution to the budget of the Community programmes in which it participates and may request IPA assistance in this regard.

€4.600.000 were allocated from IPA 2007 component I to co-finance the participation of Croatia in, *inter alia*, the following indicative list of Community programmes and Agencies in 2008 or 2009.-In 2008: CUSTOMS 2013, Fiscalis 2013, Seventh Framework programme for Research, Technological Development and Demonstration Activities, Competitiveness and Innovation Framework programme (CIP), Programme of Community Action in the field of Health, European Monitoring Center for drugs and drug Addiction (EMCDDA).

-In 2009: Europe for Citizens, PROGRESS, Marco Polo II and Culture.

€5.575 million were allocated from IPA 2008 Component I to co-finance the participation of Croatia in, *inter alia*, the following indicative list of Community Programmes and Agencies in 2009: CUSTOMS 2013, Fiscalis 2013, IDABC, Seventh Framework Programme for Research, Technological Development and Demonstration Activities, Competitiveness and Innovation Framework Programme (CIP), Civil Protection Financial Instrument, Media 2007, Programme of Community Action in the Field of Health, Framework Programme Fundamental Rights and Justice, Fundamental Rights Agency (FRA) and European Environment Agency (EEA).

3.3. Monitoring and Results

3.3.1. State of play for IPA Monitoring Committee and Sectoral Monitoring Committees

-IPA Monitoring Committee

The first yearly IPA Monitoring Committee took place on 2 July 2008 and was preceded in May / June by the first sessions of the IPA sectoral committees. In addition to the adoption of its rules of procedure, the points on the agenda covered the progress made at that time in the IPA accreditation process for all components, as well as the preparations for the implementation of the IPA programmes.

-Sectoral Monitoring Committee

The IPA Transition Assistance and Institution Building Committee convened twice in 2008, on 26 May and 16 December. The first committee was held before conferral on Croatia of management powers for IPA component I and focused on the progress made

at that time in the IPA accreditation process for IPA component I, preparations for the implementation of the IPA 2007 national programme (component I) and programming of IPA 2008 national programme (component I). The second committee was held after conferral and deliberated on follow up actions needed in order to address Commission's findings associated to its decision on conferral, as well as on proposals for some project reallocations under IPA 2007 national programme (component I).

As regards IPA Cross-Border Cooperation Component II, the first Joint Monitoring Committees were convened in 2008 to prepare calls for proposals under the following programmes: CBC "Slovenia-Croatia" (in May), CBC "Hungary-Croatia" (in June), CBC "Adriatic" (in July), CBC "Croatia-Bosnia and Herzegovina" (in November), CBC "Croatia-Montenegro" (in November), CBC "Croatia-Serbia" (in November), as well as under the ERDF transnational programmes "South-East Europe" (in February and September) and "Mediterranean" (in January, October and December).

In 2008 the second and the third round of Sectoral Monitoring Committees for all three operational programmes under component III were held. The Rules of Procedure for the three SMCs were adopted. The discussion with the Operating Structures focused on the planning and monitoring tools, implementation arrangements and project/operation preparations.

The Sectoral monitoring Committees under IPA component IV took place on 4 June and 11 December 2008.

The Sectoral Monitoring Committees under IPA Component V met twice in 2008 – on 3 June 2008 and on 18 November 2008. During the first meeting the rules of procedures were adopted. On both committees the preparation and a state of play for accreditation of relevant bodies and measures were presented. The implementation of monitoring and evaluation system, communication plan, programme amendments and relevant measures was presented and discussed.

3.3.2. Annual and final reports on implementation

-Sectoral Annual Reports

The first yearly report of the Transition Assistance and Institution Building (TAIB) Committee was established in June 2008 in the aftermath of the IPA TAIB sectoral committee of 26 May 2008. As the implementation of the IPA programmes had not yet started, the Croatian authorities mainly referred in their report on progress made at that time in the IPA accreditation process for component I, as well as on the preparations for the implementation of the IPA 2007 national programme and programming on IPA 2008 national programme.

The first Sectoral Annual Implementation Reports covering 2007 activities in the three operational programmes under component III and in the operational programme under component IV were submitted in 2008 to the Commission. The content of the reports reflected the activities of very limited nature concerning implementation (actual IPA implementation on the ground in terms of project implementation did not start in 2008). The Commission, following inter-service consultations, expressed a favourable opinion on the content of the reports.

For component V under Article 193 of Regulation No 718/2007 the sectoral annual report shall be submitted within six months of the end of each full calendar year of programme implementation. Consequently, in 2008 no report was delivered as the implementation of the IPARD programme has not yet started.

-IPA Annual Report

The first IPA annual report was established in August 2008 in the aftermath of the IPA Monitoring Committee of 2 July 2008. As the implementation of the IPA programmes had not yet started, the Croatian authorities mainly referred in their report on progress made at that time in the IPA accreditation process for all components, as well as on the preparations for the implementation of the IPA programmes.

3.3.3. Evaluation results and lessons learned

No IPA evaluation was carried out in 2008, as the first IPA programmes were only adopted in the end of 2007 and implementation did not start in 2008.

3.3.4. Sectors with positive results- Success story

No IPA projects were finalised in the course of 2008.

4. FORMER YUGOSLAV REPUBLIC OF MACEDONIA

4.1. The year in review

4.1.1. Political developments

The former Yugoslav Republic of Macedonia made some progress in the course of 2008 but did not yet meet the political criteria. The parliamentary elections of 2008 did not meet key international standards and the recommendations of the Organisation for Security and Cooperation in Europe (OSCE)/Office for Democratic Institutions and Human Rights (ODIHR) need to be fully addressed. The lack of constructive political dialogue between major political parties and actors adversely affected the functioning of the political institutions; increasing efforts to foster political dialogue are now being made. Steps have been taken to address key Accession Partnership priorities and further efforts are required.

The implementation of the Ohrid Framework Agreement is contributing to the consolidation of democracy and the rule of law. The adoption of a law on languages marked an important step forward in relations among the ethnic communities of the country. Further efforts in a constructive spirit are needed to fulfil the objectives of the Ohrid Agreement.

The conduct of the early parliamentary elections of 2008 was marred by violence and irregularities. The authorities began to bring the perpetrators to justice and to address the OSCE/ODIHR recommendations on the conduct of elections, notably by amending the electoral code. A new government coalition of a multi-ethnic character was established in July. Opposition parties boycotted the new Parliament for a prolonged period and Parliament made extensive use of emergency procedure to adopt legislation. Significant further efforts are needed to improve and sustain political dialogue.

As regards public administration reform there has been some progress with the introduction of salary incentives and the adoption of a continuous training system, as required by the law on the civil service. However, little progress has been made to ensure that senior recruitments are based on professional qualifications. Priority needs to be given to creating a stable, professional and merit-based civil service. The role of the Civil Servants Agency needs to be strengthened and the capacity of the human resources units in line ministries needs to be increased. Implementation of police reform progressed. The eight new regional commanders and all 38 new local commanders were appointed as required by law. Training of police officers continued and human resource management improved. However, the politicisation of the senior levels of the police in some areas raises serious concerns.

Good progress was made on judicial reform. The new Court of Appeal and the new Administrative Court and the Judicial Council were functioning and the new Council of Public Prosecutors started to meet. The Academy for training judges and prosecutors was in place and new IT systems were introduced into the courts. However, further strengthening of the judiciary is required as regards its independence, efficiency, human resources and budgetary framework. The vacancies in the prosecution service need to be filled. Case backlogs persist and a track record of implementation of the recent reforms remains to be established, in particular as regards the impartiality, accountability and efficiency of the judiciary.

Further progress was made in implementing anti-corruption policy. The government's Action Plan was allocated a specific budget. Special investigation measures may be used in corruption cases. An Action Plan against conflict of interest was adopted. There were convictions in some high-profile cases. The perception of corruption somewhat improved. However, corruption remained widespread and constituted a particularly serious problem. Further steps are necessary, in particular to strengthen operational coordination amongst law

enforcement agencies and to implement provisions on financing of political parties and campaign financing

4.1.2. Macroeconomic developments and structural reforms

There has been further progress towards establishing a functioning market economy. It should be able to cope with competitive pressures and market forces within the Union in the medium term, provided that it vigorously implements its comprehensive reform programme in order to reduce significant structural weaknesses. Despite the relative insulation of the country from the international financial markets, it will not be immune by the global economic crisis. Following the positive economic trends until 2008, the second semester of the year showed the first negative signals and the forecast for 2009 is negative especially concerning growth, unemployment rate as well as fiscal and current account deficit. Despite this situation the Government plans a policy of further fiscal expansion, which risks worsening the external vulnerabilities.

4.1.3. Progress in meeting the *acquis communautaire*

The former Yugoslav Republic of Macedonia made further efforts to improve its ability to assume the obligations of membership. There was some progress in the fulfilment of the priorities of the Accession Partnership. However, the country still faced major shortcomings in implementing and effectively enforcing legislation. Adequate human and financial resources for the full implementation of the *acquis* were lacking.

4.2. IPA in 2008

4.2.1. MIPD 2008-2010

Based on the assessment of strategic needs and priorities set out in section 1 the pre-accession assistance strategy for the period 2008-2010 is concentrated on three areas of activity:

- (1) Support to Institution Building
- (2) Improve cross-border cooperation
- (3) Prepare for participation in the Community's cohesion and rural development policy

Table 1: the former Yugoslav Republic of Macedonia: Multi-annual Indicative Financial Framework (in million €)

Component	2008	2009	2010	2008-2010
I. Transition Assistance and Institution Building	39.9	38.1	36.3	114.3
II. Cross-Border Cooperation	5.3	5.6	5.7	16.6
III. Regional Development	12.3	20.8	29.4	62.5
IV. Human Resources Development	6.0	7.1	8.4	21.5
V. Rural Development	6.7	10.2	12.5	29.4
Total	70.2	81.8	92.3	244.3

4.2.2. Programming exercise

Table 2: Indicative financial allocation for the former Yugoslav Republic of Macedonia per component for the year 2008 (in million €):

Former Yugoslav Republic of Macedonia	
Component	2008
I. Transition Assistance / Institution Building	41.1
II. Cross Border Cooperation	4.1
<i>Of which The former Yugoslav Republic of Macedonia/BG</i>	1.23
<i>Of which The former Yugoslav Republic of Macedonia/GR</i>	1.34
<i>Of which The former Yugoslav Republic of Macedonia/AL</i>	1
<i>Of which ERDF programmes – Translational</i>	0.5
<i>Of which The former Yugoslav Republic of Macedonia/northern border with Serbia and Kosovo (UNSCR 1244)</i>	(funds transferred to Component 1 - 1.2 million)
III. Regional Development	12.3
<i>Of which Priority 1 - Transport Programme</i>	9.25
<i>Of which Priority 2 - Environment Programme</i>	2.312
<i>Of which Measure 3 - TA</i>	0.738
IV. Human Resources Development	6.0
<i>Of which Priority 1 - Reducing Unemployment</i>	2.698
<i>Of which Priority 2 - Education and Training</i>	1.8
<i>Of which Priority 3 - Social Inclusion</i>	1.2
<i>Of which Measure 4 - TA</i>	0.302
V. Rural Development	6.7
<i>Of which Priority axis 1 – Market efficiency and Implementation of Community Standards</i>	5.226
<i>Of which Priority axis 3 – Development of Rural Economy</i>	1.206
<i>Of which Measure 4 - TA</i>	0.268
TOTAL:	70.2

Programmes for components II, III, IV and V are adopted for three years. Financial commitments are made annually and therefore figures above are just for 2008.

4.2.2.1. *Component I: Transition Assistance and Institution Building*

Table 3: *Component I - Transition Assistance and Institution Building 2008 for the former Yugoslav Republic of Macedonia (in million €):*

Priority axis	Projects	Budget
I Priority axis 1 Political Criteria		14.100.000
	1.1 DIS	1.600.000
	1.2 Support to fiscal decentralisation	1.350.000
	1.3 Further support to Judiciary	1.600.000
	1.4 Integrated Border Management	5.950.000
	1.5 Democracy and Fundamental Rights	2.400.000
	1.6 Civil Society	1.200.000
II Priority axis 2 Socio-Economic Development		3.100.000
	2.1 MAPAS	1.000.000
	2.2 BAS- TAM	2.100.000
III Priority Axis 3 ACQUIS		14.900.000
	3.1 Free Movement of Goods	1.800.000
	3.2 Public Procurement	1.200.000
	3.3 Customs	3.500.000
	3.4 Agriculture	2.000.000
	3.5 Veterinary	3.300.000
	3.6 Environment	3.100.000
	IV Supporting Programmes	5.022.001
	4.1 Project Preparation and Support Facility	3.022.000
	4.2 Community Programmes and Agencies	2.000.000

TOTAL	37.122.001
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The National programme under the IPA – Transition Assistance and Institution Building Component for the year 2008 aims at providing assistance for political criteria, socio-economic criteria, ability to assume the obligations of EU membership and support to programming and participation in Community programmes and Agencies.

The relevant Financing Agreement with the former Yugoslav Republic of Macedonia was signed on 23 February 2009. The Framework Agreement between the European Commission and the former Yugoslav Republic of Macedonia, which gives the legal and financial framework for the implementation of all IPA programmes between 2007 and 2013, was signed on 30 October 2007. The necessary ratification by the Parliament took place on 30 January 2008.

Under political criteria the 2008 National programme will provide assistance to contribute to strengthen the capacity of the institutions to manage and implement the Operational Programmes, support the process of fiscal decentralization, strengthen an independent and efficient judicial system and to the development of integrated border management capacities in accordance with the European Schengen standards. It will also support the participation of the civil sector in the decision making process and in providing social services. Under Socio-economic Requirements the programme will provide assistance to promote the development and sustainability of SMEs in the country and to reinforce the institutional capacity to regulate and supervise fully funded pension system institutions. The support under the priority axis "ability to assume the obligations of membership" will include among others support to the public procurement system, support to the improvement of the quality infrastructure in the areas of accreditation, standardization and metrology as well as the development of the administrative capacity to adopt and implement the *acquis* in the areas of agriculture environment and veterinary services. Additionally the programme supports the participation of the country in certain Community Programmes.

4.2.2.2. Component II: Cross-Border Cooperation

New financial allocations were approved in 2008 to support three bilateral CBC programmes between the former Yugoslav Republic of Macedonia and Albania, and with neighbouring Member States Bulgaria and Greece. Besides, IPA Component II also continued financing the participation of the country in the ERDF European Territorial Co-operation transnational programme "South-East Europe".

4.2.2.3. Components III and IV: Strategic Coherence Framework

As required by Article 154 of Commission Regulation (EC) N° 718/2007, the former Yugoslav Republic of Macedonia prepared a Strategic Coherence Framework (SCF) for the period 2007-2013, covering IPA components III and IV. Its purpose is to set the overall strategic framework for programming of resources in the context of the national priorities for social and economic development and Community priorities for cohesion, thus constituting a key reference document for programming IPA regional development and human resources development components. The SCF is a key document to introduce structural funds strategic planning to candidate countries (a "mini NSRF"), reinforcing the role of IPA assistance under components III and IV as a precursor to structural funds. The preparation of the Strategic Coherence Framework was coordinated by the Strategic Coordinator for IPA regional development and human resources development components. Throughout its preparation extensive coordination has taken place within the national administration, particularly the line ministries who will be involved in the implementation of components III and IV programmes. Once finalised, it was transmitted to the Commission for information and verification of consistency with the requirements of the regulation, but the Strategic Reference Framework

remains a national document. Over the period 2007-2013, assistance under Component III will be rebalanced from transport sector to environment sector. The percentage of resources allocated to the environment sector will be progressively aligned with other candidate countries, in line with the needs of the country, the development of adequate strategies and investment planning and the capacity to prepare and implement infrastructure investments in the environment sector.

4.2.2.4. Component III: Regional Development

The multi-annual Operational Programme (OP) for Component III was prepared by the national authorities during the year 2007 in close cooperation with the Commission. The OP obtained the favourable opinion of the Coordination Committee of the Structural Funds. The Regional Development OP was adopted by Commission Decision on 29 November 2007.

<i>Component III</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>Total</i>
<i>III - Regional Development</i>	<i>7.4</i>	<i>12.3</i>	<i>20.8</i>	<i>40.5</i>

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 the continuation of the development of the South East Europe Core Regional Transport Network (corridors VIII and X). This strategy is strongly supported by IFIs who provide substantial funding (namely the European Investment Bank (EIB)), to permit the completion of strategic transport corridors which will benefit the whole region. The priorities shall be progressively shifted from corridor X to corridor VIII as well as from road to rail. Concerning assistance in the environment sector, clearly targeted investments will focus on waste water treatment and solid waste management where the impact to 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 project preparation of high standards for current programmes and for future programming periods.

The institutional set-up which has been set in place for the management of IPA component III programme concentrates financial management in the Ministry of Finance (Central Financing and Contracting Department, National Fund) that delegates some technical tasks to the line ministries concerned (transport and environment).

4.2.2.5. Component IV: Human Resources Development

Concerning Component IV, the OP "Human Resources Development" was adopted on 7 December 2007. It encompasses three priority axis: "Employment – Attracting and retaining more people in employment", Education and Training – Investing in human capital through better education and skills", and "Social Inclusion – Promoting an inclusive labour market".

<i>Component IV</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>Total</i>
<i>IV – Human Resources Development</i>	<i>3.2</i>	<i>6.0</i>	<i>7.1</i>	<i>16.3</i>

4.2.2.6. Component V: Rural Development

For Component V, a multi-annual programme for the Rural Development "IPARD Programme for 2007-2013" was adopted in 2008³. The IPARD programme consists of 3 priority axes: "Improving market efficiency and implementation of Community standards", "Preparatory actions for implementation of the agri-environmental measures and local rural development strategies" and "Development of the rural economy".

³ The programme was adopted by the Commission Decision C/2008/677 on 25 February 2008.

It should also be noted that the first modification of the IPARD Programme⁴ took place during 2008. The proposed amendments concerned the inclusion of an additional amount for the year 2010, as well as a number of technical modifications in order to facilitate the implementation of the Programme and the accreditation of the operating structure. The first modification of the IPARD Programme received a positive opinion of the Rural Development Committee in September 2008.

<i>Component V</i>	2007	2008	2009	2010	TOTAL
<i>V-Rural Development</i>	2.1	6.7	10.2	12.5	31.5

4.2.3. Implementation modalities and structures

The IPA Regulation stipulates that implementation of Components III, IV and V is subject to the conferral of management by the Commission to the beneficiary country. This is expected to take place in the second half of 2009. For Components I and II, direct centralised management – i.e. the Commission (EC Delegation to Skopje) acting as contracting authority on behalf of the beneficiary country – is allowed for an initial phase as long as conferral of management power (decentralised management) has not been granted. In 2008 the Commission supported through CARDS the national authorities in their preparation for decentralised management. Assistance was provided to the structures and authorities as defined in article 21 of the IPA Implementing Regulation to prepare for their accreditation. This is being done via intensive training and hands-on support for the elaboration of manual of procedures, programme operational guidelines and implementing agreements amongst the different structures and authorities. After a self-assessment exercise performed by the National Authorities during the first quarter of 2008, to verify that the system was complying with the IPA Regulation, the compliance assessment phase carried out by an external auditor started in August and was finalised in December 2008. The former Yugoslav Republic of Macedonia's participation in horizontal nuclear safety, customs and education programmes is also funded from its component I envelope. These programmes are not included in the component I national programme as they will be implemented on a multi-country basis and be managed centrally by the European Commission in Brussels.

4.2.4. Overview of IPA programmes implemented

Table 4: The former Yugoslav Republic of Macedonia-Status of financial assistance at the end of December 2008 (in million €)

	Allocated	Contracted	RAC	%Contracted	RAL	%Paid
IPA 2007 Comp 1	34.942	8.681	26.261	24.8 %	32.043	8.3 %
IPA 2007 Comp 2	4.879	0	4.879	0 %	4.879	0 %
IPA 2008 Comp 1	37.122	0	37.122	0 %	37.122	0 %
IPA 2008 Comp 2	4.076	0	4.076	0 %	4.076	0 %

⁴ The first modification of the IPARD Programme was adopted by the Commission decision C/2008/8290 on 17 December 2008.

4.2.4.1. Component I: Transition Assistance and Institution Building

The year 2008 was a year of preparation for implementation. This refers to both the building-up of the necessary human resources as well as to the launch of tenders, since the transfer of CARDS files from the European Agency for Reconstruction to the Delegation occurred in September 2008. As for the actual figures of Component I contracted and disbursed in the period January – December 2008, the situation was as follows:

The contracted percentage of 25% refers to the "Support to the implementation of the Police Reform Strategy" project fiche which started in 2008 and a number of Framework Contracts, launched under "Project Preparation Facility Support" fiche, needed for preparation of the respective terms of reference/twinning fiches and tender dossiers.

The following Framework Contracts were launched through the Project Preparation Facility:

Project Preparation Facility	Status in 2008
1. FWC to prepare ToR and Twinning Light for PAR – General Secretariat	Contracted
2. FWC to prepare ToR for PAR – Civil Servants Agency	Contracted
3. FWC to prepare ToR and Twinning for Energy Regulator	Contracted
4. FWC to prepare ToR and Twinning Light for Insurance Supervisory Agency	<i>Not contracted</i> (ISA not established yet)
5. FWC to prepare ToR for the Administrative Court	Contracted
6. FWC to prepare ToR for TA and Twinning Light for Taxation Reforms	Contracted
7. FWC to prepare ToR for Municipal Awards	Contracted
8. FWC to prepare ToR for TA for Statistics	Contracted
9. FWC to prepare ToR for IPA Training Facility	Contracted
10. FWC to prepare ToR and Twinning Light for decentralised management	<i>Not contracted</i>
11. FWC to prepare ToR for Local Infrastructure	Contracted
12. TA for preparation of Investment project for WW collection and Treatment in Prilep	<u>Short listing</u>

In the course of 2008, the EC Delegation undertook all necessary measures to prepare the tender dossiers for projects such as statistics, energy regulator commission, taxation, administrative court, public administration reforms, and local infrastructure. The respective tender invitations will be launched in 2009. The delayed implementation of the Framework Contract for drafting a Terms of Reference for a Technical Assistance and a fiche for Twinning Light in the area of insurance supervision is due to the fact that the Agency for Supervision of Insurance was not yet set up. Another framework contract that was not yet launched is the one for decentralised management, due to the fact that the CARDS 2006 technical assistance (TA) for setting up the decentralised management system will be ongoing until July 2009.

The reason for not contracting the three major projects in the customs sector (€2.4 million) was the repetition of the short listing procedure, which was re-completed only in October 2008, as an earlier draft of the shortlist had been rejected by the EC Delegation. The launch of the three tenders is scheduled for the 1st quarter of 2009.

4.2.4.2. Component II: Cross-Border Cooperation

The implementation of all IPA CBC programmes is lagging behind. In spite of the fact that the four programmes were adopted towards the end of 2007, and all respective Financial

Agreements were signed in 2008, joint management structures were not in place, therefore no call for proposal could yet be launched and contracting deadlines for 2007 funds are getting closer.

The Cross Border Institution Building programme (CBIB) phase II started end of November 2008. This TA programme aims at improving regional co-operation in the Western Balkans by developing institutional and project preparation capacities in relation to IPA Component II.

4.2.4.3. *Component III: Regional Development*

There was no implementation of IPA projects under Component III in 2008. Some preparatory activities have however started mainly related to the preparation and submission to the EC of the IPA applications for two major projects under the "Regional Development" Operational Programme.

4.2.4.4. *Component IV: Human Resources Development*

There was no implementation of IPA projects under Component IV in 2008

4.2.4.5. *Component V: Rural Development*

The year 2008 was the year of the preparation for accreditation of the IPARD Operational Structure (Managing Authority and IPARD Agency). In 2008 there was no programme implementation under Component V, due the fact that the IPARD operational bodies were not ready for conferral of management. Under the IPA, at the end of 2008, the IPARD was the only component to be implemented on a fully decentralised basis.

In view of preparation for conferral the management of aid without *ex ante* control, the audit team from the DG AGRI responsible for verification of compliance with accreditation criteria made two Advisory Missions to the former Yugoslav Republic of Macedonia during 2008.

4.2.5. Participation in Community Programmes and Agencies

A Protocol to the SAA on a Framework Agreement on the general principles for participation in Community Programmes was signed in November 2004. In accordance with Articles 2 and 5 of this Framework Agreement, the former Yugoslav Republic of Macedonia shall pay a financial contribution to the budget of the Community programmes in which it participates and may request IPA assistance in this regard. IPA funds may cover up to 90% of the country "entry tickets" to a Community programme or Agency.

€1.800.000 was allocated from IPA 2007 component I to co-finance the participation of the former Yugoslva Republic of Macedonia in, *inter alia*, the following indicative list of Community programmes and agencies in 2008 or 2009⁵: PROGRESS, Europe for Citizens, Media, Culture, life +, Fiscalis 2013, CUSTOMS 2013.

The IPA Programme 2008 foresees a Community contribution of €2.000.000 to the participation of the former Yugoslav republic of Macedonia in, *inter alia*, the following indicative list of Community programmes and Agencies in 2009 or the subsequent years: Seventh Research Framework Programme, CIP-EIP, ICT, IEE, PROGRESS, Europe for Citizens, Culture, Media, Fiscalis, CUSTOMS, Health, Life-long Learning, Youth in Action, European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), European Fundamental rights Agency (FRA), Financial Instrument for Civil Protection, European Environmental Agency (EEA).

⁵ "Entry tickets" for 2008 for the Seventh Framework Research programme and entrepreneurship and Innovation of the Copmpetitiveness and Innovation Framework Programme (CIP-EIP) was financed through CARDS.

4.3. Monitoring and Results

4.3.1. State of play for IPA Monitoring Committee and Sectoral Monitoring Committees

Programme implementation under IPA shall be monitored through the IPA Monitoring Committee assisted for each component by Sectoral Monitoring Committees. Each Committee shall satisfy itself as to the effectiveness and quality of the implementation of the programmes and operations. They may make proposals to the Commission and the national IPA-coordinator, with a copy to the national authorising officer, for decisions on any corrective measures to ensure the achievement of programme objectives and enhance the efficiency of the assistance provided.

4.3.2. IPA Monitoring Committee

The I IPA monitoring committee was held on 21 November 2008 in Skopje. The respective Rules of Procedure were adopted by consensus. The meeting served to review the state of play of the different components, with particular emphasis on the situation as regards the accreditation for decentralised management.

4.3.2.1. Component I

The Component I Sectoral Monitoring Committee was held on 17 September in Skopje. The respective Rules of Procedure were adopted by consensus. The meeting served to review the state of play of the component I for the years 2007 and 2008 as well as the programming for IPA 2009. A point on the situation as regards the accreditation process for decentralised management with *ex ante* controls – component I was also made.

4.3.2.2. Component II

The Joint Monitoring Committees (JMC) of the cross-border co-operation programmes with Albania and Bulgaria were officially set up in 2008, within three months of the approval of the respective programmes.

4.3.2.3. Component III

The second and third sectoral Monitoring Committees were held 25 June and 17 December 2008 respectively.

4.3.2.4. Component IV

The sectoral monitoring committees for the OP Human Resources Development were held on 26 February and 12 December 2008.

4.3.2.5. *Component V*

The first and second IPARD Monitoring Committees took place on 27 May and 21 November 2008 respectively. At the first IPARD Monitoring Committee the members approved the Rules of procedure for the IPARD Monitoring Committees. Parallel to this activity the first proposed amendments on the IPARD Programme 2007-2013 were approved. For the efficiency and correctness of co-ordination and reporting on the monitoring and evaluation of the Programme, the relevant support documents including the monitoring tables were presented and approved in the second IPARD Monitoring Committee. The national authorities also informed the IPARD Monitoring Committee about publicity activities to increase the public awareness of the programme.

4.3.3. Annual and final reports on implementation

In 2008, the draft IPA Annual report was not yet ready to be sent to the members of the IPA Monitoring Committee for its examination

4.3.4. Evaluation results and Lessons learned

An *ex ante* evaluation was carried-out by independent experts for the Rural Development programme. The conclusions/recommendations of this report were taken into consideration in preparing the final version of the programme. Additionally, operational programmes under components III and IV were subject to *ex ante* evaluations carried out in accordance with Structural Funds guidelines and procedures.

No additional IPA evaluations were carried out, as the first IPA programmes were only adopted at the end of 2007 and implementation was not yet completed.

4.3.5. Sectors with positive results – Success story

No IPA projects have been finalised in the course of 2008.

5. KOSOVO (UNDER UNSCR 1244/99)⁶

5.1. The year in review

5.1.1. Political developments

On 17 February 2008, the assembly of Kosovo⁷ declared Kosovo an independent and sovereign state. To date, Kosovo's independence has been recognised by 56 countries, including 22 EU Member States. The Constitution of the Republic of Kosovo entered into force on 15 June 2008. On 8 October, the UN General Assembly requested the advisory opinion of the International Court of Justice on the legality of Kosovo's declaration of independence. The rule of law mission known as "EULEX" began on 9 December 2008. It supports Kosovo by mentoring, monitoring and advising the Kosovo authorities in the areas of police, customs and justice.

5.1.2. Macroeconomic developments and structural reforms

Shortcomings in statistics continued to hamper a comprehensive assessment of the economic situation in Kosovo. Real Gross Domestic Product (GDP) grew by an estimated 5% in 2008. Economic activity is increasingly determined by domestic factors and private sector dynamism. GDP per capita in 2008 stood at roughly €1.80, or around 5.5% of the EU-27 average. The unreliable energy supply, with several and lengthy power cuts a day, remained the single most serious restraint on growth. 45% of the population lived below the poverty threshold. The balance of payments was negative; the value of exports was only 10% of that of imports. There was a trade deficit of over 40% of GDP which was partly financed by financial inflows (remittances and Foreign Direct Investment (FDI)). Unemployment was estimated above 40% of the active population, and particularly concerned women and youth. However, in part due to the significant size of the informal economy, changes in registered unemployment may not correctly reflect the actual dynamics of the economy. The average annual consumer price inflation rose to 14% mid 2008

5.1.3. Progress in meeting the *acquis*.

In June 2008, the European Council recalled its willingness to assist the economic and political development of Kosovo through a clear European perspective, in line with the European perspective of the region. Plenary meetings of the SAP Tracking Mechanism (STM) were held in May and December 2008, as well as a number of Sectoral STM meetings throughout the year. The EU set out reform priorities for the authorities through the European Partnership, and a revised European Partnership for Kosovo was adopted in February 2008. The government approved its European Partnership Action Plan (EPAP) in July 2008. Kosovo continued to benefit from the Instrument for Pre-accession (IPA), macro-financial assistance (MFA), CARDS, the Instrument for Stability and others. The European Commission's Liaison Office (ECLO) in Kosovo took over responsibility for projects financed under the CARDS programme from the European Agency for Reconstruction (EAR) in July 2008.

On 11 July, the European Commission organised a Donors' Conference for Kosovo in Brussels. Participants pledged a total of around €1.2 billion. The combined pledge made by the Commission and the EU Member States amounted to nearly €800 million. Following the Donors' Conference, Kosovo merged its European Integration and Donor Co-ordination

⁶ Under United Nations Security Council Resolution 1244 of 10 June 1999.

⁷ Under UNSCR 1244/99.

structures and agendas into a new ‘Agency for the Coordination of Development and European Integration’ (ACDEI) established in October 2008.

5.2. IPA in 2008

5.2.1. MIPD 2008-2010

On 14 August 2008 The Commission adopted the Multi-annual Indicative Planning Document 2008-2010 for Kosovo (under UNSCR 1244/99). EC assistance supports institution building efforts, and assists economic and political development through a clear European perspective, in line with the European perspective of the region. Therefore, the major challenges for Kosovo that are addressed by the Multi-Annual Indicative Planning Document (MIPD) are:

Political Criteria: EC assistance under this heading should focus in particular on support to the development of civil society, the protection of the Serb and other minorities and the rule of law in Kosovo. The Commission commissioned a comprehensive sector paper on the Rule of Law, including a needs assessment and cost estimate.

Economic Criteria: EC assistance should also be used in support of developing Kosovo’s economy and improving the socio-economic environment of all communities in a sustainable way. This should require measures that can catalyse IFI and private sector investment, taking due account of the limitations the status issue imposes on such investment. At the same time, more efforts should be devoted to help the authorities develop a reform agenda that promotes fiscal sustainability, good governance of public expenditure, sound financial management and knowledge society. Relevant macro-economic analysis and sector strategies to underpin these actions are currently under development or revision, notably as concerns transport, energy and education.

The European agenda: In addition to the above, EC assistance should continue to support Kosovo's European vocation and its integration into the Western Balkans region as a whole. Guided by European Partnership priorities, a gradual approximation to EC legislation in specific sectors, increased attention to the rule of law in the wider sense, and preparations for Kosovo's participation in Community programmes should be some salient features.

The indicative funding available for the period 2008 – 2010 amounts to €258.1 million for Component I (Transition Assistance and Institution Building) and Component II (Cross-Border Co-operation). The considerable increase in 2008-2010 is due to the additional allocation of €60 million to the IPA Component I in 2008 to accompany the expected challenges resulting from status resolution.

Table 1: Kosovo: Multi-annual Indicative Financial Framework (in million €):

Component	2008	2009	2010	2008-2010
I. Transition Assistance and Institution Building	<u>184.7</u>	<u>106.1</u>	<u>64.5</u>	<u>355.3</u>
II. Cross-Border Cooperation	<u>0</u>	<u>0</u>	<u>2.8</u>	<u>2.8</u>
Total	<u>184.7</u>	<u>106.1</u>	<u>67.3</u>	<u>358.1</u>

5.2.2. Programming exercise

Table 2: Indicative financial allocation for Kosovo per component for the year 2008 (in million €)

Kosovo (under UNSCR 1244/99)	2008
I. Transition Assistance and institution Building	184.7
Of which: Annual Programme	182.7
Nuclear Safety Programme	0.2
Tempus Programme	1.8
II. Cross-Border Cooperation	0
Total	184.7

5.2.2.1. Component I: Transition Assistance and Institution Building

The allocation for the 2008 Kosovo annual programme part I was €124.7 million, all of which will be implemented under component I (including €2.8 million originally allocated to component II). This allocation includes a contribution to two multi-beneficiary programmes (TEMPUS and Nuclear Safety) amounting to €2.0 million. The Commission adopted this programme on 6 October 2008. It contains the following projects:

Table 3: Component I - Transition Assistance and Institution Building 2008 for Kosovo (in million €):

Priority Axis	Projects	Budget (EUR million)
Priority axis 1 Political Criteria (26%)	Strengthening the Rule of Law	13.0
	Preserving Cultural Heritage in Kosovo	2.5
	Public Finance Administration	6.0
	Public Administration Reform (EU Integration)	4.0
	Support to Media and Civil Society	2.5
	Sustainable Return and Reintegration	4.0
Priority axis 2 Economic Criteria (56%)	Rural Development System and Pilot Testing	4.0
	Support to Energy Efficiency and Transmission	9.5
	Support to Privatisation Process	6.0
	Support to Mines and Minerals Sector	1.0
	Municipal Infrastructure	14.0
	Regional Development Structures and Instruments	6.6
	Support to Education and Employment	10.0
Priority axis 3 European Standards (8%)	Improving Environment	18.0
	Support to Animal Identification and Registration	3.02
	Support to Civil Aviation Regulatory Office	1.0
	Support to the Statistical Office of Kosovo	1.5
	Support to Health	1.5
	Strengthening Customs and Taxation	3.0

Priority axis 7 Support Activities	Reserve and Technical Assistance Facility	11.58
TOTAL		122.7

Furthermore, on 19 December 2008 the Commission adopted the 2008 Kosovo annual programme part II, financed by an additional allocation of €60 million to Kosovo following the Commission's pledge at the July 2008 Donors' Conference. It contains the following projects:

Priority Axis	Projects	Budget (€ million)
Priority axis 1 Political Criteria	Upgrade of Infrastructure in the Rule of Law Sector	25.0
Priority axis 2 Economic Criteria	Infrastructure Project Facility – Kosovo Window	25.0
	Contribution to the World Bank's Trust Funds for Kosovo	10.0
TOTAL		60.0

5.2.2.2. Component II: Cross-Border Cooperation

Similar to 2007, in 2008 the conditions for programmes under Component II in Kosovo were not met. The funds for Component II have thus been transferred to Component I.

5.2.3. Implementation modalities and structures

The European Commission Liaison Office (ECLLO) implements IPA programmes in Kosovo under deconcentrated centralised management. Some projects are implemented under joint management with international organisations (such as the Council of Europe).

Kosovo furthermore participates in multi-beneficiary programmes which are funded from its component I envelope. These are implemented on a multi-country basis and managed centrally by the European Commission in Brussels. The first application for medium-term assistance was presented on 22 May 2008. To date, 26 applications have been accepted. These applications relate notably to privatisation, road traffic safety, civil aviation, fisheries, air quality, and approximation of legislation, international agreements, social welfare, cultural heritage, waste management, biodiversity, electricity transmission, private security companies, small arms and light weapons, corporate governance and assistance to the national assembly.

Kosovo is at a very early stage as regards the establishment of a roadmap for the decentralisation of the management of EU funds without *ex ante* controls by the Commission. As a first step, Kosovo needs to officially appoint a National IPA Coordinator (NIPAC). Currently Kosovo's Deputy Prime Minister often acts as the NIPAC, however, to date financing agreements were signed by the Prime Minister. The EC is in process of supporting the Kosovo's authorities to take more ownership of the annual programming process.

5.2.4. Overview of IPA programmes implemented

Table 4: Kosovo-Status of financial assistance at the end of December 2008 (in million €)

	Allocated	Contracted	RAC	%Contracted	RAL	%Paid
IPA 2007	62	29.8	32.2	48%	55.9	9.8%
IPA 2008	182.7	0	182.7	0%	182.7	0%

5.2.4.1. Component I: Transition Assistance and Institution Building

The European Commission Liaison Office (ECLO) took proper action to ensure an effective implementation of IPA 2007, and the very ambitious commitment target for 2008 was met. In 2008 the ECLO committed 50% of the IPA 2007 programme for which it is responsible.

The 32 projects committed in 2008 under IPA 2007 include 12 contracts awarded following a full tender evaluation process, 4 direct grant agreements, 1 twinning contract and 15 framework contracts.

5.2.4.2. Component II: Cross-Border Cooperation

The funds initially foreseen for component II under the 2007 and 2008 IPA annual programmes were transferred to component I.

5.2.5. Participation in Community Programmes and Agencies

There is no framework agreement concerning participation of Kosovo in Community programmes. Kosovo did not participate in Community Programmes in 2008.

5.3 Monitoring and Results

5.3.1. Monitoring

Kosovo is included in the target area of the ROM project managed by DG Enlargement's Regional Programmes Unit. Information on IPA 2007 and 2008 projects to be monitored was provided to the contractor of the ROM project. Their work plan includes projects under IPA 2007 which will be monitored in 2009. No projects were monitored during 2008.

5.3.2. Evaluation results and lessons learned

So far there are no evaluation results of IPA programmes (2007 and 2008) in 2008 as implementation only started in 2008.

5.3.3. Sectors with positive results- Success story

Given that 2008 was the first year of IPA programme implementation there has not been a strong impact of the projects implemented during 2008. However, there have been several positive project developments and results:

The first twinning contract KS 07 IB AG 01 "**Meeting EU Standards on Food Safety and Veterinary Services**" (€2.0 million) was notified on 18 December 2008. This project is financed under the IPA 2007 annual programme. The Member State twinning partners are the Federal Ministry of Agriculture and Consumer Protection of Germany and the State Food and Veterinary Agency of Lithuania. **Jazz festival in North Mitrovica (5-6 November 2008)** - The European Commission was one of the main sponsors of the sixth edition of the North City Jazz and Blues Festival – an international Jazz and Blues Festival held in North Mitrovica, 5-6 November 2008. This festival is one of the landmarks of cultural activities in Kosovo. In 2008, the festival welcomed six international and regional well known musicians. The festival also incorporated a workshop on playing piano and drums, attracting the participation of young people from the area. The North City Jazz and Blues Festival promote intercultural dialogue through music, but also through side activities as a platform for socialising and reviving the cultural scene.

Fete de la Musique in Pristina (21 June 2008) - Fete de la Musique - "*Festa e Muzikës*" in Pristina, held for the first time in 2008, became a part of the worldwide celebration of this

day. As planned “Festa e Muzikës” was organised in different outdoor and indoor venues in the city of Pristina as follows:

- *Mother Theresa – Stage at the National Theatre*
- *NEWBORN – Piano programme*
- *SHOPPING CENTRE – PALACE of YOUTH – Classical music programme*
- *YOUTH PALACE: Stage in the Parking at ODA Theatre.*

The “Festa e Muzikës” in Pristina is officially registered as a part of the world celebration of the “Fête de la Musique” - <http://www.fetedelamusique.culture.fr/>. Furthermore, it was part of the “**Les Echos de la Fête**” - a multimedia world tour of Fête de la Musique. On 21 June, pictures from Pristina were transmitted to France and broadcasted on a website especially dedicated to this project www.echosdelafete.net. During a live show in Paris on 21 June, DJs and VJs mixed in sounds and pictures collected.

Dokufest (4-10 August 2008) - The European Commission Liaison Office was one of the main sponsors of the seventh edition of Dokufest – an international documentary and short film festival in Prizren, held from 4-10 August 2008. Dokufest showed 139 films and documentaries from many countries of the world. The festival incorporated parallel activities such as volunteerism, camping, photo exhibitions, newspaper edition, workshops, and music events, attracting a high number of youth participants from the region and beyond. Dokufest promotes intercultural dialogue through films and documentaries, but also through side activities as a platform for socialising.

In 2008 the implementation of the Government's programme for **promoting energy efficiency and renewable energy** was supported through a feasibility study which identified and evaluated a set of energy saving measures in some public buildings in three cities, namely Pristina, Gjakova and Gjilan. The outcome of the study was the technical specifications for implementing the most cost-effective measures for reducing the energy consumption in selected buildings. The project for implementing the measures is funded under IPA 2008.

In late 2008 the ECLO commenced two projects funded under IPA 2007 to support **reforms in the energy and railways sectors**. The goal of this assistance is to create a stable regulatory environment for investments in energy and railways, and for improving the quality of services for the customers. The projects will contribute in the transition towards a market based railway transport and energy system, by strengthening the institutional capacity of the regulatory authorities who have a crucial role in establishing transparency and equal treatment in the market.

Moreover, in the framework of the IPA 2008 annual programme, 5 **Regional Development Agencies** were established in December 2008 as municipal associations in Pristina, Mitrovica, Peja, Gjilan and Peja regions. These Regional Development Agencies will encourage and facilitate cooperation of all regional stakeholders in developing and implementing regional strategies.

6. MONTENEGRO

6.1. The year in review

6.1.1. Political developments

Following the signature of the Stabilisation and Association Agreement with the EU in October 2007, an Interim Agreement on trade and trade-related matters entered into force in January 2008 and was smoothly implemented. The reform process in Montenegro continued to be monitored through the enhanced permanent dialogue and through the newly set-up institutional framework of the Interim Agreement.

In 2008 the country enjoyed political stability and continued to play a constructive role in the region.

A political dialogue meeting between the EU (troika) and Montenegro took place in February 2008. The visa facilitation and readmission agreements are overall smoothly implemented. A visa liberalisation dialogue between the EU and Montenegro was launched in February 2008 and a Roadmap, with concrete benchmarks, was submitted by the European Commission to Montenegro. The implementation of the "Roadmap" would open the way to visa free travel for Montenegrin citizens.

In December 2008 Montenegro submitted an application for EU membership.

6.1.2. Macroeconomic developments and structural reforms

During 2007 and 2008 Montenegro enjoyed a rapid growth of over 7% p.a., supported by inflow of foreign direct investment (FDI), tourism, financial intermediation, real estate and improved performance of the manufacturing industry.

A prudent fiscal policy and higher than expected tax revenues have led to budget surpluses exceeding 3% of GDP and declining public debt to 32% of Gross Domestic Product (GDP) by end-2007. However, the very strong expansion of lending, rapid growth of asset prices and rapidly growing wages have generated strong demand pressures boosting consumption and investments and inducing strong imports resulting in massive current account deficits over 40% of GDP in 2007.

According to estimates of the IMF, the rapid expansion of the Montenegrin economy will slow down significantly in 2009 and 2010 due to the global credit crunch, the expected slowdown of FDI and a significant decrease of real estate sales. An adverse effect on tourism revenues is also expected; whereas the fall in aluminium prices have negatively affected the already critical situation of the aluminium company KAP (whose sales represented over 40% of Montenegro's industrial exports).

The authorities reacted promptly on financial system by fully guaranteeing deposits up to (currently some €2 billion), as well as inter-bank credits, and offering the possibility of providing liquidity loans or recapitalisation of domestic banks. To alleviate the negative impact of the crisis over the real economy, the adopted budget 2009 foresees a significant rise of the capital expenditure, earlier repayment of domestic debt, and the reduction of social contribution tax rate. In addition, electricity price subsidies for Small and Medium-sized Enterprises (SME) and households were announced. Authorities are discussing credit agreements with the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the World Bank to support infrastructural projects but, despite availability in case of a drastic deterioration, the government did not, by the end of 2008, yet express interest to close a stand-by arrangement with the International Monetary Fund (IMF).

6.1.3. Progress in meeting the *acquis communautaire*

In 2008 Montenegro made further progress in alignment with European standards. On the whole, the implementation of obligations under the Interim Agreement since 1 January 2008 was proceeding smoothly. Interim Agreement bodies were set up. Policy-reform dialogue in other areas was taking place in the context of the Enhanced Permanent Dialogue.

The 2008 progress report highlighted areas where progress was expected, and where further efforts were needed. IPA programming took fully into account the outcomes of the report in order to address the shortcomings.

6.2. IPA in 2008

6.2.1. MIPD 2008-2010

During the year 2008, the Multi-annual Indicative Planning Document (MIPD) 2009-2010 was adopted, and the MIPD 2009-2011 was prepared. Both are in line with the recommendations of the Enlargement Strategy, the European Partnership, and the SAA, in addition to the National Plan for Integration (NPI) prepared by Government.

In the revised MIPD, IPA Component I will support Montenegro in the following areas:

- Political criteria- An increased importance is given to this priority axis which will thus focus on the consolidation of democratic institutions, reform of the judiciary, public administration reform including decentralisation and local government, fight against corruption and organised crime, human rights and protection of minorities, anti-discrimination, as well as the media. Civil society development will be given special attention for the promotion of dialogue; small grants will assist environment, anti-discrimination, gender equality, social inclusion, health, business advocacy, and consumer protection⁸.
- Economic criteria- This priority axis will concentrate on employment generation, education, research, social inclusion, health, business environment, budget and fiscal management, rural development, food safety, environment, energy, transport, as well as infrastructure and other activities which will prepare the country for future structural funds.
- Ability to assume the obligations of membership- IPA will assist the introduction and implementation of the *acquis* in all areas; the overall coordination of the European integration process; strengthening Montenegro's administrative capacity to implement the SAA; preparing for the decentralised management system with or without *ex ante* controls for EU funds management; and participation in Community Programmes.

Component II will support cross-border cooperation activities between Montenegro and EU Member States as well as with adjacent Candidate and potential Candidate Countries; in complementarity with the above priority axes.

The indicative allocations to Montenegro under the Multi-annual Indicative Financial Framework (MIFF) for 2008-2010 amount to €99.9 million, as specified below in Table 1.

Table 1: Montenegro: Multi-annual Indicative Financial Framework (in million€)

⁸ It will be complementary to the EIDHR programme dealing with democracy and human rights

Component	2008	2009	2010	2008-2010
I. Transition assistance and Institution Building	28.1	28.6	29.2	85.9
II. Cross-Border Cooperation	4.5	4.7	4.8	14.0
Total	32.6	33.3	34.0	99.9

6.2.2. Programming exercise

Table 2: Indicative financial allocation for Montenegro per component for the year 2008 (in million €):

MONTENEGRO	2008
I TRANSITION ASSISTANCE AND INSTITUTION BUILDING	28.1
<i>OF WHICH: NATIONAL PROGRAMME</i>	26.8
<i>NUCLEAR SAFETY PROGRAMME</i>	0.2
<i>TEMPUS PROGRAMME</i>	1.1
II CROSS BORDER COOPERATION	4.5
<i>OF WHICH: CBC ADRIATIC PROGRAMME</i>	1.25
<i>CBC MONTENEGRO AND CROATIA</i>	0.5
<i>CBC MONTENEGRO AND BOSNIA & HERZEGOVINA</i>	0.6
<i>CBC MONTENEGRO AND SERBIA</i>	0.6
<i>CBC MONTENEGRO AND ALBANIA</i>	0.6
<i>CBC PARTICIPATION IN ERDF SE EUROPE AND ERDF MEDITERRANEAN PROGRAMMES</i>	0.95

Programmes for component II are adopted for three years. Financial commitments are made annually and therefore figures above are just for 2008

6.2.2.1. Component I: Transition Assistance and Institution Building

The programming exercise for IPA 2008 was done with the assistance of the European Agency for Reconstruction (EAR), in coordination with the National IPA Coordinator (NIPAC) and the Secretariat for European Integration (SEI); In order to further improve the ownership of the programme the EC Delegation organized several seminars in which future beneficiaries were trained in writing the log frame, and in preparing the project fiches. Project fiches were revised by the EC Delegation during summer 2008.

The 2008 National Programme (Component I) was adopted on 2 December 2008.

Under "Political criteria", there are three projects for a total amount of **€7.05 million**. The projects focus on public administration reform and more specifically in decentralisation and local government, sustainable support to refugees and displaced persons and media (transformation of the Radio television of Montenegro into a public service broadcaster)

Under "Economic criteria", there are four projects for a total amount of **€7.5million**, the **projects concentrate on** employment generation and improvement of the business environment and the support to the development of environmental infrastructure (solid waste management in Niksic) and the Environmental Protection Agency.

Under "Ability to assume obligations of membership", there are six projects for a total amount of **€10.65 million**. The projects under this axis assist in the introduction and implementation of the *acquis* in some areas including financial markets, rural development, food safety, veterinary services, customs administration, integrated border management and migration;

In addition, an amount of **€1.6 million** is foreseen for a project preparation facility and technical assistance as well as for support measures; while Tempus and Nuclear assistance projects are managed by Headquarters.

Table 3: Component I-Transition Assistance and Institution Building 2008 for Montenegro (in million €)

Priority axes	Total IPA (IB and INV)
<i>Priority axis 1 Political Criteria</i>	7,05
1. Local Government	4,3
2. Refugees and DPs	1,5
3. Public Broadcasting/RTCG	1,25
<i>Priority axis 2 Economic Criteria</i>	7,5
4. Employment	1,8
5. Private Sector / SMEs	1,2
6. Environment Infrastructure	3,5
7. Environment EPA	1
<i>Priority axis 3 Ability to assume obligations of membership</i>	10,65
8. Financial Markets	1,2
9. Rural Development	1,5
10. Food safety	2
11. Animal Disease Control	1,5
12. Customs National AP	1
13. Int. Border Management	2,45
14. Migration	1
<i>Priority axis: Support measures</i>	1,6
TA & PPF	0,8
Support measures	0,8
TOTAL	26,8

6.2.2.2. Component II: Cross-Border Cooperation

IPA Component II encompasses four cross-border programmes between Montenegro and its Western Balkan neighbours: Croatia, Bosnia and Herzegovina, Serbia and Albania. Moreover, it includes the participation of Montenegro in the IPA Adriatic cross-border programme with Member States. IPA Component II also supports the participation of Montenegro in two ERDF transnational cooperation programmes: "South-East Europe" and "Mediterranean".

IPA CBC combines cohesion and external relation objectives and supports activities such as: (1) development of cross-border economic, social and environmental activities of border areas; (2) addressing common challenges in particular in the field of environment and public health and development; (3) promoting "people to people" type actions, including among NGOs and local authorities.

6.2.3. Implementation modalities and structures

The 2008 Component I National Programme will be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation and the corresponding provisions of the Implementing Rules. The implementation of the programme is delegated to the EC Delegation in Montenegro.

Montenegro's participation in horizontal nuclear safety, and education programmes (Tempus) is funded from its component I envelope. These programmes are not included in the Component I national programme as they will be implemented on a multi-country basis and be managed centrally by the European Commission in Brussels.

Concerning the preparations for decentralised management of IPA, the work leading to a decentralised management system with *ex ante* controls was progressing. The government set up the institutions for the decentralised management system and nominated the heads of the functions and structures, namely the Competent Accrediting Officer (CAO), the National Authorizing Officer (NAO), and the PAO (Programme Authorising Officer).

The Secretariat for European Integration receives EC assistance under CARDS 2006 to take forward the implementation of the roadmap for decentralised management, and to have its own staff and those of all the related structures, trained. The IPA 2008 programme provides further assistance by helping to set up a paying agency and managing authority for rural development, the operating structure required for the decentralised implementation without *ex ante* control of IPA component V. Advisory missions by DG Enlargement were carried out in July and December 2008.

6.2.4. Overview of IPA programmes implemented

During 2008, IPA programmes started to be implemented in Montenegro. IPA 2007 programme was prepared and tendered in all three axes. By the end of the year a major road project and justice reform, as well as capacity building assistance were contracted. Preparatory activities for the implementation of IPA 2008, as well as the planning and preparation of IPA 2009 started in 2008.

6.2.5. Participation in Community Programmes and Agencies

The Agreement of 15 November 2007 provides for the provisional application of Protocol 8 to the SAA on the general principles for Montenegro's participation in Community programmes. In accordance with Articles 2 and 5 of this Framework Agreement, Montenegro shall pay a financial contribution to the budget of the Community programmes in which it participates and may request IPA assistance in this regard.

On the basis of this Protocol 8, Montenegro is participating in two programmes: the Seventh Framework programme for Research, Technological Development and Demonstration Activities and the Entrepreneurship and Innovation programme.

6.3. Monitoring and Results

6.3.1. Monitoring

No monitoring of IPA projects was carried out in 2008 as the IPA 2007 programmes implementation only started in 2008. Monitoring of IPA projects starts in 2009.

6.3.2. Evaluation results and lessons learned

So far there are no evaluation results of IPA programmes in 2008 as the implementation only started in 2008. For the first year of IPA no lessons learned can be identified. Evaluations of selected previous CARDS projects are implemented in 2009

6.3.3. Sectors with positive results - Success story

For the first year of IPA, No sectors with positive results can be identified as the implementation of IPA programmes only started by the end of 2008.

7. SERBIA

7.1. The year in review

7.1.1. Political developments

Serbia signed the Stabilisation and Association Agreement (SAA) and an Interim Agreement covering trade-related matters in April 2008. On 29 April 2008, the Council decided that the implementation of the Interim Agreement and the ratification of the SAA were subject to Serbia fully cooperating with the International Criminal Tribunal for the former Yugoslavia (ICTY).

Serbia made significant progress on cooperation with ICTY, including the arrests of Radovan Karadzic and Stojan Zupljanin. Parliament ratified the SAA in September 2008 and began work on a package of laws. Government and parliament were affected by divisions between political parties on key policy issues. Issues relating to Kosovo⁹ and EU integration dominated political discussions. After the presidential and legislative elections in February and May 2008 there was increased stability in government and greater consensus on European integration. Serbia had good capacity in its public administration.

Further efforts need to be taken to ensure the independence, accountability and efficiency of the judicial system. Corruption remained widespread and constituted a serious problem. Civil and political rights in Serbia were generally protected and the overall framework for respect of human rights and the protection of minorities in Serbia was in place. Concerning economic and social rights, the legal provisions for their protection were largely in place but the legal framework needed to be further developed.

Relations between the EU and Serbia were affected by the declaration of independence of Kosovo. Serbia vowed to use only peaceful, legal and diplomatic means and exercised restraint in its response to the declaration. Following a Serbian initiative, a Resolution of the UN General Assembly requested to the International Court of Justice an advisory opinion on the legality of the Kosovo declaration of the independence.

7.1.2. Macroeconomic developments and structural reforms

The **economy** of Serbia continued to grow strongly. However, progress in macroeconomic stabilisation was mixed. The continuing reversal of fiscal consolidation added to macroeconomic risks. Structural reforms slowed down and the high level of unemployment, as well as rising inflationary pressures, remained major challenges.

As regards the **economic criteria**, Serbia made some progress towards establishing a functioning market economy. Financial intermediation continued to grow from a still relatively low level. Significant progress was made with the development of the non-banking financial sector. However, external imbalances widened, the quality of financing deteriorated, foreign debt rose, and the degree of macro-vulnerability increased also in the light of the global financial crisis. Despite high economic growth rates in recent years, unemployment remained a major challenge. There was some progress with regard to the privatisation of state-owned companies and banks.

7.1.3. Progress in meeting the *acquis communautaire*

In the area of **European Standards**, Serbia remained well placed to implement the SAA and the Interim Agreement, thanks to its good administrative capacity. However there were few developments in terms of legislative alignment.

⁹ Under UNSCR 1244/1999

As regards *sectoral policies*, in the areas of industry and Small and Medium-sized Enterprises (SMEs) Serbia remained committed to the European Charter for SMEs. In the area of *agriculture*, there were some improvements in administrative capacity. In the area of *environment*, Serbia's preparations remained at a moderately advanced level. Some progress was made in the area of *transport* with Serbia continuing to actively participate in the South East Europe Transport Observatory. There was also some progress in the area of *energy*. Little progress was made in the areas of *information society and media*. Serbia was moderately advanced in fulfilling the requirements of the SAA and the European Partnership in the area of *statistics*.

There was moderate progress in the area of *justice, freedom and security*. The visa facilitation and readmission agreements between the EU and Serbia entered into force in January 2008 and a visa liberalisation dialogue started. Following the adoption of the new legislation on *asylum*, Serbia took over responsibility for handling asylum cases from the United Nations High Commissioner for Refugees (UNHCR). *Money laundering* continued to be a serious problem and relevant legislation still had to be adopted. *Drug trafficking* also remained a serious concern. The professional capacities of the *police* improved as a result of additional training activities. The fight against *organised crime* remained a matter of serious concern for Serbia.

7.2. IPA in 2008

7.2.1. MIPD 2008-2010

The Serbian government played an active role in the preparation of the 2008-2010 Multi-Annual Indicative Planning Document (MIPD) which was adopted in September 2008. The MIPD sets out the priorities for EU financial assistance under IPA for the period 2008-2010. Under political criteria, the main objective of EU assistance for the period 2008-2010 is to further strengthen the institutional building and the increase of the absorption capacity of Serbian institutions, ensuring successful implementation of SAp. This includes the successful set up of the decentralised management system framework to enable efficient management of EU funds. Additionally, particular attention will be paid to actions supporting the development of civil society, the respect of the rights of minorities and other vulnerable groups (including anti-discrimination measures) and of equality between women.

A considerable amount of funds will be allocated to the second priority axis, economic criteria. In this respect the assistance will focus mainly on promotion of economic growth as well as alleviating the social impacts of privatisation and enterprise restructuring. Furthermore, actions will be financed, targeting employment creation by strengthening vocational education and training and the education sector in general by improving the link between schools/ universities supply and the qualifications demanded on the labour market. Particular attention will also be paid to the development and implementation of strategies and policies in order to establish sectoral policies and a regulatory framework compatible with European standards. Key *acquis* sectors such as competition policy, enterprise and industrial policy, justice, freedom and security, social policy and employment, financial management, product standards will be prioritised.

IPA Component II will support cross-border programmes between Serbia and the adjacent Member State (Hungary, Bulgaria, and Romania), candidate (Croatia, fYRoM) and potential candidate countries, according to the IPA eligibility rules (NUTS level III regions or equivalent areas). In addition, building on the experience gained in the context of the CADSES programme, IPA Component II funds are available, as appropriate, to support the participation of Serbia in the relevant transnational programmes under the Structural Funds

where Serbia is eligible (e.g. the "South –East Europe Space" programme, the successor of CADSES).

The indicative allocations to Serbia under the Multi-annual Indicative Financial Framework (MIFF) 2008-2010 amount to €584.4 million, as specified below in Table 1*.

Table 1: Serbia: Multi-annual Indicative Financial Framework (in million €)

Component	2008	2009	2010	2008-2010
<i>I. Transition assistance and Institution Building</i>	179.4	182.6	186.2	548.2
<i>II. Cross-Border Cooperation</i>	11.5	12.2	12.5	36.2
Total	190.9	194.8	198.7	584.4

7.2.2. Programming exercise

Table 2: Indicative financial allocation for Serbia per component for the year 2008 (in million €)

SERBIA	2008
I Transition Assistance And Institution Building	179.6
of which: National Programme	168.6
Nuclear Safety Programme	4.0
Tempus Programme	7.0
II Cross Border Cooperation	11.45
of which: CBC Serbia And Bulgaria	2.20
CBC Serbia And Romania	2.70
CBC Serbia And Hungary	2.30
CBC Adriatic Programme	0.55
CBC Serbia And Croatia	1.00
CBC Serbia And Bosnia & Herzegovina	1.10
CBC Serbia And Montenegro	0.50
CBC Participation In ERDF SE Europe Programme	1.10

*Programmes for component II are adopted for three years. Financial commitments are made annually and therefore figures above are just for 2008

7.2.2.1. Component I: Transition Assistance and Institution Building

Table 3: Component I-Transition Assistance and Institution Building 2008 for Serbia (in million €)

Priority Axis	Projects	Budget
Political Criteria	Strengthening the institutional capacities of the National Bank of Serbia	2.50
	Support to the Development of Public Internal Financial Control (PIFC) Phase 3	2.00
	Support to Refugees and IDPs	6.00
	Support for media capacity in the area of European Integration	3.00
	Fight against corruption	2.50
	Harmonization of the Serbian	4.40

	Customs Enforcement Division with the standards, organization and operational methodology of EU enforcement agencies	
	European Integration Scholarships	4.00
	Improvement of transparency and efficiency (prosecutors and penal system)	4.50
	Education for all - increasing the availability and quality of education for children from marginalized groups	3.00
	Social Inclusion	5.50
	Support for Civil Society	2.50
	Establishment of first level control and support for the implementation of cross-border cooperation (CBC) programmes	1.70
	Municipal Infrastructure Support Programme (MISP)	45.40
	Project preparation Facility	5.00
Economic Criteria	Implementation of Hospital Information System	7.50
	Support for Quality Assurance within the national primary and secondary education examination system	2.00
	Environmental protection at the Electric Power of Serbia (EPS) company	11.00
	Improved SME competitiveness and innovation	3.00
	National Employment Service's (NES) forecasting and data management	1.50
	Systemic development of elementary, practice-based adult education in Serbia (second chance)	4.50
Ability to assume the obligations of membership	Facilitating intermodal transport in Serbia	2.00
	Harmonization with <i>acquis communautaire</i> in the Field of Transport – Phase II	1.50
	TA to support implementation of	4.00

	infrastructure projects in the Republic of Serbia- PIUs	
	System for the analysis of track conditions	3.00
	Development of the Information System for Border Crossing Control	4.00
	Further advancement of conformity assessment in the Republic of Serbia	1.20
	Control of State Aids	1.50
	Assistance to the Serbian Environment Protection Agency as a national focal point institution for cooperation with the European Environment Agency in strengthening the EIONET	1.60
	Hazardous waste	1.50
	Chemicals management	1.50
	Treatment of the Healthcare waste	6.00
	Harmonization of national legislation with EU legislation for placing on the market and control of Plant Protection Products (PPP) and implementation of new legal provisions	1.30
	Support for the control/eradication of classical swine fever and rabies in Serbia	6.30
	Capacity building and technical support for the renewal of viticulture zoning and control of production of wine with Designation of Origin	1.20
	Further support for implementation of DIS	2.45
	Support for participation in Community Programs	5.00
Support Activities	Support Measures Facility	3.09
Total		168.64

The 2008 National Programme for Serbia under the IPA Transition Assistance and Institution Building Component was adopted by the Commission on 19 December 2008. It aims at assisting Serbia to implement the necessary reforms needed to fulfil EU requirements, make

progress in the Stabilisation and Association process and lay the foundations for fulfilling the Copenhagen criteria as well as to implement the European Common Aviation Area Agreement.

More specifically, the 2008 IPA National Programme with a total budget of around € 168.6 million comprises 37 projects, including one support measures facility in the amount of € 3.1 million. 2008 IPA is addressing priorities in the following axes: Political Requirements, with a budget allocation of € 92 million; Socio Economic Requirements, with a budget allocation of € 29.5 million; and European Approximation of Sectoral Policies, with a budget allocation of € 44 million. The 2008 IPA Programme is providing assistance, amongst others, to the following projects:

The **Support to Refugees and Internally Displaced Persons (IDP) project** with an IPA budget of **€6 million** addresses an issue of major importance for Serbia. One programme will support provision of housing solutions for refugees; enhancement of IDPs' housing conditions, support to starting up or expanding income-generating activities for refugees and IDPs. The Legal assistance programme will improve the access of IDPs and refugees in Serbia to property, health, education, employment and social welfare.

The **Municipal Infrastructure Support Programme** with an IPA budget of **€45.4 million** builds on the strong record under the CARDS programme in supporting the implementation of local government decentralisation policy reforms. The overall objective of the project is to strengthen the capacity in Serbia, as required by candidates for EU Membership, to improve local governance, support better management of municipal infrastructure services and the capacity of municipalities to programme and absorb EC investment funds for new and rehabilitated assets.

The project **Implementation of Hospital Information System** with an IPA budget of **€7.5 million** is designed to support the Ministry of Health by continuing the improvement of the Electronic Health Record developed through the CARDS 2004 project “Development of Health Information System for Basic Health and Pharmaceutical Services Republic of Serbia” and through the Ministry of Health's “Serbia Health Project”. The project will integrate data delivered by healthcare institutions and will produce an upgraded customized hospital information system in 10 hospitals, covering the needs of 30% of the population of Serbia. A study shall be launched to analyze the current situation and prepare the Terms of Reference and the technical specifications for the supplies to be procured.

The **Environmental Protection at the Electric Power industry of Serbia (EPS)** with an IPA budget of **€11 million** is a major project for Serbia in order to fulfill its environmental obligations under the Energy Community Treaty and the Directive 2001/80/EC for large combustion plants. As such, polluting emissions must be reduced from Nikola Tesla B thermal power plant which requires the reconstruction of one electrostatic precipitator (air filter). This project will provide the technical assistance and works to address this need. In addition, equipment for continuous air emission measurement of harmful and hazardous substances will be procured and installed at TPPs Nikola Tesla.

The project **Systemic development of elementary, practice-based adult education in Serbia (second chance)** with an IPA budget of **€4.5 million** aims to institutionalise a modern, functional adult education system through a three-year education cycle encompassing the elementary education during the first two years, combined with vocational trainings in the third year. The system, accessible and adaptable to the need of adult learners, focused on life skills and competences will be based upon lifelong learning.

The project **Treatment of the Healthcare waste** with an IPA budget of **€6 million** will support the Ministry of Health to improve the present inadequate and risky procedure for the treatment of infectious waste at primary healthcare level (public and private sector) and to reduce environmental pollution in 25 districts in the Republic of Serbia. The project is expected to render improved infectious healthcare waste management in 35 healthcare facilities in Serbia (23 Institutes of Public Health and 12 Veterinary Institutes, located in 25

administrative districts in Serbia) and to put in place an effective and efficient system for the collection, storage, treatment and disposal of infectious healthcare waste, in accordance with Serbian requirements and EU Directives. Two supply contracts will be made for the delivery of waste treatment equipment and waste transport vehicles.

The project for **Support for the Control/Eradication of Classical Swine Fever and Rabies** with an IPA budget of **€6.3 million** will assist Serbia to put under control and eradicate classical swine fever and sylvatic rabies. Both of those diseases present a permanent threat to public and animal health and safety of food chain. Serbia needs to align the procedures and practices for combating and eradication of classical swine fever with the requirements of the *acquis* to become eligible for export of pork meat to the EU. The project consists of a technical assistance component, procurement of vaccines, and procurement of equipment for monitoring of the diseases.

The Programming of IPA 2009 National Programme was also initiated during 2008. The priorities of the programme are determined by the Multi-annual Indicative Planning Document (MIPD) 2009-2011 which was also under preparation in 2008. These priority axes are: Political Criteria, Economic Criteria and Ability to assume obligations of membership.

7.2.2.2. Component II: Cross-Border Cooperation

IPA Component II encompasses three multi-annual (2007–2009) bilateral cross-border programmes with neighbouring candidate/potential candidate countries (Bosnia and Herzegovina, Croatia and Montenegro) and three bilateral cross-border programmes with neighbouring Member States (Bulgaria, Hungary and Romania). The programmes aim at promoting economic, social and environmental development of border regions, mainly through activities involving local communities. Component II is also financing the participation of Serbia in the ERDF transnational programme "South-East Europe".

All of the Cross-Border Co-operation Programmes between Serbia and the neighbouring countries have started during 2008. Programming meetings were organised and joint structures were established. Cross-border cooperation helps reconciliation and good neighbourly relations, while also facilitating the integration of the beneficiary countries into the EU.

7.2.3. Implementation Modalities and Structures

Serbia's participation in horizontal nuclear safety, customs and education programmes is also funded from its component I envelope. These programmes are not included in the component I national programme as they will be implemented on a multi-country basis and be managed centrally by the European Commission in Brussels.

Concerning the preparations for decentralised management of IPA, the Government established a decentralised management system roadmap in January 2008 (up-dated in November 2008), while a respective Strategy for the preparation of the accreditation of this system was prepared in April 2008. All key stakeholders regarding decentralised management system on the side of the Serbian administration have been appointed (CAO, NIPAC, NAO). Some progress was also made in establishing the basis for the "Operating Structures". In line with their up-dated roadmap, the Serbian authorities planned to start the activities under stage 1 "Gap assessment" in 2009.

A first audit mission by DG Enlargement was organized in July 2008.

7.2.4. Overview of IPA programmes implemented

Table 4: Serbia-Status of financial assistance at the end of December 2008 (in million €)

	Allocated	Contracted	RAC	%Contracted	RAL	%Paid
IPA 2007	173.3	24.5	142.9	14%	171.9	1%
IPA 2008	171.1	n/a				

In 2008 about 35 contracts under different IPA 2007 budget lines were signed while several other tenders under the 2007 IPA National programme were prepared. Given that the Financing Agreement for the IPA National Programme 2007 was only signed in April 2008 and therefore contracting of IPA projects only started in the second half of the year, actual IPA programme implementation is still to start.

It should also be noted that over the year a number of changes had to be made to the originally approved 2007 IPA National programme. Some of these changes were classified as major and hence required an amendment to the original financing decision which was only adopted shortly before the end of 2008.

7.2.5. Participation in Community Programmes and Agencies

A Framework Agreement on the general principles for participation of Serbia in Community programmes was signed in November 2004. In accordance with Articles 2 and 5 of this Framework Agreement, Serbia shall pay a financial contribution to the budget of the Community programmes in which it participates and may request IPA assistance in this regard.

For each project, the "entry ticket" to be paid is specified in the Memorandum of Understanding establishing the terms and conditions for Serbia's participation. The Memorandum of Understanding for the Seventh Research framework Programme was signed in 2007. In 2008 Serbia signed the Memoranda of Understanding for participation in the **Culture** Programme and for participation in the Community Programme for Employment and Social Solidarity (**PROGRESS**).

The IPA programme 2007 foresees a Community contribution of €2 million to support the participation of Serbia in Community Programmes. These funds are to co-finance the "entry tickets" for various programmes and agencies.

On this basis, the Serbian government received € 1410 470 as co-financing of the entry ticket for the "**Seventh EC Research Framework Programme**" and €53 500 for the Culture programme.

Under IPA 2008, €5.000.000 were allocated to co-finance the participation of Serbia, *inter alia*, in those programmes for the following year, and also in other Community programmes for which Serbia has expressed its interest, such as: CUSTOMS 2013, Fiscalis 2013, Life+, Marco Polo, Competitiveness and Innovation Framework Programme (CIP).

7.3. Monitoring and Results

7.3.1. Monitoring

No monitoring of IPA projects was carried out in 2008 as the Financing Agreement for the IPA National Programme 2007 was only signed in April 2008 and consequently the first IPA contracts were only signed in the second half of 2008.

7.3.2. Evaluation results and Lessons Learned

In 2008, there were no evaluation results of IPA programmes for the reasons indicated above under monitoring.

7.3.3. Sectors with positive results – Success story box

See above under monitoring and evaluation. No sectors with positive results can be identified as the implementation of IPA programmes only started in 2008.

8. TURKEY

8.1. The year in review

8.1.1. Political developments

Turkey continued to sufficiently fulfil the Copenhagen political criteria. After averting a constitutional and political crisis in 2008, the Turkish government renewed attention towards EU-related reforms and accession negotiations. As concerns the political criteria, some progress was achieved in the areas of freedom of expression, the rights of non-Muslim religious communities, and in promoting the economic development of the South-East. Significant further efforts are still needed on most areas related to the political criteria.

8.1.2. Macroeconomic developments and structural reforms

With regard to the economic criteria, Turkey is a functioning market economy and will remain so as long as it firmly maintains its recent stabilisation and reform achievements. Turkey should be able to cope with competitive pressures and market forces within the Union in the medium term, provided that it continues to implement a comprehensive reform programme to address structural weaknesses. In the framework of the EU-Turkey relations the Commission is in constant discussion with the Turkish authorities and is assessing the performance of Turkey in the economic and financial area. This is of paramount importance, given the fact that the IMF stand-by agreement expired in May 2008 and a new one is still pending. Turkey has been affected by the global economic crisis, as many EU economies have. The Turkish government has taken some measures to alleviate the impact of the crisis. The Commission estimates Turkey's GDP growth to have been 1.5% in 2008 as a result of a sharp contraction in the fourth quarter of 2008. It is expected that weaker economic growth and reduced demand as well as lower international commodity prices will reduce the current-account deficit and ease the needs for external financing. However, Turkey's heavy reliance on short-term capital inflows makes the country vulnerable to global de-leveraging, increased risk aversion and external shocks. Under the current circumstances, the main challenge for Turkey is the faltering external demand on the Turkish economy and the need to mitigate the impact of the deepening global financial and economic crisis.

8.1.3. Progress in meeting the *acquis communautaire*

Turkey improved its ability to take on the obligations of membership. Progress was made in most areas. Alignment is advanced in certain areas, such as free movement of goods, intellectual property rights, anti-trust policy, internal electricity market, enterprise and industrial policy, consumer protection, statistics, Trans-European Networks, and science and research. However, alignment needs to be pursued, in particular in areas such as environment, state aid, public procurement, social policy and employment, company law, food safety, veterinary and phytosanitary policies and free movement of services. A number of important obligations taken on by Turkey as part of its Customs Union with the EU remain unfulfilled. The disproportionate use of safeguard measures and longstanding trade irritants are having an impact on proper functioning of the Customs Union. Turkey's administrative capacity to cope with the *acquis* needs further improvement.

8.2. IPA in 2008

The IPA Framework Agreement between Turkey and European Commission, signed on 11 July, entered into force on 24 December 2008 upon ratification by the Turkish parliament and notification to the Commission.

8.2.1. MIPD 2008-2010

Table 1: Turkey: Multi-annual Indicative Financial Framework (in million €)

Component	2008	2009	2010	2008-2010
I. Transition Assistance and Institution Building	256,1	233,2	211,3	700,6
II. Cross-Border Cooperation	2,9	9,4	9,6	21,9
III. Regional Development	173,8	182,7	238,1	594,6
IV. Human Resources Development	52,9	55,6	63,4	171,9
V. Rural Development	53	85,5	131,3	269,8
Total	538,7	566,4	653,7	1758,8

The **Multi-annual Indicative Planning Document** (MIPD) is the strategic programming document for IPA in Turkey. It is established for a three year rolling period, with annual reviews. The second MIPD for Turkey 2008-2010 was given a favourable opinion by the IPA Committee on 19 May 2008 and then adopted through written procedure by the Commission on 25 July 2008. The 2008-2010 MIPD is based on an indicative financial envelope of €1758.8 million. The IPA instrument in Turkey, as reflected in the MIPD, consists of five components: (IPA-I) the Transition Assistance and Institution Building component; (IPA-II) the Cross-Border Cooperation component which applies to border regions between beneficiaries from member states, candidate states and countries in pre-accession status; (IPA III, IV and V) the Regional, Human Resources and Rural Development components.

Within the **Institution Building** component the focus of assistance in the area of the political criteria will be on the institutions that are directly concerned by the reforms: the judiciary and the law enforcement services. A second priority will be support for the continued development of civil society organisations. Among the issues to be addressed, priority will be given to human rights and fundamental freedoms; gender issues; and the fight against corruption. As concerns the adoption and implementation of the *acquis*, the main areas of activity, reflecting the volume of legislation to be transposed and implemented as well as the investments required, will be: agriculture and food safety; justice, freedom and security (particularly border management; migration and visa policy; and international cooperation among law enforcement agencies); and environment. The promotion of the Civil Society Dialogue will be implemented through grants supporting cooperation between EU and Turkish civil society organisations and by the co-financing of Turkey's participation in Community Programmes, notably the education and youth programmes.

The preparation towards the Territorial Cooperation objective of the EU structural funds will be addressed by the **Cross-border Cooperation** component. Budgetary allocations will be divided between bilateral cross-border programmes with Member States and participation of Turkey in the ENPI Black Sea basin programme.

EU assistance shall also help to prepare the beneficiary country for participation in *Community's cohesion policy and rural development instruments* from day one of accession. This objective will be implemented under the three IPA components: regional development, human resources development and rural development. In view of the limited funds available, sectoral and geographical concentration of funds will be sought.

The Regional Development and the Human Resources Development components will pursue the objectives of the revised Lisbon Strategy, while bearing in mind the state of Turkey's economic development. This will necessitate focusing interventions on the provision of the more fundamental physical, business and human infrastructure, before actions concerned with the technological frontier can be addressed.

The **Regional Development** component will support 3 Operational Programmes (OP): environment, transport, and regional competitiveness. Within the environment OP, the main priorities will be in the water, waste water and solid waste management sectors. Within the transport OP, priority will be given to rail, links with TEN and multi-modal transport. Finally, within the Regional Competitiveness OP the priorities will be to support business investment, to enhance SMEs competitiveness and to upgrade their technological basis.

The **Human Resources Development** component supports a single OP addressing three major areas of intervention: employment, education and social inclusion, which are to be implemented by four priority axes: attract and retain more people in employment, enhance investment in human capital, increase adaptability of workers and promote an inclusive labour market.

The **Rural Development** component supports the implementation of a multi-annual IPA Rural Development Programme (IPARD) through measures under three priority axes: adaptation of the agricultural sector and implementing of Community standards in the fields of environmental protection, public health, animal and plant health, animal welfare and occupational safety, preparatory actions for agri-environment measures and Leader and development of the rural economy.

8.2.2. Programming exercise

Table 2: Indicative financial allocation for Turkey for the year 2008 (in million €)

Turkey	
I. Transition Assistance and Institution Building	256.1
Of which	
• National Programme	256.1
• Nuclear Safety	0
• Education (TEMPUS)	0
II. Cross-Border Cooperation	2.9
Of which	
• CBC programmes	1.9
• ENPI BLACK Sea Basin programme	1.0
III. Regional Development	167.5
Of which	
• Regional Competitiveness Programme	43.5
• Transport Programme	60.8
• Environment Programme	69.5
IV. Human Resources Development	52.9
V. Rural Development	53.0
Total	540.5

Programmes for components II, III, IV and V are adopted for three years. Financial commitments are made annually and therefore figures above are just for 2008

8.2.2.1. Component I: Transition Assistance and Institution Building

The IPA 2008 component I programme included 33 projects that were selected among the priorities identified in the 2008-2010 MIPD after analysis of the Turkish authorities and consultation with the European Commission, according to the priorities identified in the Accession Partnership, the screening process and subsequent negotiations in the different chapters of the *acquis*. The Commission adopted the programme on 15 December 2008 and it will be implemented by means of decentralised management.

Table 3: Component I-Transition Assistance and Institution Building 2008 for Turkey (in million €)

Priority Axis	Projects	Budget (M €)
1. Political Criteria	TR080101 Strengthening the Role of the Supreme Judicial Authorities in the EU Process	3.0
	TR080102 Strengthening the Court Management System	5.0
	TR080103 Civic Training for Mehmetçik (Conscripts)	14.2
	TR080104 Promoting Services for People with Disabilities	3.8
	TR080105 Strengthening Special Education	6.15
	TR080106 Strengthening pre-school Education	13.9
	TR080107 Participatory Strategic Governance at the Local Level	3.0
	TR080108 Civil Society Development for Active Participation	3.05
2. Acquis communautaire	TR080201 Environment and countryside under IPARD	1.05
	TR080202 The REACH Chemicals Project	2.25
	TR080203 Improving Emissions Control	1.9
	TR080204 Integrated Pollution Prevention and Control	2.3
	TR080205 Mining Waste Management	4.0
	TR080206 Decision making & performance management in public finance	2.2
	TR080207 Strengthening the Capital Markets Board	4.1
	TR080208 Tagging and vaccination of sheep and goats	34.5
	TR080209 Improving chemical and ionising radiations metrology	3.93
	TR080210 Action Plan on Integrated Border Management -Phase 2	21.9
	TR080211 Improving the Skills of Forensic Experts	2.0
	TR080212 Strengthening the Investigation Capacity of Turkish National Police and Gendarmerie Against Organised Crime	6.3
	TR080213 Training of Border Police	1.1
	TR080214 Strengthening Forensic Capacity of Turkey	19.9
	TR080215 Strengthening the Blood Supply System	2.8

	TR080216 Surveillance and Control of Communicable Diseases	4.0
	TR080217 Strengthening Research & Development capacity	2.0
	TR080218 Promoting gender equality in the work place	0.9
	TR080219 Improving data quality in public accounts	1.7
	TR080220 Modernisation of Turkish Customs Administration V	2.9
3. Civil Society Dialogue	TR080301 Parliamentary Exchange and Dialogue	2.2
	TR080302 EU-Turkey inter cultural dialogue	3.1
	TR080303 Istanbul 2010	1.6
	TR080304 Participation to EU Community Programmes and Agencies	66
4. Supporting Programmes	TR080401 Support Activities to Strengthen the European Integration Process	9.0

8.2.2.2. Component II: Cross-Border Cooperation

Under the Turkey-Bulgaria 2004-06 cross-border cooperation (CBC) programme, a Joint Programming Document, the first multi-annual Bulgaria-Turkey CBC programme under IPA 2007-2009, was adopted by Commission Decision on 21 December 2007. The objective of the Turkish-Bulgarian IPA CBC Programme is to help the border region between Turkey and Bulgaria to overcome development problems resulting from its relative isolation and to support the development of co-operative networks on both sides of the border.

The ENPI Black Sea Basin programme ("Black Sea 2007-2013") was concluded by the 10 participating countries including Turkey and submitted to the Commission, which adopted the programme on 27 November 2008. On 14 November 2008, the Commission adopted a second annual programme on financing the participation of Turkey in the ENPI Black Sea Basin programme in 2008.

8.2.2.3. Components III and IV: Strategic Coherence Framework

As required by Article 154 of Commission Regulation (EC) N° 718/2007, Turkey prepared a Strategic Coherence Framework (SCF) for the period 2007-2013, covering IPA components III and IV. Its purpose is to set the overall strategic framework for programming of resources in the context of the national priorities for social and economic development and Community priorities for cohesion, thus constituting a key reference document for programming IPA regional development and human resources development components. The SCF is a key document to introduce structural funds strategic planning to candidate countries (a "mini NSRF"), reinforcing the role of IPA assistance under components III and IV as a precursor to structural funds.

The preparation of the Strategic Coherence Framework was coordinated by the State Planning Organisation, who performs the role of Strategic Coordinator for IPA regional development and human resources development components. Throughout its preparation extensive coordination has taken place within the national administration, particularly the ministries who will be involved in the implementation of components III and IV programmes. Once finalised, it was transmitted to the Commission for information and verification of consistency

with the requirements of the regulation, but the Strategic Reference Framework remains a national document.

The social and economic analysis provided by the Strategic Coherence Framework justified the concentration of resources under the regional competitiveness and human resources development programmes in the 12 NUTS II regions with a GDP per capita below 75% of Turkish national average. The strategic objectives are to upgrade the business environment and to develop better entrepreneurial capabilities of enterprises, and to promote the development of human resources and skills. As regards transport and environment, concentration is foreseen on a limited number of projects which contribute to promote interconnectivity with TEN-T network and intermodality, to promote sustainable development and approximation with the EU environmental *acquis*.

8.2.2.4. Component III: Regional Development

Three multi-annual operational programmes were adopted by the Commission in November and December 2007 under Component III for Turkey: "Regional Competitiveness", "Environment" and "Transport". The aim of these programmes is to increase the competitiveness of Turkey, with a particular emphasis on the poorest regions, by supporting the development of enterprises and investments in the transport and environment infrastructure.

The IPA resources allocated to each programme are as follows:

PROGRAMMES	2007	2008	2009	TOTAL
III – TRANSPORT	58,600,000	60,800,000	60,300,000	179,700,000
III– ENVIRONMENT	67,000,000	69,500,000	67,600,000	204,100,000
III REGIONAL COMPETITIVENESS	41,900,000	43,500,000	54,800,000	140,200,000

The overall objective of the "Transport" programme is to increase the competitiveness of Turkey by supporting investments in transport infrastructure. In this framework the scope of the intervention in Turkey will cover transport infrastructure, including in particular interconnection, interoperability and intermodality of national networks and with the trans-European networks. With regard to freight transportation, efforts should be deployed in order to rebalance the modes of transportation in favour of rail and maritime transportation. The TINA study (Trans European Network for Transport) is the key determinant for the identification of investment priorities in the transport sector.

The overall objective of the "Environment" programme is to increase the competitiveness of Turkey by supporting investments in environment infrastructure. In this framework the scope of the intervention in Turkey will cover environment infrastructure, in particular in water supply, sewerage and waste water treatment and in integrated waste management. The intervention should pursue a coherent strategy over medium to long term and possibly mobilise additional financial sources from International Financial Institutions (IFIs) and donors. The criteria for project selection are the impact on the population served, the non affordability of the construction of specific projects and the sensitivity of the area. The implementation will pursue the river basin intergraded approach, the sustainability development principles, the national and regional waste management planning and the compliance with relevant environmental *acquis*.

The overall objective of the "Regional Competitiveness" programme is to increase the competitiveness of the poorest regions of Turkey by supporting enterprises. This objective will be achieved through four specific objectives: enhancement of physical and financial

infrastructure, increasing business stock, increasing employment creation capacity of the productive sector and enhancing the added value of the production base.

Within each operational programme, a separate priority on technical assistance has been introduced, to support national structures managing IPA, including ensuring project preparation of high standards for current programmes and for future programming periods. The institutional set-up which will be set in place for the management of IPA component III programmes concentrates financial management in experienced structures prepared under previous assistance instruments (Central Finance and contracts Unit, National Fund) while transferring overall management and responsibility for implementation to operating structures within line ministries.

8.2.2.5. *Component IV: Human Resources Development*

The Human Resources Development Operational Programme (HRD OP) under IPA Component IV was prepared by the Turkish authorities during the year 2007 in close cooperation with the Commission. It was adopted by Commission decision on 7 December 2007 for a period of 7 years, with a financial envelope specified for the period 2007 – 2009.

8.2.2.6. *Component V: Rural Development*

Under Component V a multi-annual IPARD Programme (Instrument for Pre-Accession Assistance to Rural Development) covering the period 2007-2013 was prepared by Turkey during the course of 2007 and adopted by Commission decision C52008)691 on 25 February 2008.

The overall objective of the Programme is to contribute to the sustainable modernisation of the agricultural sector (including processing) through targeted investments whilst encouraging the improvement of EU *acquis* related to food safety, veterinary, phyto-sanitary, environmental or other standards as specified in the Enlargement Package. The Programme should furthermore contribute to the sustainable development of rural areas. Based on this, three priority axes and seven measures to support the development of the selected priority sectors have been identified.

The first of the yearly modifications of the Turkish IPARD Programme was approved by the Member States in the Rural Development Committee on 23 July 2008 subsequent to which the Commission adopted it by Decision C(2008)6100 on 24 October 2008. The financial tables included in the Programme were modified, adding the new financial allocation for 2010 in accordance with the MIPD 2008-2010. Further modifications were of technical nature and aimed at facilitating programme implementation and the accreditation of the implementing system.

8.2.3. Implementation Modalities and Structures

Assistance under IPA component I-IV (except component II – Turkey-Bulgaria CBC programme) will be implemented through decentralised management, initially with *ex ante* controls performed by the Commission on the tendering of contracts, launch of calls for proposals and the award of contracts and grants (the exact list of *ex ante* controls will be specified in the Commission decisions on the conferral of management powers per component). For that purpose, a management and control system for the management of the different programmes has to be established and accredited by the Turkish authorities before the conferral of decentralised management can be requested from and be given by the Commission.

Decentralised management without *ex ante* controls by the Commission will only be applied under IPA component V from the start, while it being an objective for the implementation of

assistance under IPA Component I-IV. Turkey is required to provide a roadmap (as part of Financing Agreements) with indicative benchmarks and time limits to achieve this objective. The minimum criteria for waiving the *ex ante* controls by the Commission include the establishment of a benchmarking system with quantitative and qualitative aspects as well as a sustained and noticeable downward trend with regard to the rejection rate due to the *ex ante* controls by the Commission.

Upon the adoption of the first batch of programmes at the end of 2007, in 2008 the efforts of the Turkish authorities concentrated for the most part in completing the internal processes for the accreditation for decentralised management. In the case of IPA components I and II these processes were facilitated by the fact that decentralised structures and systems existed already under the pre-IPA assistance, thus Commission decision C(2008)6218 of 29 October 2008 conferred decentralised management powers for Component I to the Turkish authorities, while decision C(2008)7407 on 1 December 2008 accomplished the equivalent for Component II on Turkey's participation in the ENPI Black Sea Basin programme.

The decisions require Turkey to submit a roadmap for full decentralisation of the management of EC funds without *ex ante* controls by the Commission, within 3 months after the entry into force of the Financing Agreements of components I and II respectively. It should include indicative benchmarks and time limits to achieve full decentralisation to be closely monitored by the Commission services, which have the power to suspend the programmes if established conditions are not met.

However, as regards IPA components III and IV such processes had to be initiated from scratch, leading to the submission of an application for conferral of management in October 2008. The verification mission carried out by the Commission audit services determined that further actions should be undertaken by the Turkish authorities. The Rural Development programme will be implemented by conferring decentralised management powers without *ex ante* controls to the Turkish Republic. A Commission fact finding audit mission in October 2008 showed delays in the accreditation process, as the accreditation criteria and procedural requirements were not yet fulfilled. It was concluded that the deadlines set in the Turkish Action Plan were too optimistic, and the time planning at the end of 2008 foresaw accreditation during the second half of 2009, while conferral of management would not likely be achieved until 2010.

The Bulgaria – Turkey Cross-Border cooperation programme under component II is the only programme to be implemented under shared management and the Managing Authority is the Ministry of Regional Development and Public Works in Bulgaria. The Joint Technical Secretariat of the Programme will be located in Haskovo City and the procedure for staff recruiting is on-going in both countries. The first level control will be performed in a centralised way by Turkey and decentralized by Bulgaria.

8.2.4. Overview of IPA programmes implemented

The implementation of programmes effectively starts once the conferral of decentralised management decision per component is taken by the Commission and the Framework and Financing Agreements have entered into force. No IPA programmes were implemented in 2008, as the Framework Agreement was not ratified by the parliament in Turkey and did not enter into force until 24 December 2008.

-Component I

The 2007 Financing Agreement for Component I was signed and entered into force on 24 December 2008, thus starting the implementation of this programme. Entry into force was linked to the Commission Decision on conferral of management powers (see 8.2.3) where a list of conditions to be met by the Turkish authorities was established (deadlines in the course of 2009).

-Component II

The 2007 Financing Agreement for Component II on Turkey's participation in the ENPI Black Sea Basin programme was signed and entered into force on 31 December 2008. Implementation was to be linked to the established conditions set in the conferral of management powers Commission Decision in an equivalent way as for component I (see 8.2.3).

The final version of the Financing Agreement of the Bulgaria-Turkey Cross-Border cooperation programme was agreed between the Commission services and the Turkish Authorities and was expected to be signed by mid 2009.

-Component III, IV and V

As regards the remaining components, actual implementation of programmes has not started pending the conclusion of the necessary processes for the conferral of decentralised management powers.

8.2.5. Participation in Community Programmes and Agencies

The Framework Agreement between Turkey and the European Community on the General Principles for the Participation of Turkey in Community Programmes was signed on 26 February 2002, and entered into force on 5 September 2002. Based on this, Turkey's participation in a number of programmes is established through separate Memoranda of Understanding.

The National Programme 2008 foresees Community financial support of €66 million for Turkey's participation, *inter alia*, in the following programmes and agencies for the year 2009: Lifelong Learning +; Youth in Action; Culture; IDABC; PROGRESS; CIP/EIP; CIP/ICT; Customs 2013; 7th Framework Programme for Research; European Environment Agency (EEA); European Monitoring Centre for Drugs and Drug Addiction.

8.3. Monitoring and Results

8.3.1. State of play for IPA Monitoring Committee and Sectoral Monitoring Committees

8.3.1.1. IPA Monitoring Committee

Programme implementation under IPA shall be monitored through the IPA monitoring committee assisted for each component by Sectoral Monitoring Committees. Each committee shall satisfy itself as to the effectiveness and quality of the implementation of the programmes and operations. They may make proposals to the Commission and the national IPA co-ordinator, with a copy to the national authorising officer, for decisions on any corrective measures to ensure the achievements of programme objectives and enhance the efficiency of the assistance provided.

An IPA Monitoring Committee meeting was held on 1 July 2008, and it was agreed that the TAIB Sectoral Committee is to cover also the IPA Component II programmes for which the management responsibility is assigned to Turkey (Turkey's participation in ENPI Black Sea basin programme).

8.3.1.2. Sectoral Monitoring Committees

IPA I Transition Assistance and Institutional Building Sectoral Committees were held on 12 June 2008 and 28 January 2009.

IPA II Joint Monitoring Committees on Bulgaria-Turkey IPA CBC Programme were held on 14 May and 20 October 2008.

IPA III Regional Development Sectoral Committees for the operational programmes were organised for the three operational programmes:

- Environment 6 June 2008 and 22 January 2009
- Transport 4 June 2008 and 21 January 2009
- Regional Competitiveness 5 June 2008 and 22 January 2009

IPA IV Human Resource Development Sectoral Committees were held on 17 June and 13 November 2008.

IPA V Rural Development Sectoral Committees were held on 11 June and 3 December 2008.

As no actual implementation activities took place in 2008 due to the delays of the conferral of management powers and late entry into force of the Framework Agreement, the Sectoral Monitoring Committees covered essentially the review of structures and processes for their future work as well as the discussion and approval of monitoring tools and programming procedures (component I and II).

For component III and IV ongoing preparations of operations and projects for future approval under each operational programme were communicated to the committees; and work plans and technical assistance plans were endorsed. The strategic role of the Sectoral Monitoring Committees will increase in 2009, once the conferral of management for all components has been achieved and the implementation of component IPA programmes becomes effective.

During the first meeting of the shadow Sectoral Monitoring Committee for component V, draft Rules of Procedure were approved, which ensured active involvement of Turkish NGOs in the process of monitoring programme implementation. Besides its monitoring role, the Committee's main responsibilities are to approve proposals for amending the Programme, to approve the annual and final implementation reports before they are sent to the Commission, to examine the on-going and interim evaluation of the IPARD Programme and to approve the Technical Assistance Action and Communication Plan and their updates. However, the Regulation formally setting up the Committee and nominating its members were not adopted by Turkey in the year 2008.

8.3.2 Annual and final reports on implementation

Due to the fact that no implementation took place in 2007-2008, the sectoral annual reports for 2007 focused on preparatory work for implementation, and the drafting process was done with a preparatory approach for all components. The Commission assessed the reports and provided guidance and suggestions for improvement for the following years.

8.3.2.1. Sectoral annual reports

-Component I

The IPA Component I Sector Annual Implementation Report was submitted to the Commission in view of the IPA component I Sectoral Committee meeting on 12 June 2008.

-Component II

As the ENPI Black Sea basin programme was not adopted until 27 November 2008 by the Commission it was agreed that no sectoral Annual Implementation Report for 2007 was

required. Similarly, since the Bulgaria – Turkey IPA Cross-Border programme was not approved until 21 December 2007, no progress on implementation during 2008 could be reported.

-Component III

The three sectoral annual reports covering the operational programmes "Regional Competitiveness", "Transport" and Environment" were submitted to the Commission by 30 June 2008, following their discussion and endorsement by the respective Sectoral Monitoring Committees. A qualitative assessment of the report was carried out by the Commission, after which some modifications were proposed to the Operating Structure.

-Component IV

On 26 June 2008 the sectoral annual report 2007 on the implementation of the Human Resources Development Operational Programme in Turkey was sent to the Commission after having been examined by the HRD Sectoral Monitoring Committee in its meeting on 17 June 2008. A qualitative assessment of the report was carried out by the Commission, after which some modifications were proposed to the Operating Structure.

8.3.2.2 *IPA Annual Report*

Whilst no progress in implementing Community Assistance could be reported, the Commission based its assessment of IPA as a whole on sectoral annual reports in combination with state of play reported at the IPA Monitoring Committee.

8.3.3. Evaluation results and Lessons learned

No IPA evaluation of results was carried out in 2008, as implementation had not yet started.

8.3.4 Sectors with positive results- Success story

No results and success stories from IPA are available yet as no programmes were implemented in 2008.

PART II: MULTI-BENEFICIARY AND REGIONAL PROGRAMMES

9. THE YEAR 2008 IN REVIEW

The Western Balkans and Turkey moved closer to the EU during 2008, as the countries made progress, albeit uneven, in reforms and in meeting established criteria and conditions. Stability was maintained in the Western Balkans and the situation remained generally calm after the declaration of independence and the entry into force of the constitution in Kosovo under UNSCR 1244/99. The region continued to enjoy high growth rates, thanks in particular to domestic and foreign investments while, in general, reforms progressed and overall living standards improved. The Regional Cooperation Council (RCC) took over from the Stability Pact, strengthening ownership of regional cooperation in South East Europe by the countries directly concerned.

9.1. Overview of IPA programmes implemented

9.1.1. Addressing the Political Criteria

9.1.1.1. Human Rights and the Protection of Minorities

The Sarajevo Declaration (or “3x4 Initiative”) signed in January 2005 by the governments of Bosnia and Herzegovina, Croatia and Serbia and Montenegro provided a policy framework aimed at bringing about a genuine and successful solution to problems faced by refugees in the region. The signatories had agreed to achieve this goal by the end of 2006, but two issues had still to be addressed: (i) compensation claims for lost occupancy and tenancy rights (OTRs) and (ii) recognition of pensions and other rights. Some positive developments were registered in the course of 2008, such as the adoption by Croatia in May 2008 of a Rulebook on convalidation, Croatia's starting to process claims, and the implementation, albeit slow, of its housing care programme. However, the process was not completed in 2008.

Support for the Sarajevo process was provided from the CARDS 2002 and 2003 regional programmes (€0.8 million) and CARDS 2006 (EUR 1.0m). It was renewed under IPA 2008 (€1 million).

9.1.2. Regional Issues and International Obligations

9.1.2.1. Regional Cooperation Initiatives

Transition from the Stability Pact to a more regionally-owned cooperation framework, the Regional Cooperation Council (RCC), was completed. The RCC, which operates under the guidance of the South East European Cooperation Process (SEECP) Summit, was officially launched on 27 February 2008 in Sofia on the occasion of the last meeting of the Stability Pact Regional Table and the first official meeting of the RCC Board.

The RCC is intended to sustain focused regional cooperation in South-East Europe through a regionally owned and led framework that also supports European and Euro-Atlantic integration. The work of the RCC focuses 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 RCC annual meeting on 20 May 2008 in Pomorie, Bulgaria, adopted its Strategic Work Programme for 2008-2009. This was subsequently endorsed by the SEECP on 21 May 2008. Its staffing had been largely completed by the end of 2008. An agreement between the RCC Secretariat and Belgium for the establishment of a liaison office in Brussels was signed on 29 August 2008. The liaison office was inaugurated on 20 October 2008. In accordance with the RCC Strategic Work Programme 2008 – 2009 and the Statute of the RCC, the Secretariat

initiated a process of coordination and streamlining of relevant regional initiatives in the six priority areas and undertook several initiatives.

The Commission, as 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. It also plays an active role in donor coordination and is maintaining close contact with the RCC Secretary General, Mr. H. Bišćević, and the RCC liaison office in Brussels. In 2008, the annual Commission's contribution to the RCC budget was €1 million.

9.1.2.2. Public Administration (The Regional School for Public Administration (ReSPA))

The Regional School of Public Administration (ReSPA) was created on the initiative of the Commission. It aims to (i) boost regional cooperation in the field of public administration, to strengthen administrative capacity and (ii) develop human resources in this field. The Protocol establishing ReSPA was signed in Brussels on 2 May 2006 by the Beneficiaries (Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia and UNMIK/Kosovo). In June 2008, a Letter of Intent to that effect was signed by all parties. The International Agreement which provides for the establishment of the School in Montenegro was signed on 21 November 2008 in Podgorica.

The Commission cooperates with the Organisation for Economic Cooperation and Development (OECD) on implementing the ReSPA project. €3 million was allocated under IPA 2008 for ReSPA activities. Under IPA 2009 a further €4.4 million will be provided in support of ReSPA activities and for strengthening the capacities of the institution. As of 2009, ReSPA will operate with the technical support of the European Institute of Public Administration (EIPA, Maastricht).

9.1.2.3. Disaster Risk Reduction

A Disaster Risk Reduction Initiative, aimed at preparing a regional strategy and developing the capacity of the Western Balkans for the collection, processing and sharing of data was adopted by the Commission in 2008. Activities within this framework will start in early 2009 and will be based on the conclusions of an UN-World Bank study. The programme will be implemented in close cooperation with other stakeholders in this field: the World Bank, the UN and the Disaster Preparedness and Prevention Initiative for South East Europe. The Commission aims for synergy with the World Bank's "Disaster Risk Mitigation and Adaptation Initiative" supporting the Western Balkans in building local capacity, developing a monitoring network (weather forecasting and early-warning systems), investing in infrastructure and disaster mitigation measures and establishing a regional disaster insurance scheme.

€2 million was allocated to this initiative under IPA 2008.

Concept notes have been received from the two contractors designated to undertake the first phase of the disaster risk reduction initiative (World Meteorological Organisation for the coordination of the hydro meteorological institutes and UNDP for the preparation of national strategies on Disaster Preparedness). At the end of 2008, contracts were being prepared for finalisation in early 2009.

9.1.2.4. Civil Society

In its November 2007 Strategy Paper, the Commission announced its intention to establish a new facility to promote civil society development and dialogue. The facility was launched in April 2008. The facility covers three areas of activities:

- i. Support to civic initiatives and capacity-building to reinforce the role of civil society at a national level. To this end, technical assistance desks are being established or incorporated into existing initiatives in all Beneficiaries. Community support is €8 million under IPA 2008.

- ii. "People 2 People" Programme which supports visits to EU institutions and bodies to exchange experience, know-how and good practice between Beneficiaries and EU and Member States Civil Society Organisations (CSOs). The "People 2 People" Programme has started and is managed by the TAIEX Unit. From July until December 2008, ten study tours and conferences with 240 participants were organised from existing TAIEX funds. The main topics covered were: the role of civil society in EU policy making, EU institutions and the decision making process explained to young branches of political parties, women in business, social dialogue and employment policy. €4 million is available under IPA 2008 to support "People 2 People" projects.
- iii. Partnership Actions carried out between beneficiary CSOs and the EU leading to a transfer of knowledge and networks as well as trans-national innovative projects. In 2008, support for these activities totaled €4.5 million and focused on the environment, energy efficiency, health and safety at work and the fight against corruption, organized crime and trafficking. €0.3 million was transferred to DG Environment by sub-delegation to launch procurement in September 2008 to support the Environment Forum and ensure exchange of good practice with EU and IPA environment NGOs and alignment to the *acquis* in the sector. Two Calls for Proposals were planned to be launched in January 2009: "Environment, energy efficiency, health and safety at work" and "Fight against corruption, organised crime and trafficking".

9.2. Addressing the Economic Criteria

9.2.1. Cooperation with International Financial Institutions

To support investments in potential candidates, a strategy to develop regional initiatives with International Financial Institutions (IFIs) was agreed in 2007. This strategy was defined along three main axes: (i) Support to private investments, (ii) Promotion of energy efficiency investments and (iii) Support to investments in infrastructure remediation and upgrading. During 2008, significant progress was made in these areas.

The Infrastructure Projects Facility which was initially conceived to improve project preparation and to promote infrastructure investments in transport, energy, and environment as well as the social sector is now complemented by a Municipal Window covering project implementation by a grant co-financing mechanism. The grants co-finance projects which include national funds as well as loans from the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), and the Council of Europe Development Bank (CEB) in association with Kreditanstalt für Wiederaufbau (KfW).

Cooperation with the European Fund for Southeast Europe (EFSE) to make loan facilities available to micro-enterprises and households also continued in 2008, this activity proved particularly successful. As an example, the support of EFSE allowed a Kosovan micro finance institution – KrK to be put again on the path of growth. In December 2007 an EC funded loan to KrK amounting to €5.7 million was transferred to EFSE and restructured into a senior loan, a convertible loan and equity participation. As a first step, this restructuring helped the institution to restructure its balance sheet by increasing the capital portion and decreasing its liabilities. As a second step, EFSE aimed to attract new additional investors by selling off part of its convertible loan to other parties. Together with KrK, EFSE managed to attract further international equity investors like Crédit Coopératif and FMO (entrepreneurial development bank of the Netherlands). Given this success, the majority of existing shareholders including EFSE further increased the capital of KrK.

The equity of the institution more than tripled within one year after restructuring and achieved a very solid level of €4.8 million. With this strong equity base, extended shareholders structure and solid corporate governance KrK managed to attract further debt providers,

upgrade its product range and extend the outreach to new rural areas of Kosovo. Compared to late 2007, the loan portfolio almost doubled to €14 million with the client base exceeding 6,000 borrowers. One of KrK's future scenarios foresees its transformation into a deposit-taking institution.

In its response to the global economic crisis, the Commission adopted an Economic Recovery Plan on 26 November 2008. In this plan, the Commission committed to continuing to support the economic and social consolidation of the candidates and potential candidates in the mutual interest of the EU and the region. To this end, the Commission intended to allocate €120 million under IPA 2009 for the purpose of "Crisis Response Package." The package was expected to leverage an amount of €500 million in loans from IFIs.

In March 2008, the Commission announced that, together with the EIB, the EBRD and the CEB, it would establish a comprehensive Western Balkans Investment Framework by 2010. Its goal is to further enhance harmonisation and cooperation in investments for socio-economic development in the region. The ECOFIN Council and the European Council welcomed the initiative and called for its swift implementation. At the second meeting of the Steering Group for the Western Balkan Investment Framework on 22 October 2008, it was agreed that the European Commission, the EIB, the EBRD and the CEB would elaborate a concrete proposal for the setting up of a Joint Grant Facility. Important work was carried out in 2008 by the IFI partners and the Commission, concrete proposals were prepared and negotiated between the partners and will be proposed for approval by the 3rd Steering Group for the Western Balkan Investment Framework in April 2009.

The IFI advisory group continues to support and to improve overall cooperation between the IFIs and the European Commission. The group was established in 2007 with the aim of optimizing the coordination of financial assistance in the areas of regional transport, energy and environmental projects, municipalities and public-private partnerships, as well as social issues including health, education, employment, and labour market. At the end of 2008, four working groups were operating on transport, energy, environment and social issues are in operation.

9.2.2. Education and Youth

Education: Multi-beneficiary IPA assistance is provided in Education via the established Tempus and Erasmus Mundus programmes.

The Commission offered 100 scholarships for the academic year 2007/2008 to postgraduate students from the Western Balkans under the Erasmus Mundus programme. A further 500 scholarships are available for the academic year 2008/2009. In March 2008, following the Council conclusions of January 2008, the Commission decided to double its annual allocation for scholarships to the Western Balkans, this would enable several hundreds additional students to receive a scholarship. The increase will be implemented gradually during the academic years 2009/2010 and 2010/2011.

As from the academic year 2009-2010 (IPA 2008), students from Turkey will also be eligible to this programme which has been renamed "Erasmus Mundus Western Balkans-Turkey Window".

Youth: The Western Balkans window, opened in 2007, provides 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. They are based on partnerships between organisations from the region and their counterparts from the EU.

The European Community's support amounted to €1 million under IPA 2007. Additional support of €1.5 million is provided for under IPA 2008. The Youth in Action Programme functions on the basis of permanent calls for proposals. The first deadline of the year was

February 2008 but as financing agreements were pending signature, the projects for the Western Balkan Window were all selected through the deadline of September 2008. A total of fifty-five projects were awarded to Western Balkan youth organisations.

9.3. Ability to assume the obligations of Membership and approximation to European Standards

9.3.1. Customs and Taxation

From March 2006 to February 2008, the CAFAO (Customs And Fiscal Assistance Office) project gave support to Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Kosovo to increase their authorities' capacity to manage border posts and to increase customs revenues and excise duties, with a budget of €34.5 million (CARDS and IPA 2007). As of February 2008, a new Multi-beneficiary project, TACTA (Technical Assistance to Customs and Taxation Administrations), is in operation covering Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo. It is funded from the national IPA 2007 budgets of the Beneficiaries for a total of €7.1 million. A conference on Customs Cooperation in South-East Europe was held in March 2008. The European Commission and the Member States' customs administrations announced plans to continue to provide expertise and technical assistance to the Western Balkans.

10. IPA IN 2008

10.1. MIPD 2008-2010

The Multi-beneficiary Multi-annual Indicative Planning Document (MIPD) 2008-2010 provides the strategic three-year plan for programming of the assistance to candidates and potential candidates through regional and horizontal projects:

- Regional projects aim to facilitate regional cooperation between the IPA Beneficiaries. These programmes 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.

IPA Multi-beneficiary assistance focuses therefore on support that requires collaboration among the IPA Beneficiaries, such as regional structures, networks of experts or civil servants or to tackle needs or problems of a cross-border nature. Particular focus continues to be placed on Civil Society Dialogue and Development: the IPA Multi-beneficiary programme provides horizontal technical assistance to support actions in this area. To facilitate coordination, administration and collaboration with International Financial Institutions for the joint implementation of finance facilities as well as support for the participation in Tempus, Erasmus Mundus or Youth in Action programmes, assistance is channelled through the Multi-beneficiary programme.

This MIPD also includes assistance for nuclear safety and radiation protection, the Office of the High Representative in Bosnia and Herzegovina, TAIEX, Information and Communication, as well as audit, evaluation and monitoring.

The Multi-beneficiary IPA MIPD 2008-2010 was approved by the IPA committee on 19 May 2008 and adopted by the Commission on 17 July 2008. The Multi-beneficiary 2008-2010 MIPD was based on an indicative financial envelope of €458.4 million.

10.2. Programming exercise

Component	2008
I Transition Assistance and Institution Building	€149.6 million ¹⁰

Eleven programmes were adopted in 2008: (i) Support to the operational budget of RCC (€1.5 million); (ii) Contribution to the Energy Community budget (€1.3 million); (iii) Support to the operational budget for OHR June 2008 – June 2009 (€6 million); (iv) IPA Monitoring Programme (€2 million); (v) Multi-beneficiary Programme 1¹¹ (€6 million); (vi) Civil Society Dialogue and Development (€16.5 million) (vii) Nuclear Safety and Radiation Protection (€7.03 million); (viii) Multi-beneficiary programme for support to cooperation with the IFIs (€50.2 million); (ix) Multi-beneficiary Programme 2a¹² (€32.9 million); (x) Multi-beneficiary Programme 2b¹³ (€24.7 million) and (xi) RCC July 2009-Dec 2010 (€1.5 million).

The programme to support the participation in the Union for the Mediterranean (€3.2 million) and the Cultural heritage programme (€3 million) were carried over for adoption in 2009.

During the programming exercise in 2008, due account was taken of the Accession and European Partnerships as well as the Annual Progress Reports and the Enlargement Strategy Paper 2007-2008¹⁴ which set down the priorities for the programming of assistance under the IPA Multi-beneficiary Programme 2008-2010 as well as the Communications from the Commission on Civil Society Dialogue¹⁵ and on the Western Balkans¹⁶.

DG Enlargement has established a transparent consultation process for the programming of the Multi-beneficiary Programme with EU Member States, Civil Society Organisations, IFIs, the Regional Cooperation Council as well as with the Beneficiaries. This process is aimed at ensuring complementarities, avoiding overlaps and enhancing, as far as possible, local ownership of the choices, content and design of the programmes. 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 given to the role of the Regional Cooperation Council in which the European Commission plays an active role, as the interlocutor for the Beneficiaries in particular for the Regional Cooperation Process in the Western Balkans.

¹⁰ This amount includes national funds for Tempus and Nuclear safety and radiation protection, monitoring, interim civilian administrations and the use of carried over assigned revenues.

¹¹ Multi-beneficiary Programme 1 (EUR 6m) includes projects in the areas of Disaster Risk Reduction in South East Europe, Regional School for Public Administration in South East Europe and Refugee Return in the Western Balkans

¹² Multi-beneficiary Programme 2a (EUR 32.9m) pertains to projects in the areas of Preparatory measures for the participation in the Community Agencies; Social Inclusion; Trade; Education; Youth; Quality Infrastructure; Statistics and Environment. The Programme was presented to the IPA Committee on 30 September 2008; the Commission adopted the programme on 19 December 2008. A copy of the adopted Multi-beneficiary Programme 2a has been sent to EC Delegations and IPA Beneficiaries for endorsement.

¹³ Multi-beneficiary Programme 2b (EUR 24.7m) pertains to projects in the areas of Police Cooperation; Education and Animal disease eradication. The programme was presented to the IPA Committee on 30 September 2008; the Commission adopted the programme on 18 December 2008. Financing agreements were sent to the IPA Beneficiaries in early 2009.

¹⁴ Communication from the Commission to the Council and the European Parliament – Enlargement Strategy and Main Challenges (COM/2007/663), 6 November 2007

¹⁵ Communication from the Commission to the Council, the European Parliament, the European Economic and Social committee and the Committee of the Regions - Civil Society Dialogue between the EU and Candidate Countries (COM/2005/0290), 29 June 2005

¹⁶ Communication from the Commission - The Western Balkans on the road to the EU: consolidating stability and raising prosperity (COM/2006/0027), 27 January 2006; Communication from the Commission - Western Balkans: Enhancing the European perspective (COM/2008/127), 5 March 2008

10.3. Implementation modalities and structures

Assistance from the IPA Multi-beneficiary programme was in 2008 implemented partly on a centralised basis by the European Commission, partly by decentralised management and partly by joint management with international organisations based on Article 53a, c and d of the Financial Regulation

10.4. Overview of IPA programmes implemented

€106.4 million was allocated to the IPA Multi-beneficiary programmes in 2008, but the amount finally committed in 2008 was €149.6 million. This amount includes national funds for Tempus and Nuclear Safety and Radiation Protection, monitoring, interim civilian administrations and the recuperation of some old (uncommitted) administrative expenditure funds.

Of the total €149.6 million seven contracts were signed in 2008. These were: (i) Regional Cooperation Council (€1.5 million), (ii) OHR (€6 million), (iii) Monitoring (€2 million), (iv) Refugee Return (€1 million); (v) ReSPA (€2 million) and (vi) Civil Society Facility – Component "People 2 People" (€4 million). A contribution of €1.3 million was made to the budget of the Energy Community.

10.5. Participation in Community Programmes and Agencies

The Western Balkans can participate in Community agencies on a case-by-case basis and the "entry-ticket" to participate in the Agencies is financed through the National Programmes. As was the case with previous Enlargements however, the EU supports the Community Agencies to prepare their counterparts in the Beneficiaries for participation in the activities of the EU Agencies.

In November 2007, the first IPA programme to prepare Beneficiaries for future participation in the Community Agencies was adopted. 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; the European Monitoring Centre for Drugs and Drug Addiction; (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 Medicines Agency and (ix) European Centre for the Development of Vocational Training.

Typical activities to be implemented by the Agencies are awareness-raising and fact-finding missions to determine or fine-tune any gaps. Since for some Agencies and for some Beneficiaries these needs are already clear, preparatory measures such as training activities, study visits, workshops, conferences and/or outreach actions as well as drafting/editing (and if necessary translation of manuals, guides and/or other relevant documents and reports for the benefit of Beneficiaries) are under implementation.

As the Agencies are the only organisations that can prepare their counterparts for future participation, they hold a de facto monopoly; the Commission therefore awards contracts to these Agencies without a call for proposals.

11. MONITORING AND RESULTS

11.1. Monitoring

Besides monitoring of projects done by the Project Managers, the IPA Multi-beneficiary Programmes are monitored by an external company using the Results-Oriented Monitoring (ROM) method. The purpose of ROM is to provide a clear, objective, consistent and user-friendly overview on projects being implemented as well as information on best

practices/common mistakes and recommendations for improvement to the European Commission and the Beneficiaries.

Through a consistent approach, with standardised outputs, ROM highlights strengths and weaknesses in the implementation of EC external assistance projects, by assessing the projects' relevance, quality of design, efficiency, impact and sustainability.

The average ratings for CARDS and IPA Regional and Multi-beneficiary projects in 2008 were:

Criterion	Regional and Multi-beneficiary Programmes
Relevance	2.81
Efficiency	2.99
Effectiveness	2.82
Impact	2.94
Sustainability	2.91
Average¹⁷	2.89

11.2. Evaluation results

As project implementation commenced only in the second half of 2008, no evaluation was completed in 2008.

11.3. Sectors with positive results- Success stories

- **Regional Cooperation Council:** The transition from the Stability Pact to a more regionally-owned cooperation framework, the Regional Cooperation Council (RCC), was completed in 2008.
- **ReSPA:** The signing of the International Agreement which provides for the establishment of the School 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.
- **Civil Society Facility:** The Civil Society Facility, which the Commission announced in its November 2007 Enlargement Strategy Paper was launched in April 2008.
- **Western Balkan Investment Framework:** To further strengthen cooperation between the Commission and the IFIs, it was agreed to set up a Western Balkan Investment Framework by 2010, creating by the end of 2008 the Western Balkan Infrastructure Initiative, pooling Community funds, grant funds from the IFIs own resources and opening up for contributions from the Member States. The IFIs would at the same time

¹⁷ Explanation of ROM Ratings: 4 Very Good; 3 Good; 2 Problems and 1 Serious deficiencies

create a Joint Lending Facility. The Western Balkans Investment Framework Steering Group with Members from the Commission, the IFIs and the Member States was set up to supervise the progress of work. The Steering Group met twice in 2008 and underlined the need to have due stock-taking and mapping of activities in support of infrastructure investments in the region funded by the European Community, the IFIs, other donors as well as the Beneficiaries. A report on the progress of the Western Balkans Investment Framework was presented to the Council at the end of 2008.

- **Infrastructure Projects Facility:** An Infrastructure Projects Facility (IPF) for the Western Balkans was established in November 2007 by the Commission, the EIB, the EBRD and the Council of Europe Development Bank. A steering committee, which involves the Beneficiaries, the EBRD, the EIB and the CEB, supports the implementation of the IPF. A Memorandum of Understanding was signed in May 2008. The facility includes two windows: one for technical assistance (TA) and one municipal (MW). During 2008, for the TA window, the team of experts started defining the type of assistance required to improve the preparation of an initial list of eighteen selected infrastructure projects. By the end of 2008, three of these projects were under implementation and a further nine projects were ready for implementation in 2009.
- **Scholarships:** The Commission offered 100 scholarships for the academic year 2007/2008 to postgraduate students from the Western Balkans under the Erasmus Mundus programme. A further 500 scholarships are available for the academic year 2008/2009. In March 2008, following the Council conclusions of January 2008, the Commission decided to double its annual allocation for scholarships to the Western Balkans, this would enable several hundreds additional students to receive a scholarship. The increase will be implemented gradually during the academic years 2009/2010 and 2010/2011.

PART III: TECHNICAL AND FINANCIAL ASSISTANCE

1. TWINNING

Twinning has been designed and developed by the Commission as the main instrument for institution building. It aims at helping candidate and potential candidate countries in their development of modern and efficient administrations, with the structures, human resources and management skills needed to implement the *acquis* so as to reach the same standards throughout the Union but also to benefit fully from European Union membership.

This major institution building initiative has managed to mobilise significant human and financial resources of the Commission as well as of the Member States and the beneficiary countries to achieve this administrative overhaul. Twinning projects are based on the secondment of EU public sector experts (Member State officials or mandated body experts), known as Resident Twinning Advisors (RTAs) who are made available to the beneficiary country administrations for a period of at least one-year in order to assist these administrations to obtain the mandatory result defined for each and any twinning project. To that effect, the Resident Twinning Advisors provide technical advice and are in charge of the day-to-day implementation of the twinning projects.

They are supported by a senior project leader in their home administration, who is responsible for ensuring the overall thrust of the twinning project implementation and for co-ordinating all other inputs from the Member State administration or mandated body which provides the twinning expertise. In order to achieve the aforementioned mandatory results, it is indeed necessary to combine different means of assistance, including short-term expertise, training, and other services (such as translation and interpreting) in addition to the Resident Twinning Advisor.

More than 1,400 twinning projects have already been provided for since twinning was launched in 1998. Each twinning project has an average budget of €1 million. Almost one half of these projects concerns Justice, Freedom and Security issues, and Public Finance and internal market matters. Other areas prioritised include Agriculture and Fisheries, Environment and Social policy.

In 2008, 22 IPA Twinning fiches were circulated to the Member States, out of which 2 had been circulated a first time in 2007 without having received adequate proposals from the Member States. Furthermore, 2 contracts for IPA Twinning projects have been approved by the Commission Steering Committee and notified in 2008. The distribution of Twinning projects launched and contracted under IPA in the Candidate and Potential Candidate Countries for 2008 were as follows:

<i>Number of IPA project fiches circulated in 2008</i>		<i>Number of IPA Twinning Contracts approved and notified in 2008</i>	
Bosnia and Herzegovina	5	Montenegro	1
Kosovo	9	Kosovo	1
Former Yugoslav Republic of Macedonia	1		
Montenegro	4		
Serbia	1		

Turkey	1		
Croatia	1		Total
Total	22		2

The 22 IPA Twinning fiches circulated in 2008 concern projects in the following sectors: Justice and home affairs (9), Environment (2), Agriculture and Fisheries (2), Public finances (5), Social sector (1), Transport (1), Coordination of EU legislation (2).

Furthermore, the new partner countries are being offered the possibility of drawing on twinning expertise through "Twinning Light", in order to address well-circumscribed projects of limited scope. In 2008 this instrument has been used extensively by the beneficiary administrations.

2. TAIEX

TAIEX¹⁸ started operations in 1996 as a follow-up to the Commission's White Paper on the preparation of the associated countries for integration into the internal market.

Since then, TAIEX has evolved into an instrument providing short-term technical assistance to facilitate the approximation, implementation and enforcement of EU legislation.

The TAIEX instrument remained available for the 10 Member States which acceded in 2004 (until May 2008), to Bulgaria and Romania, to candidate and pre-candidate countries, to the Turkish Cypriot community, as well as to the countries covered by the European Neighborhood and Partnership Instrument (ENPI).

TAIEX organises workshops, expert missions, study visits, peer assessments and training programmes designed on the basis of specific requests and needs of beneficiary institutions. TAIEX is demand-driven and it delivers services on a "first come, first served" basis.

TAIEX also facilitates access to several databases (CCVista, Progress, JurisVista, VetLex, PhytoLex and Avis) with translation of legislative texts and information on the alignment of legislation.

Both requests and delivery of TAIEX assistance registered significant increases in 2008. The number of incoming applications reached an overall total of 1,697 - 6.7 % up on 2007. The phasing out of TAIEX assistance to the 10 new Member States implied a significant reduction in the number of requests from these countries, both in absolute terms (from 407 to 157) and in percentage (from 26% to 9% of the respective annual totals).

The number of requests from candidate and pre-candidate countries increased from 728 in 2007 (46% of the total) to 948 (56%).

In 2008, a total of 1,543 events were organised, representing an increase of some 20% compared with 2007. IPA funds were used to finance the organisation of 406 events, attended by over 10,000 participants from the pertinent beneficiary countries and for a total cost of €5.6 million.

In the framework of the "Civil Society Facility" launched by the EC Communication on the Western Balkans of 5 March 2008, TAIEX implemented in 2008 the pilot phase of the "People 2 People" Programme (P2P). Participants from 162 organisations attended a total of seven P2P study tours, covering topics such as: agriculture and rural development; women in business; intercultural dialogue; etc. During the pilot phase, €0.5 million have been used from IPA 2008 'Civil Society' budget. Following the successful completion of this pilot phase, it is planned to expand the purpose and reach of P2P in the coming years.

The positive results and the increasing demand for assistance clearly demonstrate the usefulness of TAIEX as an instrument of know-how transfer and exchange of best practice.

¹⁸ Technical Assistance Information Exchange Instrument

Globally, four Commission Financing Decisions were adopted in 2008 to ensure the continued funding of TAIEX operations. Two of them concerned the allocation of IPA funds: €30.9 million for the period 2008-10 and €4 million for the "People to People" Dialogue Programme.

3. SIGMA

Since 1992, this institution-building instrument, providing assistance in horizontal areas of public management (public service, legal administrative framework, public integrity system, policy-making and co-ordination, regulatory framework, public expenditure management, public internal financial control, external audit and public procurement), is principally financed by the EU and implemented by the OECD through contribution agreements between the European Commission and the OECD.

In 2008 SIGMA worked with the two new EU Member States and the three EU candidates as well as with potential candidates in the Western Balkans. Under the two contribution agreements, work was carried out on a total of 61 projects in 2008: 34 in Bulgaria, Croatia, Romania and Turkey and 27 in other Western Balkans' countries.

In the framework of the Instrument for Pre-Accession Assistance (IPA), SIGMA work with all EU candidates and potential candidates was launched in January 2009 and will continue until December 2010 under a new contribution agreement between the Commission and the OECD, which provides for a global budget of €10.7 million.

In the second half of 2008 the scope of SIGMA expanded to include countries benefiting from the European Neighbourhood and Partnership Instrument (ENPI). The contribution agreement between the EC and the OECD, covering SIGMA activities in ENPI beneficiary countries until December 2010, provides for a global budget of €6 million.

PART IV: FINANCIAL DATA

1. BREAKDOWN OF NEW IPA COMMITMENTS IN 2008 IN € MILLION

1.1 COMPONENT I – TRANSITION ASSISTANCE AND INSTITUTION BUILDING PROGRAMMES

1.1.1 COUNTRY ALLOCATIONS IN 2008

COUNTRY	ANNUAL PROGRAMME	NUCLEAR SAFETY	TEMPUS	TOTAL
Albania	60.92	0.20	1.00	62.12
Bosnia & Herzegovina	66.75 ¹⁹	0.70	2.40	69.85
Croatia	41.37	1.00	3.00	45.37
Former Yugoslav Republic of Macedonia	37.12	0.50	3.50	41.12
Kosovo	182.70	0.20	1.80	184.7
Montenegro	26.81	0.30	1.00	28.11
Serbia	168.44	4.00	7.00	179.44
Turkey	256.13	-	-	256.13
TOTAL	840.24	6.90	19.70	866.84

¹⁹ Was adopted in two parts, part I for €12.5 million and part II for €54.25 million

1.1.2 MULTI-BENEFICIARY ALLOCATIONS IN 2008

Multi-beneficiary Programme 1 (including disaster risk reduction, ReSPA, refugee return)	6.00
Multi-beneficiary Programme 2a (including social inclusion, trade, Erasmus Mundus, youth, Quality Infrastructure, statistics, environment)	32.90 ²⁰
Multi-beneficiary Programme 2b (including police cooperation and animal disease eradication)	5.00 ²¹
Support to Cooperation with IFIs	50.20
Civil Society Dialogue and Development	16.50
Nuclear Safety	0.13
TAIEX	12.90
Support to the Regional Cooperation Council	3.00
Contribution to the Energy Community	1.30
Support to the Office of the High Representative	6.00 ²²
Information and Communication	7.30
Evaluation	5.00
Monitoring	2.00
TOTAL	148.23²³

²⁰ Includes €10.73 million recovered from previous programmes.

²¹ Funds for Tempus, allocated by country as shown in table 1.1.1 but implemented horizontally, are also included in the same financing decision. Total amount for financing decision MB 2a is €24.7 million.

²² Includes €2.04 million recovered from previous programmes.

²³ Includes €12.77 million recovered from previous programmes.

1.2 COMPONENT II – CROSS BORDER COOPERATION PROGRAMMES

1.2.1 CROSS COUNTRY COOPERATION PROGRAMMES BETWEEN MEMBER STATES

COUNTRY	BULGARIA	GREECE	HUNGARY	ROMANIA	SLOVENIA	ADRIATIC PROGRAMME	TOTAL
Albania	-	1.49	-	-	-	5.39	6.88
Bosnia & Herzegovina	-	-	-	-	-	2.24	2.24
Croatia	-	-	2.40	0.00	2.94	6.69	12.03
former Yugoslav Republic of Macedonia	1.23	1.34	-	-	-	-	2.57
Kosovo	-	-	-	-	-	-	0.00
Montenegro	-	-	-	-	-	1.24	1.24
Serbia	2.16	-	2.28	2.69	0.00	0.54	7.67
Turkey	1.87	-	-	-	-	-	1.87
TOTAL	5.26	2.83	4.68	2.69	2.94	16.10	34.50

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	-	-	-	0.75	0.75	-	0.20	-	1.70
Bosnia & Herzegovina	-	-	1.00	-	0.50	0.70	0.51	-	2.71
Croatia	-	1.00	-	-	0.40	0.80	0.51	-	2.71
former Yugoslav Republic of Macedonia	1.00	-	-	-	-	-	0.51	-	1.51
Kosovo	-	-	-	-	-	-	-	-	0.00
Montenegro	0.60	0.60	0.50	-	-	0.60	0.95	-	3.25
Serbia	-	1.10	1.00	-	0.50	-	0.99	-	3.59
Turkey	-	-	-	-	-	-	-	1.00	1.00
TOTAL	1.60	2.70	2.50	0.75	2.15	2.10	3.67	1.00	16.47

1.3 COMPONENT III – REGIONAL DEVELOPMENT PROGRAMMES

COUNTRY	REGIONAL COMPETITIVENESS	TRANSPORT	ENVIRONMENT	TECHNICAL ASSISTANCE	TOTAL
Croatia	11.60	18.00	18.00	-	47.60
former Yugoslav Republic of Macedonia	-	-	-	12.30	12.30
Turkey	43.50	60.80	69.50	-	173.80
TOTAL	55.10	88.05	89.81	0.74	233.70

1.4 COMPONENT IV – HUMAN RESOURCES DEVELOPMENT PROGRAMMES

COUNTRY	REDUCING UNEMPLOYMENT	EDUCATION AND TRAINING / HUMAN CAPITAL INVESTMENT	SOCIAL INCLUSION	TECHNICAL ASSISTANCE / ADMINISTRATIVE CAPACITY	TOTAL
Croatia	2.90	5.00	3.50	1.30	12.70
former Yugoslav Republic of Macedonia	2.69	1.80	1.20	0.30	5.99
Turkey	34.00	13.60	-	5.29	52.89
TOTAL	39.59	20.40	4.70	6.89	71.58

1.5 COMPONENT V – RURAL DEVELOPMENT PROGRAMMES

The table shows the component V split by country for 2008, and an indication of the percentage share by main area of intervention taken from the MIPDs 2008-2010.

COUNTRY	COMMUNITY STANDARDS	PREPARATORY ACTIONS FOR AGRI-ENVIRONMENTAL MEASURES AND LEADER	DEVELOPMENT OF RURAL ECONOMY	TECHNICAL ASSISTANCE	TOTAL
Croatia	>60%	<5%	>20%	-	25.60
former Yugoslav Republic of Macedonia	50%-80%	0%-3%	-	20%-50%	6.70
Turkey	50%-80%	-	20%-50%	-	53.00

2. STATE OF PLAY OF IMPLEMENTATION OF IPA 2007 NATIONAL PROGRAMMES (COMPONENT I) IN MEUR AS AT 31 DECEMBER 2008

In 2008, implementation was underway for the IPA 2007 programmes. The table provides a summary of this implementation. Implementation of 2008 national programmes only began in 2009.

Country	Allocated	Contracted	% contracted	Paid	% paid
Albania	49.27	7.52	15%	1.76	4%
Bosnia & Herzegovina	49.74	23.40	47%	5.30	11%
Croatia	45.41	0.00	0%	0.00	0%
former Yugoslav Republic of Macedonia	34.94	8.68	25%	2.90	8%
Kosovo	62.00	29.80	48%	6.10	10%
Montenegro	23.87	4.77	20%	0.95	4%
Serbia	164.84	24.5	14%	1.40	1%
Turkey	256.20	0.00	0%	0.00	0%

