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

**2010 Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS,
Turkey Pre-accession Instrument, Transition Facility**

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PART I: FINANCIAL ASSISTANCE TO ICELAND, THE WESTERN BALKANS AND TURKEY

1. ALBANIA

1.1. Summary

EU financial assistance to Albania has played an important role during 2010 to further support the country on its way towards European integration. Ongoing CARDS and IPA projects in the areas of justice and home affairs, public administration reform and fight against corruption have been further advanced and have shown concrete results. Furthermore, there has been progress in infrastructure projects in the water and transport sectors. There have also been many technical assistance projects ongoing in different line Ministries or state institutions, and the support to the Ministry of European Integration has had a positive horizontal impact on programming of EU financial assistance. Compared to the previous year, further improvements in the programming exercise have been encountered as the Ministry was in a better position to play its coordination role. This has to be seen in the context of a more streamlined approach with the relevant line Ministries as the previously installed Senior Programming Officers became more and more operational.

The amount contracted during the reporting period under the IPA programmes 2007, 2008 and 2009 is EUR 92.31 million, exceeding the new commitments (nearly EUR 87 million) under the 2010 IPA Programmes. This continued a positive trend which began in 2009. With a view to the preparation for the decentralised management of IPA funds further progress has been made with the help of an IPA 2007 technical assistance. Under IPA Component I, key structures have now been established and relevant staff hired and trained. Work has also started on IPA Components II-V.

2010 also saw the preparation of the MIPD 2011-2013, which follows a sectoral approach. The beneficiary, Member States and other donors have been actively involved and welcomed the identified choice of sectors. Overall, there has been good progress in the programming of EU funds, while there are still remaining challenges concerning the implementation and sustainability of projects, also after they have finished.

1.2. Strategic planning and programming

1.2.1. Multi-annual Indicative Planning Document

The following priorities for IPA support have been identified in the Multi-Annual Indicative Planning Document (MIPD) 2011-2013 in close cooperation with the beneficiary, Member States and other donors:

- Strengthen rule of law, ensuring the independence, efficiency and accountability of judicial institutions and enhance the fight against organised crime.
- Support the public administration reform, with a view to enhancing professionalism and de-politicisation of public administration and to strengthening a transparent, merit-based approach to appointments and promotions and strengthen the fight against corruption at all levels.
- Reinforce the protection of human rights, notably for women, children and Roma, and to

effectively implement anti-discrimination policies.

- To support *acquis* related issues, in particular, administrative capacity, adoption and enforcement of legislation and related investments in the transport sector, social sector, as well as in the environment, climate change and agriculture sectors.

To achieve the priorities selected for support in the programming period 2011-2013, in 2010 the Commission identified primarily the following sectors: i) Justice and Home Affairs, ii) Public Administration Reform, iii) Transport, iv) Environment and Climate Change, v) Social Development, vi) Agriculture and Rural Development.

To increase the impact of IPA assistance, to give greater focus to achievable results and to strengthen ownership by the beneficiary countries, the Commission has decided to concentrate its efforts on targeted sectors. A sector approach should facilitate cooperation and coordination among donors and beneficiaries. To date, the number of fully-fledged sector programmes developed by Albania is limited. Overall ownership on the side of the government to move towards a more sector approach is improving, in particular with a view to coordination and monitoring mechanisms at the central level. At the same time, there are obvious differences between sectors and linked line Ministries, e.g. there has been no sector strategy adopted in the justice sector. On the other hand, the agriculture and rural development sector has been identified with the beneficiary, Member States and the Commission as one where a possible sector-wide or programme-based approach could be tested. The sector comprises the main features for such an approach, namely the existence of a sector strategy, an action plan, multi-annual budgeting, donor coordination and a relatively strong capacity (including the political will) of the main beneficiary Ministry.

The chosen sectors are in line with the Enlargement Strategy published in November 2010 and are designed to help the EU to attain its own objectives that include dealing with the economic crisis and governance, restoring growth for jobs through the Europe 2020 reform agenda and making the EU a safer place. The strategic priorities of four of the above mentioned sectors have been identified in close cooperation with the various Commission services responsible for the different IPA components. This is a good basis for the implementation of the IPA programmes during the coming years as well as the strategic definition of a future accession instrument.

Overall, the three-year planning period of the MIPD limits achieving the identified objectives according to the many needs in the different sectors. A longer period would probably make it more feasible to achieve the intended results and sector objectives, as many of them have to be seen in a medium to long-term perspective. This is particularly true as regards reforms in the rule of law as well as public administration sectors.

In May and June 2010, the EU Delegation undertook a review and consultation process in certain sectors in order to assess the existence as well as the quality of various strategies and action plans/budget plans. On the basis of this assessment and the needs and priorities in EU and Albanian Government strategy papers a first draft text for the MIPD 2011-2013 was prepared. During a consultation mission in July, the first MIPD draft document, which has been shared beforehand, was discussed with the beneficiary, Member States and other donors. This first round of consultations confirmed the suggested choice of sectors, on which the European Commission will focus over the next three years. In particular, the sectors regarding the political criteria were seen as very relevant. Further refinements of the draft have been made, and subsequently, the draft MIPD was consulted with Member States in Tirana, with IFIs, bilateral and international organisations and the Beneficiary at the beginning of

December 2010. The outcome of these consultations led to further adjustments of the MIPD, notably in emphasizing that a programme-based approach is also encouraged in other sectors under the leadership of other donors, which could eventually be supported by the EU. Furthermore, the division of tasks has been updated and clarified. Finally, it was suggested to bring the indicators more in line with the indicators of the NSDI, which are currently being revised.

The findings from an IPA mid-term evaluation, conducted during 2010, partly confirmed this and also showed that some of the prerequisites for a sector-based approach exist in Albania. However, at present the administrative capacity to adopt a sector-based approach is relatively low. Therefore, with sufficiently well-targeted assistance and continued effort to complete ongoing reforms (functional strategies and monitoring system) the Albanian administration has the potential to develop these necessary capacities in the immediate to short-term. The evaluation also assessed different sectors and stated that the sector of agriculture/rural development is one of the most advanced. Furthermore, it stated that synergy between donor assistance, national strategy and IPA programming is important if a sector-wide approach is to be applied in future programming. The evaluation concluded that programming takes adequate and relevant account of the beneficiary's policies, strategies and reform process.

These findings have been taken into account in drafting the MIPD 2011-2013 as the document was fully based on the national strategic framework and put future IPA intervention into perspective with ongoing donor involvement.

Table 1: MIFF¹ allocations per component, in million EUR

Component	2010	2011	2012	2010-2012
I – Transition Assistance and Institution Building	82.71	84.30	85.99	253.00
II – Cross-border cooperation	9.97	10.13	10.28	30.38
TOTAL	92.68	94.43	96.27	283.38

1.2.2. Programming

1.2.2.1. Component I

The IPA 2010 national programme was adopted on 8 December 2010. It focused on the objectives identified in the Multi-Annual Planning Document (MIPD) 2009-2011. The 10 projects of the programme were grouped under 3 strategic priority axes, addressing key issues such as police training and rule of law enforcement, in particular as regards support to the penitentiary infrastructure and improvement of training capacities of the Police Education Centre as well as the modernisation of the prosecution system. At the same time, the national programme was also designed to continue supporting the capacity-building efforts of Albania's administration, in particular the Ministry of European Integration, the Ministry of Labour and the Ministry of the Environment. Furthermore, support was planned to be given to the Albanian Parliament and to important *acquis*-related issues such as food safety. Two large infrastructure projects were included, one in the environment sector (water supply and sewerage) and one in the transport sector (local roads). It has been agreed with the Albanian Government that the local road project and parts of the water project shall be implemented in

¹ Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', COM(2009) 543 of 14.10.2009.

cooperation with international financial institutions (IFIs). This has to be seen also in the context of the Commission's continuous efforts to help Albania soften the effects of the financial crisis.

The rural road project was included as part of a continuous effort in the frame of a World Bank-coordinated and beneficiary-led multi-donor programme, to which the European Commission has already allocated funds under IPA 2008 and 2009. The water project is an example of continuous EU support over the last years, which has not only an environmental aspect, but which improves also the socio-economic development of the coastal areas with view to tourism development. Finally, the food safety project has been designed to follow-up on an IPA 2009 project.

Overall, donor coordination in Albania has improved during 2010. The Department of Strategy and Donor Coordination (DSDC) created in 2005 under the Deputy Prime Minister's Office in the Council of Ministers of the Albanian Government is responsible for national, sectoral and cross-cutting development strategy coordination as well as for donor coordination. The donors are organised via a Donor Technical Secretariat, including representatives of the European Commission, World Bank, Organisation for Security and Cooperation in Europe (OSCE), UNDP as well as other bilateral donors.

Furthermore, the Fast Track Initiative of Division of Labour in line with the Paris Declaration and the Accra Agenda for Action became more and more developed. In Albania, this is led by the Government, through the DSDC. Fast Track Initiative arrangements are open to any European donor willing to join and other development and integration partners that could contribute to the coordination process in the context of division of labour and complementarity. The Fast Track Initiative of Division of Labour should be seen as added value to the existing coordination mechanisms established by the Government; as such it is embedded in the national Harmonisation Action Plan. The allocation of Lead Donors to specific sectors has been agreed based on expressions of interest from donors and as a result of sectoral analysis of donor commitments by DSDC. The Fast Track Initiative is intended to support Albania in the process of implementing in-country division of labour. The final goal is to achieve better development results through more effective aid and to increase the coherence of EU assistance, and ensure less overlap, less transaction cost, etc. European donors participate in the Fast Track Initiative on a voluntary basis. A Memorandum of Understanding has been signed so far between the Albanian Government and some European donors (European Commission, Italy, Austria, Switzerland and Sweden) on 31 May 2010. As regards donor presence, it should be noted that some bilateral donors have announced a reduction of their foreseen resources and presence.

Coordination meetings with international financial institutions as well as with EU and non-EU donors have been organised on a regular basis. They focus primarily on strategic orientations and the regional dimension of IPA planning and programming. Additionally, coordination between the Commission and EU Member States took place on a regular basis in the context of the IPA Committee. Meetings with the Embassies of EU Member States and the local branches of international financial institutions on MIPD or national programme preparations were organised regularly during programming missions.

As mentioned above, the rural roads project is the best example of a donor and beneficiary coordinated programme, where the EU was able in cooperation with the EIB and EBRD to trigger a substantive amount of funds due to grants/loan blending with the IPA 2010 project. The same was also true for the water project, where through indirect centralised management

in cooperation with Germany (KfW) and Austria (ADA) significant funds have been allocated. Finally, it was decided that a project on human resource development is best implemented in joint management with the International Labour Organisation due to its experience on the ground. This can be seen as a continuation of using different management modes for an efficient and effective programme implementation as done during previous IPA programmes.

Overall, the IPA 2010 programme has been developed in close cooperation and consultation with national authorities. The exercise has shown, compared to previous years, improvement with a view to ownership by the beneficiary. The Member States, other donors as well as civil society have been associated in the process as much as possible.

Significant efforts have been undertaken to involve Albania's institutions in the planning and programming process for EU assistance. The Ministry for European Integration benefited from substantial institution and capacity-building support of the last years. The increased involvement of the Senior Programme Officers (SPO) within the European Integration units in line ministries and the leading role of the Ministry for European Integration in the programming process improved overall the identification and programming of financial assistance. Lessons learned, in particular regarding the maturity, timely planning, better links between EU assistance and sectoral strategies as well as sustainability have been taken into account during the programming of IPA 2010.

Under the current institutional and legal circumstances, the different methods of delivering EU financial assistance were adequate. An intelligent mix out of centralised, indirect centralised and joint management, as in recent years, is currently the best way to deliver IPA funds for Albania. There is for the foreseeable future no possibility to use other aid delivery modes, such as budget support, because the overall conditions, as laid down in the IPA Regulation, are not yet in place in Albania.

The programming exercise for IPA 2011 started already early during the reporting year and took the six sectors of the foreseen MIPD 2011-2013 fully into account. A first programming mission took place in May 2010 and a final one in October, after which the beneficiary started to draft the project fiches for the programme for an overall amount of EUR 82 million. In the pilot sector "agriculture and rural development", a project of EUR 10 million is foreseen to start investment in farms through rural development component (IPARD)-like measures and to further develop the national payment and management system in preparation for IPA Component V.

Table 2: Indicative financial allocations for the year 2010 per component, in million EUR

ALBANIA	2010
I. Transition Assistance and Institution Building	84.20²
Of which:	
National Programme	83.20
Tempus Programme*	1.00
II. Cross-Border Cooperation	10.48³
Of which:	
CBC Montenegro-Albania	0.85
CBC the former Yugoslav republic of Macedonia-Albania	0.85
CBC Kosovo-Albania	0.60
CBC Greece-Albania	1.66
CBC IPA Adriatic**	6.01
Albania's participation in ERDF transnational programmes "South East Europe" and "Mediterranean"***	0.51
TOTAL	94.68

* The Tempus Programme is coordinated and implemented under the relevant IPA Multi-beneficiary programme

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

Table 3: Indicative financial allocations for the year 2010 under the National Programme, per priority axis and per project, in million EUR

Priority Axis/Projects	Budget
Political Criteria	26.20
Support to the Penitentiary Infrastructure and the Police Education Centre	18.20
Modernisation of the Albanian Justice system	3.00
Support to the EU integration process	2.00
Strengthening the Assembly of Albania	1.50
Project Preparation Facility	1.50
Economic Criteria	23.00
Improvement of rural roads in Albania	20.00
Human Resources Development	3.00
Ability to assume the obligations of membership	34.00
Improvement of Drinking Water Supply and Sewerage Systems	26.00
Support to the Food Safety Infrastructure	4.00
Capacity strengthening of the Ministry of Environment	4.00
TOTAL	83.20

² The difference with Table 1 is explained by the fact that an additional €1.5 million were used from left over money (due to urgency measures following severe flooding)

³ The difference with Table 1 is explained by the allocation for participation in ERDF transnational programmes (EUR 0.51 million)

1.2.2.2. Components II

During 2010, the cross-border programmes between the former Yugoslav Republic of Macedonia and Albania and between Albania and Montenegro were both revised by the national authorities for the period 2007-2011. The revision added mainly the 2010 and 2011 yearly financial allocations for each partner countries and clerical changes following the entry into force of the Lisbon Treaty, but did not touch the substance of the programme.

The revised cross-border cooperation programme between the former Yugoslav Republic of Macedonia and Albania 2007-2011 and the multi-annual Financing Proposal for the years 2010 and 2011 were adopted by the Commission in October 2010. The overall objective of the programme is to promote sustainable development in the cross-border area.

The revised cross-border cooperation programme between Albania and Montenegro 2007-2011 and the multi-annual Financing Proposal for the years 2010 and 2011 were adopted by the Commission in July 2010. The overall objective of the programme is promotion of regional cohesion and competitiveness through an approach integrating economic, environmental and social development.

Following the October 2009 Commission Communication on Kosovo, which recommended "progressively activate the IPA cross border cooperation component (component II) for Kosovo"⁴, the first Albania-Kosovo cross-border cooperation programme 2010-2013 was jointly developed by the Albanian and Kosovan authorities. The programme and the multi-annual Financing Proposal for the years 2010 and 2011 were adopted by the Commission in December 2010. The overall objective of the programme is to promote sustainable economic, social, cultural and environmental development in the border area.

The cross-border programme between Greece and Albania 2007-2011 was revised in order to include the 2010 and 2011 ERDF and IPA financial allocations. The programme builds on the 2000-2006 INTERREG programme between the two countries. The multi-annual Financing Proposal for the years 2010 and 2011 (IPA funds part) was adopted by the Commission in December 2010. The overall objective of the programme is to increase living standards by promoting sustainable local development in the border area.

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

Albania is also participating in the ERDF transnational programme "South-East Europe" (SEE) since 2007 and "Mediterranean" (MED) since 2009 under the European Territorial Co-operation objective of the Structural Funds 2007-2013. 2010 IPA funds were integrated in the SEE and MED programmes. They are managed by the Commission's Directorate-General for Regional Policy, which is now entirely in charge of the programming and implementation of both ERDF and IPA funds within these programmes. The programme supports Albania's

⁴ Communication from the Commission to the European Parliament and the Council, Kosovo* - Fulfilling its European Perspective, COM(2009)534 final of 14 October 2009, p.14.

participation in joint transnational co-operation activities with partners from EU Member States and familiarises the country with territorial co-operation programmes under EU Structural Funds.

1.2.2.3. Components III, IV and V

With a view to preparing for decentralised management of IPA funds, a joint mission was organised by the Commission's Directorate Generals for Enlargement, Regional Policy, Employment and Social Affairs, and Agriculture and Rural Development, in January 2010. The aim of this mission was to launch the programming exercise for Components III, IV and V with the Albanian authorities. In spring 2010, the Albanian authorities started drafting their Strategic Coherence Framework for IPA Component III and IV areas, i.e. regional development, competitiveness and transport, as well as education, employment and social inclusion. Their first draft was submitted for comments to the Commission in autumn 2010, initiating a dialogue on the document. The first draft Operational Programme for IPA Component IV was submitted to the European Commission in autumn 2010 and the drafting process of the Operational programme for Component III started. With regards to IPA Component V programming, there was a dialogue between the Commission services and the relevant Albanian authorities on the draft agricultural and rural development programme.

Establishment of the Albanian financial management and control structures for Component III and IV, based on Component I structures, began. In May 2010, DG Enlargement audited the basic structures, while in November DG Agriculture and Rural Development audited the IPA Component V structures including the Paying and Managing Agency. Both concluded that while progress had been achieved, the Albanian authorities are still far from being able to apply for Conferral of Management for IPA funds under Components III, IV and V. Notably, the implementation of an accounting system by the Albanian authorities is still needed, as well as the completion of the Audit Authority structure. For Component V, the establishment of a rural cadastre and farm register is a crucial and challenging element for defining the scope of future rural beneficiaries.

While the aim is for these programmes to be ready for implementation when Albania becomes a candidate country, they do not however have a clear timeframe and remain flexible documents to be adjusted according to the progress of Albania on its European integration agenda.

1.3. Implementation of assistance

1.3.1. IPA

1.3.1.1. Success stories

Support for civil service reform (IPA 2008, EUR 1 million)

This project - supporting civil service reform aiming at strengthening the public sector governance by reinforcing the management capacity of the Department of Public Administration - produced an important result during 2010. Thanks to the project, an Order on "Measures for improving the management of the civil servants in the line ministries and Council of Ministers apparatus" was issued by the Albanian Prime Minister in October 2010. This act set the basis for clear rules and limitations with regards to temporary contracts, restructuring procedures and job descriptions, as well as specific requirements for working

positions. Overall, the project also supported the modernisation of the legal framework for the Albanian civil service. New laws were drafted regarding the status of civil servants, general administrative procedures and the organisation and functioning of the State public administration. A more effective and efficient public administration is the basis for progress in all areas of society and the socio-economic development of Albania.

Preparation for EU decentralised implementation system of IPA funds (IPA 2007, EUR 1.13 million)

The project helped the Albanian authorities to progress towards preparation for the decentralised management of IPA funds for Component I. It supported the establishment of proper operating structures and of a management control system with strong involvement and leadership by the Albanian authorities, notably the Ministry of Finance. Based on the results, the Albanian authorities now intend to apply for conferral of management for IPA Component I. In addition, as the main structures for IPA components II, III and IV are similar to Component I structures, the success of this IPA 2007 project laid the foundation for setting up the structures for components II, III and IV programmed under an IPA 2009 national programme. Overall, progress in the preparation for decentralised management process adds also to the improvement in the country's public financial management system in general, which is the basis for the transparent, efficient and legal spending of public funds.

Support for police reform (IPA 2007, EUR 5.5 million)

Finally, the project "Support to the Police Reform - PAMECA III" has proven extremely valuable in improving the functioning of the Albanian State Police, in particular regarding its structures fighting organised crime and terrorism, the functioning of the Police Academy, the functioning of IT systems, the implementation of the Integrated Border Management Strategy and the Community Policing model. The project was also instrumental in identifying ways forward. It encourages continued progress within the Albanian State Police with regard to the respect of human rights, notably as regards the treatment of detainees. It has been a successful method to use a pool of police experts from different Member States, who addressed, with their different backgrounds and specific experience, the complex needs of the Albanian police system.

1.3.1.2. Overview of IPA implementation in 2010

2010 has been the best year to date regarding IPA implementation, as regards commitments and disbursements. A total amount of EUR 92.34 million was contracted: a considerable increase compared with the contracting performance of EUR 65.25 million in 2009. The disbursement of EUR 56.38 million also exceeded the performance in 2009 when EUR 53.54 million were paid.

Component I: Transition Assistance and Institution Building

Table 4: Status of implementation of IPA financial assistance (Component I) as at 31st December 2010 (in million EUR) per annual programme

	Committed	Contracted	% Contracted	Paid	% Paid
IPA 2007	49.27	28.86	58.58%	12.35	25.07%
IPA 2008⁵	64.04	40.01	66.79%	22.62	35.32%
IPA 2009	69.86	33.34	47.72%	17.10	24.48%
IPA 2010	83.20	0.00	0.00%	0.00	0.00%
TOTAL	266.37	104.97	39.41%	52.07	19.55%

Table 5: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2010 allocations
Political criteria	31.61%
<i>(of which civil society)</i>	0.57%
Economic criteria	21.72%
Ability to assume membership obligations	45.41%
Support programmes	1.25%
TOTAL	100%

TAIEX, Twinning, SIGMA and EU Programmes

Altogether, 55 TAIEX events assisted Albania's administration in 2010. There were several positive outcomes, where Albanian institutions addressed problems in regard to legislation approximation, regulating internal inspection procedures, implementation of legislation and strengthening of administrative capacities. The focus of these events was on several areas of the *acquis*, such as environment, fishery, agriculture and food, consumer protection, transport, and competition. They contributed to the preparation of legislation in line with EU standards as well as overall improved the administrative capacity of different line Ministries.

Three Twinning projects were launched during 2010, funded by IPA 2009, in the sector of justice and home affairs. The projects dealt with penitentiary reform, witness protection as well as anti-Money Laundering and Financial Crime Investigations. The participating Member States were the United Kingdom, a consortium between Hungary and Lithuania and another consortium between Spain and Bulgaria. The total budget allocated for these Twinning projects is EUR 3.14 million.

SIGMA activities in 2010 have revolved around the following topics: public service and administrative framework with a focus on the Law on administrative procedures and civil service reform, public expenditure management and assistance to develop the public procurement system. The input of SIGMA for the preparation of the Commission Opinion in November 2010 was very useful.

In 2010, Albania participated in the following EU programmes: 7th Research Framework Programme, Competition and Innovation Framework Programme (CIP) and Europe for

⁵ Figure includes the separate Financing Decision "Rehabilitation of Gerdec" of EUR 3.12 million

Citizens. Furthermore, exploratory contacts were held with a view to participation in the “Culture” Programme.

Component II: Cross-border Cooperation

Implementation of the 2007–2009 Cross-border Cooperation Programmes with Albanian participation continued in 2010.

For the programme Albania-Montenegro, 6 cross-border projects were contracted and began at the end of 2010, from the first call for proposals of 2007 IPA funds. Two projects were selected for each measure of the programme: economic development; environmental protection and social cohesion. The second call for proposal including joint 2008 and 2009 IPA funds for this programme was launched and closed during 2010 and at the end of 2010 the proposals were to be evaluated by a set-up Joint Steering Committee with Albanian and Montenegrin nationals. During the second semester 2010, the Shkoder-based Joint Technical Secretariat of the programme established in 2008 experienced staffing and building issues due to internal Albanian financial reasons. During the December 2010 IPA Monitoring meeting, the Commission raised the matter since EU technical assistance funds had been paid under this programme for those purposes, and asked the Albanian authorities to solve the internal financial issue as soon as possible and respect their commitment by ensuring an operational Joint Technical Secretariat.

For the programme Albania-the former Yugoslav Republic of Macedonia, 17 cross-border projects were selected by the Joint steering Committee composed of Albanian and Macedonian nationals during the autumn 2010, from the first call for proposals on IPA 2007 funds. The second call for proposals encompassing the remaining 2007 and 2008 funds was launched and closed during the first semester 2010 and the evaluation was pending at the end of 2010. In 2010, the El-Basan/Albania antenna of the programme established in 2008 experienced staffing and buildings issues due to internal Albanian financial reasons. Since EU technical assistance funds had been paid under this programme for those purposes, the Commission strongly encouraged the Albanian authorities to solve the internal financial issue as soon as possible and respect their commitment by ensuring an operational antenna.

For the programme Albania-Greece, one single joint call for proposals encompassing ERDF and IPA 2007, 2008 and 2009 funds was prepared during 2010 and launched in November. The call for expressions of interest for the recruitment process of the 6 members of the Thessaloniki based Joint-Technical Secretariat started in November 2010, to be composed of both Albanian and Greek nationals.

As regards Albanian participation in the ERDF South East Europe Transnational Programme, calls were opened for project proposals in the four following areas: facilitation of innovation and entrepreneurship, protection and improvement of the environment, improvement of the accessibility.

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

Tables 6: Status of implementation of IPA financial assistance (Component II) as at 31st December 2010 (in million EUR) per annual programme⁶

	Committed	Paid	% Paid
IPA 2007-2010	35.57	1.82	5.12%

Out of which, the breakdown for the intra-Western Balkans CBC Programmes and the ERDF Transnational Programmes (South-East Europe and Mediterranean) is⁷:

	Committed	Contracted	% Contracted	Paid	% Paid
IPA 2007	3.52	1.33	37.78%	1.80	51.14%
IPA 2008	3.19	0.02	0.63%	0.02	0.63%
IPA 2009	3.93	0.00	0%	0.00	0%
IPA 2010	4.47	0.00	0%	0.00	0%
TOTAL	15.11	1.35	8.93%	1.82	12.05%

Table 7: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2010 allocations
CBC with Member States	41.01%
CBC within Western Balkans	51.71%
Participation to ERDF Transnational Programmes	7.28%
TOTAL	100%

1.3.1.3. Implementation Modalities and Structures

As a potential candidate country, Albania receives pre-accession financial assistance from the Instrument for Pre-Accession Assistance (IPA) under its first two components, currently managed by the EU Delegation in Tirana (EUD).

The introduction of a decentralized implementation system for management of IPA funds remains an important objective for Albania. A decentralised management process will enable Albania to take responsibility for, and hence increased ownership over, the implementation of IPA components and the future management of EU Structural and Cohesion Funds. Albania has taken a number of steps towards achieving decentralised management accreditation and continued working towards this objective during 2010. While progress was solid on IPA components I and V during the year 2010, the process is at an early stage for IPA components II, III, IV.

On **Component I** (Transition assistance and Institution Building), Albania followed and revised its Roadmap for decentralized management. It set-up the main structure in 2009 (stage 0), finalised its gap assessment report (stage 1) in May 2010, started the gap plugging phase (stage 2) in August 2010 and started undertaking the compliance assessment (stage 3).

⁶ Figures include IPA Adriatic

⁷ Figures include also the Border Development programme in the Kukes region (2007) and the CBC Albania-Greece, which is not under shared management

On **Component II** (Cross Border Cooperation), the process of decentralised management started in January 2010 and was at stage 1 (gap assessment) at year end.

On **Components III and IV** (Regional development and human resources development), Albania started to prepare necessary decentralised management structures, strategic coherence framework and operational programmes since January 2010. The Strategic Coordinator is the Deputy Minister of European Integration, while the Operating Structure for Component III is the Ministry of Transport, Public Works and Telecommunications, and for Component IV, it is the Ministry of Labour, Social Affairs and Equal Opportunities. The key challenges for these components are the strengthening of the structure and the coordination mechanism as well as the drafting of the Strategic Coherence Framework and the Operational Programmes for components III and IV.

On **Component V** (Rural development), Albania is trying to use already existing structures in order to set up the Managing Agency and the Paying Agency for the Instrument for Pre-Accession Assistance for Rural Development. A first draft programme for the rural development component was prepared by the Albanian during 2010 on the basis of sectoral analyses of priority sectors in agriculture, aiming at identifying the current situation in the milk and dairy products sector, the meat sectors, the fruit and vegetables sector.

1.3.1.4. Monitoring

IPA projects are amongst others monitored by a formalized Result Oriented Monitoring (ROM) mechanism, outsourced to a specialized company. For 2010, the EU Delegation adopted a monitoring plan and regularly updated it with the ROM team. In 2010, 32 projects were monitored in this way.

In addition to ROM, regular internal monitoring was conducted by the EU Delegation during 2010. Regular meetings with project teams and beneficiaries were organised throughout the year. The EU Delegation in Tirana carried out 114 site visits on 42 IPA and CARDS projects representing an amount of EUR 95.3 million.

Finally, the annual joint IPA monitoring meeting undertaken by the European Commission with the Albanian authorities took place in December 2010.

1.3.2. CARDS

1.3.2.1. Sectors with positive results/ Success stories

Modernisation of the civil registry and address systems (CARDS 2004, EUR 2.5 million)

This project supported the strengthening of good governance and good public services, as well as the protection of fundamental rights in Albania. A functioning address system brings important benefits to inhabitants and local governments alike for quality and efficiency of health, tax, social security, education, postal, court services, as well as emergency response.

The Albanian authorities were assisted in the establishment of the national register for civil status and the national register of addresses. The national register for civil status data is used for the production of biometric identity documents as well as for the compilation of voters' lists. The national register of addresses aims at being uploaded with almost 260 digital maps and enables providing about 3.8 million registered citizens with an official address. Also with the support of the project, street names were chosen and plates installed in all streets of the

city of Saranda, in the south of Albania, benefiting both local residents and tourists. Furthermore, a data protection law has been drafted with the help of the project and approved. The project also supported the establishment of the Data Protection Commission.

Strengthening public internal financial control system (CARDS 2005, EUR 1 million)

This project to strengthen the control of Albanian public internal finances lasted two years and ended in July 2010. The project provided assistance for the further development of the public internal financial control system in Albania, in order to bring it in line with EU standards and best practices. This project focused notably on strengthening the administrative capacity for financial management control and internal audit.

The twinning partnership was established between the Albanian Ministry of Finance, the National Audit Office of the United Kingdom and the Polish Ministry of Finance, with the support of the Bulgarian Ministry of Finance. The twinning team assisted central harmonisation units within the Ministry of Finance of Albania to develop new a financial management control law, instructions related to the new law and an internal audit law, in accordance with the international standards for internal control and internal audit. In addition, two manuals on financial management control and internal audit were developed, as well as a number of trainings events that were organised for the high-level managers, the financial managers and internal auditors of the public sector.

The newly developed manual on financial management control was approved by the Albanian Minister of Finance in July 2010, while the law on inspection was adopted by parliament in July 2010 and the law on internal audit in September 2010.

These significant developments will help the Albanian Government to manage the national State Budget in a more transparent way. They will also serve as a basis for the future management of EU funds when the conferral of management of IPA funds is granted to Albania.

"EURALIUS II" (CARDS 2006, EUR 4.5 million)

Support for the judicial system continued despite a national strategy not being ready in 2010. Through the EURALIUS II project, support was provided to the Ministry of Justice, institutions of the judiciary, penitentiary institutions and to the general prosecutor Office. The assistance focused on the improvement of law drafting and legal approximation skills and methods (development of a law drafting manual on best practices and assessment of approximation of laws in the sector), on the introduction of a new enforcement of rulings system, on justice organisation and reform (new judicial power law, territorial reorganisation of the courts, establishment of a new evaluation system for judges), inter-institutional dialogue, improvement of the management capacities of the judicial and penitentiary budget administration and planning, more efficient and transparent court administration and case management systems, improvement of legislation in civil matters (civil code and civil procedure code review) and criminal justice (new "anti-mafia law", new law on mediation, new judicial police law, new law on international legal mutual assistance, new probation law), and support to immovable property rights matters. Overall, the result has been an improvement in the quality of fundamental pieces of draft legislation such as administrative procedures and judicial review. Finally, the project helped to some extent to increase the professionalism or, as well as accountability within, the judiciary in Albania.

1.3.2.2. Lessons learned

In 2010 four ex-post evaluations of CARDS projects were carried out:

- Assistance to the Justice System of Albania: EURALIUS II (CARDS 2006) - rated satisfactory;
- Assistance to the Ministry of Public Works, Transport and Telecommunications in the field of Transport (CARDS 2004) - rated moderately satisfactory;
- Accreditation, Standards and Certification (CARDS 2006) - rated moderately unsatisfactory;
- Assistance to the Ministry of Environment and Institutions involved in Environmental Monitoring aimed at Strengthening of the Environmental Monitoring System in Albania (CARDS 2006) - rated moderately unsatisfactory.

This exercise concluded that EU funds have significantly contributed to specific sector objectives in Albania, in particular with regard to the reform of the judiciary system and transport sector. Results in the ‘environment’ and ‘internal market’ sectors are less satisfactory, for an array of reasons. Assistance has been less successful in terms of helping Albania meet obligations deriving from the Stabilisation and Association Agreement, as projects are often not really implemented from an EU accession perspective. Common constraints to full project success were limited ownership and commitment from the beneficiary Albanian authorities, persistence of inadequate institutional structures, programme management constraints in the EU Delegation (due to limited human resources available for project monitoring) and a management style that focuses more on outputs than on process management. On the basis of this evaluation, the Commission is insisting on a closer involvement of the Albanian administration in the programming, planning, implementation as well as post-completion phase.

1.3.2.3. Management performance

Table 8: Status of financial assistance as at the end of December 2010 (in million EUR) – CARDS programmes⁸

	Allocated	Contracted	% Contracted	Paid	% Paid
CARDS 2001	33.50	32.68	97.55%	31.69	94.60%
CARDS 2002	42.90	41.39	96.48%	40.90	95.34%
CARDS 2003	38.50	37.83	98.26%	37.40	97.14%
CARDS 2004	62.00	56.47	91.08%	52.19	84.18%
CARDS 2005	40.20	37.98	94.48%	32.21	80.12%
CARDS 2006	42.50	40.73	95.84%	27.25	64.12%
Total	259.60	247.08	95.18%	221.65	85.38%

During the reporting period, the Delegation did not undertake any contracting activity under

⁸ Figures include only Annual Action Programmes, while not including other programmes managed centrally, such as Customs and Taxation.

the above-mentioned Annual Programmes, as the contracting periods set forth therein had already expired (the last one in August 2009 for the CARDS 2006 Annual Programme). However, in addition to regular disbursement activities, the Delegation closed a significant number of projects implementing the above-mentioned Annual Programmes. Overall, 80 such projects were closed during 2010.

1.3.2.4. Institution Building highlights

CARDS 2006 - Implementation of the National Plan for Approximation of Environmental Legislation (INPAEL)

The main objective of the project is the transposition and implementation of the priority legislation as foreseen in the Stabilisation and Association Agreement (SAA), the National Plan for the Implementation of the SAA and the National Environmental Strategy. The main beneficiary is the Ministry of Environment. The approximation of EU legislation on the environment in Albania is advancing well, with broad public consultation done for each new piece of legislation and horizontal line ministries consultation.

Important results from this project included the cost estimation of the future implementation of EU Directives in environmental sector, both in terms of investments and administrative costs, the Strategy and Action Plan in the waste sector, the Pilot Water Basin Management Plan in Mati River District, a National Compliance Plan for the Urban Waste Water Treatment Directive, Monitoring Plan for the Gerdec area (affected by explosion of ammunition deposit in 2008), as well as public awareness campaigns on environmental protection regarding air, water and waste.

At the end of its implementation, together with past pre-accession assistance (Environment Legislation Project in Albania project under CARDS 2004), the most visible impact is that a large share of EU legislation in the environment sector was approved by the Albanian Council of Ministers and sent to parliament. This brings Albania closer to a proper *acquis* transposition in that particular field.

Overall, the improvement of the environmental situation in the Western Balkan, and in particular in Albania, has an added value also for EU citizens, as possible environmental disasters with implications on neighbouring EU countries will be better contained and the risk minimized.

1.3.2.5. Joint Monitoring

The 2010 joint monitoring meeting undertaken by the European Commission with the Albanian authorities in December reviewed the implementation of the currently ongoing CARDS and IPA projects. Many shortcomings in the implementation of projects were raised, in particular retaining trained staff and providing maintenance as well as budgeting plans for finished infrastructure projects in order to ensure a stronger impact and sustainability. The outcome of the meeting was a list of agreed action points, where the beneficiary committed itself to address the identified problems.

2. BOSNIA AND HERZEGOVINA

2.1. Summary

EU financial assistance to Bosnia and Herzegovina has played an important role during 2010 to further support the country on its way towards European integration. Whereas the implementation of CARDS was almost completed, IPA continued to offer support for Bosnia and Herzegovina to comply with the requirements of the EU accession process and to fulfil its obligations under the Stabilisation and Association Agreement and the Interim Agreement. The priorities of the assistance in 2010 were support for the public administration reform, the strengthening of the rule of law, including the fight against corruption and organised crime, and support for Bosnia and Herzegovina to overcome the consequences of the financial and economic crisis. Compared to the previous year, further improvements in the programming exercise occurred as the Directorate for European Integration and the Ministry of Finance organised sector support workshops in 2010, to which the European Commission, other donors and the International Financial Institutions contributed to identify IPA priorities for the years 2011 – 2013. This was an important step to improve Bosnian ownership in the IPA programming process.

The amount contracted during the reporting period under the IPA 2007 - 2009 programmes was EUR 70.91 million, an increase of 100 % compared to the preceding period and a continuation of the positive trend which began in 2009. With a view to the preparation for the decentralised management of IPA funds, some progress has been made by the nomination of the Competent Accrediting Officer (CAO), the National Authorising Officer (NAO), and the National IPA Coordinator (NIPAC). However, State and entity representatives could not agree on the structures to be built to support the decentralised implementation of EU assistance, further blocking progress towards decentralisation.

The year 2010 has also seen the preparation of the MIPD 2011 – 2013, which follows a sectoral approach. The beneficiary, Member States and other donors have been actively involved and welcomed the identified sectors.

2.2. Strategic planning and programming

2.2.1. Multi-annual Indicative Programming Document

The strategic priorities identified in the 2011-2013 Multi-annual Indicative Programming Document (MIPD) are strengthening the rule of law, improving the capacity and efficiency of the public administration, and supporting social and economic development.

To achieve the strategic priorities, in 2010 the Commission identified the following sectors of intervention and specific objectives:

- Justice and Home Affairs, with the objectives of supporting the justice sector reform and to intensify the fight against corruption and organised crime.
- Public Administration Reform, with the objective of setting up a professional civil service, improving the functioning of the institutions at all levels and adopting the legal framework for public financial management, compliant with EU standards.

- Private sector, and Transport and Environment sectors, with the objectives of developing the SME sector and supporting investments in transport and environment infrastructure.
- Social Development, with the objective of alleviating unemployment and reforming the education system.

The priorities and objectives have been selected because of their remarkable significance for the country's progress in the pre-accession process. Overcoming the economic crisis, social inclusion and strengthening the rule of law and public administration reform were identified as key challenges in the Enlargement Strategy 2010–2011. The 2010 Progress Report concluded that Bosnia and Herzegovina has to step-up its efforts in the areas of justice and public administration reform and that despite a moderate economic recovery, unemployment remains high and fiscal adjustment measures, as well as economic reforms, have to be pursued with determination to enable the country to recover. In the long-term, these measures will allow the country to cope with the competitive pressure and market forces of the EU.

The Commission decided to concentrate its efforts on a limited number of sectors to increase the impact of IPA assistance and to give greater focus to achievable results. A sector approach will facilitate cooperation among donors and beneficiaries, will eliminate duplication of efforts and will lead to greater efficiency and effectiveness. Following the philosophy of the sector support approach, the priorities identified above support Bosnia and Herzegovina's own reform strategies, in particular the Country Development Strategy, the Justice Sector Reform Strategy, the Public Administration Reform Strategy and the Social Inclusion Strategy.

The Europe 2020 agenda offers enlargement countries an important inspiration for reform. IPA supports Bosnia and Herzegovina in following the priorities of the 2020 agenda, particularly by supporting the environmental protection, the promotion of social inclusion and the fight against poverty.

The Commission, the Bosnia and Herzegovina Directorate for European Integration and the Ministry of Finance and Treasury held a series of consultation workshops in June 2010 to facilitate the identification of relevant sectors and to assess how to best move towards a sector approach in the different areas concerned. Representatives from line ministries, other relevant institutions, selected donors and civil society organisations were invited to participate. Workshops were held in the areas of social inclusion, small and medium-sized enterprises, education and employment, civil society, judiciary, law enforcement, public administration reform, environment, transport and energy. The aim of the workshops was to identify strategic objectives, expected results, benchmarks and indicators for financial assistance in the period 2011-2013. The workshops helped to identify areas where the support provided by IPA or other donors can be better aligned with the existing strategies so as to gradually move towards a sector approach. This new approach considerably strengthened Bosnia and Herzegovina's ownership in the programming process.

The relevance of the consultation process and donor coordination was confirmed by the conclusion of the Mid-term Meta Evaluation of IPA Assistance. The evaluation, which took place in 2010, recommended that MIPDs should concentrate on fewer specific priorities in line with the beneficiaries' strategic reform framework.

Table 1: MIFF⁹ allocations per component, in million EUR

Component	2010	2011	2012	2010-2012
I – Transition Assistance and Institution Building	100.69	102.68	104.67	308.04
II – Cross-border cooperation	4.70	4.75	4.80	14.24
TOTAL	105.39	107.43	109.47	322.28

2.2.2. *Programming exercise*

2.2.2.1. Component I

The IPA 2010 national programme has been prepared during the reporting year and was adopted on 28 July 2010. It focused on the objectives identified in the MIPD 2009 – 2011.

The 14 projects of the programmes were grouped under 3 strategic priority axes with a focus on supporting the justice sector reform. Strengthening the rule of law was an EU enlargement strategy priority, in particular to support the fight against organised crime and corruption. The projects on "support to the area of law enforcement", (EUR 8.0 million), "implementation of the anti-corruption strategy and action plan" (EUR 2.0 million), "construction of a high security state prison, phase II", (EUR 5.15 million), and "strengthening the judiciary", (EUR 4.0 million) continued activities in previous IPA programmes and will be followed-up by further assistance to the justice sector in the years 2011 and the following ones. The expected results of the projects were improved cooperation and coordination of key institutions in the security sector, reduction of organised crime, improved capacities of the State Investigation and Protection Agency, police restructuring and better cooperation between police and the judiciary, improved border management, the improvement and implementation of the anticorruption strategy, improved capacity building for judicial reform, and the building of the high-security state prison.

The reform of the justice sector is a key component of the EU integration process of Bosnia and Herzegovina. The Commission mandated a team of Member State judicial experts to identify priority areas for future EU support. A fact-finding mission was conducted in May 2010. The objectives of the team were to identify and analyse specific areas in the justice sector where the lack of progress is particularly relevant to the European integration process and that could therefore be considered for future IPA support. The findings and recommendations of the fact finding mission served as a basis for the sectoral strategy planning for the time frame 2011 to 2013.

Further assistance was directed at developing and implementing a sustainable strategy for integrated social protection and the inclusion of children and families, to preserve Bosnia and Herzegovina's cultural heritage, to support the Public Administration Reform Strategy through the development of coordination and policy making capacities, and to provide support on public financial management and the improvement of information systems in public institutions.

As Bosnia and Herzegovina was severely hit by the global economic crisis, the EU continued to provide support for infrastructure investments through the 2010 national programme. The

⁹ Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', COM(2009) 543 of 14.10.2009.

EU cooperated with the World Bank on the rehabilitation and transport and navigation development of the Sava River to link national with regional core transport networks. It also supported the rehabilitation and construction of water, waste water and solid waste infrastructure together with the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the Kreditanstalt für Wiederaufbau (KfW). Grants to the international financial institutions (IFIs) and the KfW leveraged significant loans for major infrastructure investments and helped Bosnia and Herzegovina to conclude those loan agreements.

The infrastructure projects in this programme were selected because they were well-advanced in the preparatory phase, but their timely implementation would have been unlikely without EU support. They were a continuation of infrastructure support in 2009. Support for transport and environment infrastructure will be continued in future IPA national programmes. Support for infrastructure created a number of catalytic effects, such as providing employment and income for citizens, protecting public health, fostering industrial and agricultural production, trade, and improving environmental conditions. Support for infrastructure was in line with the EU 2020 Agenda, in particular where it promotes sustainable development and social inclusion, and supported the European Neighbourhood Transport Action Plan.

In the area of European standards, the programme supported the customs sector through the Indirect Taxation Authority. It also prepared rural development structures through piloting IPA rural development type measures to support the preparation of farmers towards the implementation of a rural development policy in a way which is compatible with the main principles of the EU rural development policy. Further assistance was provided to the regional animal vaccination programme.

Donor coordination was ensured throughout the entire project management cycle from project design to implementation. As the main donor, the EU, in cooperation with DFID, was involved in setting up an Aid Coordination Committee together with the Ministry of Finance, the Directorate for European Integration and the Directorate for Economic Planning.

Regular coordination meetings on programming and assistance implementation were held with EU Member States. The Commission also participated in and provided regular updates on the IPA programming process to a Donor Coordination Forum which comprised the European Union Delegation, the EBRD, the International Monetary Fund (IMF), United Nations Development Programme (UNDP/United Nations Resident Coordinator (UNRC), the KfW, the World Bank and key bilateral donors.

Improved donor co-ordination resulted in the division of labour in certain areas, in particular in infrastructure investments, where member states or other donors are carrying out projects which would otherwise not have been considered for financing.

The Commission used different management approaches to implement assistance under the IPA 2010 programme to ensure adjusted, efficient and effective programme implementation. The predominant part of the assistance, which was devoted to infrastructure projects, was implemented by joint and indirect central management, while other assistance was implemented as twinning with European member states or technical assistance.

A lesson confirmed (*this is not a new lesson, in BiH or elsewhere*) from the implementation of assistance in Bosnia and Herzegovina was that lack of ownership and political commitment is detrimental to the success of the assistance. In particular, despite the efforts of EU assistance

to support key reforms, progress has been rather limited in terms of state building, governance and rule of law implementation, as well as in the approximation to European Standards. The complex constitutional set-up, insufficient political support and an overall weak administrative capacity have not been conducive to reform implementation. The workshops mentioned in section 2.1 aimed to include final beneficiaries as early as possible in the programming and project identification process to encourage ownership and commitment. This approach has been confirmed by the recommendation of the Interim/Strategic Evaluation of IPA Pre-accession Assistance to Bosnia and Herzegovina in the year 2010, which recommended the securing of an adequate time frame for consultation and sufficient participation of all relevant stakeholders.

In addition, the programme aimed at promoting ownership by ensuring that projects were in line with Bosnia and Herzegovina's own reform strategies and development plans, especially the public administration reform and the judicial reform strategies.

The programming exercise for IPA 2011 started officially in November 2010 with a kick-off meeting in Sarajevo where the beneficiaries were asked to propose their priorities for the timeframe 2011 – 2013 and to propose projects based on these priorities for the IPA 2011.

Table 2: Indicative financial allocations for the year 2010 per component, in million EUR

BOSNIA AND HERZEGOVINA	2010
I. Transition Assistance and Institution Building	100.69
Of which:	
National Programme	98.29
Tempus Programme*	2.40
II. Cross-Border Cooperation	4.70
Of which:	
CBC Bosnia and Herzegovina – Croatia	1.00
CBC Bosnia and Herzegovina - Montenegro	0.50
CBC Bosnia and Herzegovina - Serbia	0.70
CBC IPA Adriatic	2.50
TOTAL	105.39

* The Tempus Programme is coordinated and implemented in the Multi-beneficiary IPA 2010

Table 3: Indicative financial allocations for the year 2010 under the National Programme, per priority axis and per project, in million EUR

Priority Axis/Projects		Budget
Political Criteria		31.90
	Enhancing the Social Protection and Inclusion System for vulnerable groups – Phase III	1.40
	Construction of a High Security State Prison in Bosnia and Herzegovina - Phase II	5.15
	Strengthening the Judiciary	4.00
	Support to the Area of Law Enforcement	8.00
	Implementation of the Anti-Corruption Strategy and Action Plan	2.00
	Preservation of Bosnia and Herzegovina's Cultural Heritage – Phase	5.00
	Coordination of policy making capacities and public financial	3.00
	Information Systems in Public Institutions	1.35
	Support to the Forensic Science Department of the International Commission on Missing Persons	2.00
Economic Criteria		51.60
	Rehabilitation and Development of Transport and Navigation on the Sava River Waterway	5.60
	Rehabilitation and construction of water, waste water and solid waste infrastructure	40.00
	Rehabilitation and construction of water and waste water infrastructure	6.00
Ability to assume the obligations of membership		8.31
	Pilot support to IPA Rural Development measures	3.00
	Improvement of animal health control through the vaccination against rabies	3.06
	Strengthening the customs sector within the Indirect Taxation Authority	2.25
Supporting programmes		6.48
	Participation of Bosnia and Herzegovina in Community Programmes	1.50
	Project Preparation Facility	4.98
TOTAL		98.29

2.2.2.2. Component II

The overall objective of the cross-border cooperation (CBC) programmes is to promote cooperation between people, communities and institutions, aiming at sustainable development and stability and prosperity of bordering areas. The CBC programmes should have catalytic effects as they should build the capacities of local stakeholders, municipal, regional institutions and civil society, continuously strengthening their ability to participate in cross-border initiatives.

The revised cross-border cooperation programmes between Croatia and Bosnia and Herzegovina 2007-2011, between Bosnia and Herzegovina and Montenegro 2007-2011, and the multi-annual Financing Proposals for the years 2010 and 2011 for these programmes were adopted by the Commission in August 2010. The revised cross-border cooperation programme between Serbia and Bosnia and Herzegovina 2007-2011 and the multi-annual Financing Proposal for the years 2010 and 2011 were adopted by the Commission in October 2010. The revisions mainly added the 2010 and 2011 yearly financial allocations for both countries and minor adjustments revising outdated references, but did not affect the substance of the programme.

Since 2007, Bosnia and Herzegovina is taking part in the IPA Adriatic cross-border cooperation programme together with Italy, Slovenia, Greece, Albania, Croatia, and Montenegro and, in phasing-out, Serbia. The global objective of the programme is to strengthen the sustainable development of the Adriatic region.

Bosnia and Herzegovina is also participating in the ERDF transnational programme "South-East Europe" (SEE) and "Mediterranean" (MED) under the European Territorial Co-operation objective of the Structural Funds 2007-2013. 2010 IPA funds were integrated in the SEE and MED programmes. They are managed by the Commission's Directorate-General for Regional Policies, which is now entirely in charge of the programming and implementation of both ERDF and IPA funds within these programmes. The programme supports Bosnia and Herzegovina's participation in joint transnational co-operation activities with partners from EU Member States and familiarises the country with territorial co-operation programmes under EU Structural Funds.

2.3. Implementation of assistance

2.3.1. IPA

2.3.1.1. Success stories

Reinforcement of Local Democracy Project, IPA 2007, direct grant to UNDP (EUR 1.5 million)

The Reinforcement of Local Democracy Project worked with 14 local governments focusing on strengthening relations between local governance and the civil society sector, raising awareness on the significance of the institutionalisation of these relations and the transparent disbursement of funds.

There are 142 municipalities in Bosnia and Herzegovina, disbursing millions of euro per year to civil society organisations (CSO), most of them in a non-transparent manner. The main objective of this project was therefore two-fold: firstly, to introduce transparent mechanisms for disbursement of municipal funds, and secondly, to improve the communication and partnership between CSOs and municipalities. For many municipalities, the project represented a first opportunity to learn how to work with CSOs in a transparent corruption-free environment, thus helping them to learn how to spend their financial resources effectively, efficiently, and by applying good financial management. The EU will continue with a second phase of this project in an effort to establish this culture in a critical amount of municipalities across BiH which would in turn put pressure on the rest to act in a similarly transparent manner.

The objectives to introduce transparent mechanisms for disbursement of municipal funds to CSOs projects, to improve communication and partnership among CSOs and to strengthen local grassroots organisations were met.

Monitoring mechanisms were developed and monitoring teams were established in 14 partner municipalities. These activities improved trust, transparency and mutual understanding between the civil society and local governance. In total, 67 sub-projects were implemented with a focus on poverty reduction, social inclusion, gender equality, human rights, environment, and improving the situation of minorities and vulnerable groups.

A project of this nature needs to be implemented by the EU to send a clear message to local governments and civil society in Bosnia and Herzegovina that transparency is a value embedded in the European culture.

Technical Assistance for the Central Bank of Bosnia and Herzegovina, IPA 2008, direct agreement with the European Central Bank (ECB), EUR 1.0 million.

The overall objective of this project was to assist the Central Bank of Bosnia and Herzegovina (CBBH) to continue working towards compliance with the EU central banking standards and rules to be ready to join the European System of Central Banks (ESCB) when Bosnia and Herzegovina joins the European Union.

The success of this project is highlighted by the proactive ownership of the beneficiary institution, whose staff has been capable of adopting more advanced project implementing methodologies, such as tailor-made transfer of know-how through well-planned study missions, expert visits or preparation of very particular training documents, manuals, guidelines, bridging models, etc.

This project needed to be implemented by the EU (and not any other donor) as it concerned partnership with relevant EU institutions such as the European Central Bank and National Banks from the Euro area.

The project yielded important deliverables in the fields of portfolio and interest rates statistics, including proposal for adequate IT communication solutions, which enabled the CBBH to improve its preparation of statistical data and information to decision makers, and to provide recommendations and economic analysis on policy and fiscal stability.

Efficient Prison Management, IPA 2007, Contribution Agreement with Council of Europe (CoE)- known as the 'joint programme', EUR 600,000.

As a transition country with 15 prisons or detention centres spread throughout the country, Bosnia and Herzegovina faces various policy, institutional and operational challenges in meeting European standards in this area. The joint programme therefore was designed to address some of those issues, and by doing so not only improved aspects of the day-to-day operations of the prisons and the treatment of inmates, but also supported the responsible Ministries of Justice and related ministries such as health, in revising parts of their policy and legal framework.

More specifically the objective of the joint programme was to address six key areas: amending the strategic framework in the use of alternative sanctions and independent inspections, enhancing staff knowledge of European human rights, improving the treatment of

vulnerable groups, amending the legal framework on mental health and proposing improvements to the prison databases.

With a strong track record in prison reform, the CoE was selected as the EU's implementing partner. As a member state of the CoE, Bosnia is already obliged to adhere to European standards in this field, particularly the European Convention of Human Rights, and European Convention for the Prevention of Torture. However, as a potential candidate country to the EU, whose requirements under Chapter 23 of the accession negotiations include the same conventions, the EU added value was clear and founded on clear legal requirements for accession when compared to an EU Member State financing the same support. Equally, in the framework of EU requirements for justice, freedom and security, the EU has a clear framework for this area.

The joint programme adopted an innovative and inclusive methodology in implementing the assistance; namely to establish working groups comprising officials from the Bosnian authorities for the 6 areas mentioned above. It also included 'cascade' trainings whereby a group of 12 Bosnian prison related officials were initially trained as trainers on relevant topics and thereafter provided the trainings to their compatriots. Such approaches were highly appreciated by all the beneficiaries who mentioned throughout project implementation that they considered the approach not only relevant to the reality in Bosnia and Herzegovina in terms of substance, but also sustainable in terms of impact. The calibre of expertise was highly valued by all stakeholders.

In the course of the activities, over 420 prison related staff were trained, legal frameworks were amended and adopted, and collaboration between the prison related staff including ministry officials were reinforced, an important benefit in an administratively and politically fragmented set up as that of BiH.

The CoE considered the project to be such a positive example of CoE/EU impact that they undertook an evaluation of the joint programme. The possibility of future benefits of the CoE and EU working together in areas of mutual interest should not be underestimated.

2.3.1.2. Overview of IPA implementation in 2010

Component I: Transition Assistance and Institution Building

The figures in table 5 below confirm that after the slow start of IPA 2007 the implementation of IPA gained momentum and contracting and payment rates improved considerably in 2010. At the end of the year, EUR 142.88 were contracted, an increase of more than 100 % in comparison to the year 2009, when EUR 70.91 million were contracted. Also the disbursement of EUR 83.31 million at the end of the year 2010 triplicated the 2009 figures, when EUR 25.16 million was were disbursed.

Table 4: Status of implementation of IPA financial assistance (Component I) as of 31st December 2010 (in million EUR) per annual programme¹⁰

	Committed	Contracted	% Contracted	Paid	% Paid
IPA 2007	49.74	48.15	96.80%	28.74	57.78%
IPA 2008	66.75	36.22	54.26%	15.94	23.88%
IPA 2009	80.50	41.58	51.65%	22.01	27.34%
IPA 2010	98.29	0	0%	0	0%
TOTAL	295.95	125.95	42.65%	66.69	22.59%

Table 5: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2010 allocations
Political criteria	29%
<i>(of which civil society)</i>	<i>(4%)</i>
Economic criteria	42%
Ability to assume membership	25%
Support programmes	4%
TOTAL	100%

SIGMA activities were implemented in the frame of 6 active project definition sheets (PDS). Most of the work was done in the area of public procurement, with comments on a draft law on public procurement and a peer review that started at the end of 2010. A workshop was done jointly with a technical assistance project in the area of Public Internal Financial Control (PIFC). Advisory assistance to the decentralisation of assistance (DIS) on the set up of the Audit Authority was suspended, together with other assistance to DIS due to the lack of progress in nominations and a legal basis for DIS.

One continued activity was the support to the Public Administration Reform (PAR) and especially further work on the Blueprint of the Centres of Government. Another activity was in the area of administrative decision-making, procedures and disputes but without follow up on the side of authorities. SIGMA assistance has in general been timely, professional and efficient.

Twinning: 5 twinning projects were launched and a further 5 were under implementation. No twinning light projects were implemented in Bosnia and Herzegovina. The general problem with twinning projects was the exceptionally long procedure for work-plan preparation and contract signature that created uncertainty on both Member State and beneficiary sides and postponed the European Commission's contracting targets and led to the ineligibility of many costs for the beneficiary participants. With budget constraints on the side of the beneficiary country and the non-adoption of the state budget, the beneficiaries were unable to take part in some of the twinning activities which reduced the impact of twinning projects in BiH.

The **TAIEX** instrument was largely used by institutions from State and entities (e.g. study tour, expert mission to beneficiary country, participation in regional workshops, organisation of a single-country seminars, etc). TAIEX assistance predominantly was requested and

¹⁰ Figures do not include allocations to support the Office of the High Representative in Bosnia and Herzegovina

provided for the areas of justice and home affairs and internal market. Out of 119 applications, 91 were approved and realised in 2010.

In addition to classical TAIEX assistance, it's the non-governmental sector (civil society organisations) in particular benefited from the European Union's People-to-People Programme (P2P), in the form of study tours to Brussels, to learn about EU policies, legislation, and programmes. 22 P2P study tours were organised in 2010.

154 TAIEX and P2P events involving Bosnia and Herzegovina were organised in 2010, out of which 79 were single country events and 75 were multi-country events.

EU Programmes

In 2010 Bosnia and Herzegovina participated in the Seventh Framework Programme for Research and Technological Development (FP7). The costs for the entry ticket were EUR 1.5 million, of which 85% were co-financed by IPA. The Ministry of Civil Affairs, in cooperation with a network of National Contact Points (NCP), which are based at Universities throughout Bosnia and Herzegovina, organised a series of workshops and training session for applicants to increase the rate of participation in the programme as well as to improve their capacities in submitting good quality project proposals. Bosnia and Herzegovina had 25 approved projects with a total amount of EUR 2 million. BiH research institutions also participated in 16 European Cooperation in Science and Technology (COSTS) actions and 2 EUREKA projects.

During 2010 BiH negotiated the Memorandum of Understanding (MoU) for entering into the Culture Programme. The MoU was signed in November 2010, enabling it to take part in the programme as of January 2011.

In the second half of 2010, Bosnia and Herzegovina initiated a series of consultations with the different European Commission services on the participation in the Entrepreneurship and Innovation programme (EIP), the Media programme, and the programme Europe for Citizens.

Component II: Cross-border Cooperation (CBC)

The contracting peak for the 2007 and 2008 bilateral CBC programmes was reached towards the end of 2010, when the evaluations of the received proposals were completed. The first call for proposal for bilateral programmes demonstrated that the interest for participation in the programme exceeded by far the available resources. As an example, the Commission received more than 100 applications for participation in the CBC Croatia – Bosnia and Herzegovina programme, requesting more than Euro 25 million. Finally, thirteen projects worth EUR 1.6 million were accepted.

Tables 6: Status of implementation of IPA financial assistance (Component II) as at 31st December 2010 (in million EUR) per annual programme¹¹

	Committed	Paid	% Paid
IPA 2007-2010	18.82	1.59	8.45%

Out of which, the breakdown for the intra-Western Balkans CBC Programmes and the ERDF Transnational Programmes (South-East Europe and Mediterranean) is:

	Committed	Contracted	% Contracted	Paid	% Paid
IPA 2007	2.65	1.74	65.66%	1.19	47%
IPA 2008	2.71	0.65	23.99%	0.40	14%
IPA 2009	2.76	0.00	0%	0.00	0%
IPA 2010	2.20	0.00	0%	0.00	0%
TOTAL	10.32	2.39	23.16%	1.59	15.41%

Table 7: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2010 allocations
CBC with Member States	44%
CBC within Western Balkans	45%
Participation to ERDF Transnational	11%
TOTAL	100%

2.3.1.3. Implementation Modalities and Structures

Implementation of Component I and II programmes: As in the previous reporting year, also in 2010 the majority of projects under IPA 2007, 2008 and 2009 Components I and II were implemented on a centralised (devolved) basis by the EU Delegation to Bosnia and Herzegovina, in accordance with Article 53(a) of the Financial Regulation (FR) and the corresponding provisions of the Implementing Rules (IR). Exceptions are the infrastructure support projects in the 2009 and 2010 IPA programmes, which were implemented by joint management with the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), and the World Bank (WB) in accordance with FR Article 53(d) and corresponding IR provisions, and by indirect centralised management through a delegation agreement with the Kreditanstalt für Wiederaufbau (KfW), in accordance with FR Article 54(2)(c) and corresponding IR provisions.

Multi-Beneficiary programmes: As was the case in the previous reporting year, Bosnia and Herzegovina's participation in horizontal nuclear safety and education (Tempus) programmes was funded by allocations under Component I of IPA, but was implemented on a centralised basis by the European Commission in Brussels in the framework of the Multi-Beneficiary Programme.

Preparation for decentralised management of IPA: In April 2010, the Council of Ministers of Bosnia and Herzegovina adopted decisions to nominate the Competent Accrediting Officer (CAO), the National Authorising Officer (NAO), and the National IPA Coordinator (NIPAC). The CFCU (Central Finance and Contracts Unit) and National Fund (NF) are established within the Ministry of Finance and Treasury and are functional although not fully staffed at

¹¹ Including IPA Adriatic

the end of 2010. However, State and entity representatives could not agree on the structures to be built to support the decentralised implementation of EU assistance, further blocking progress towards decentralisation.

2.3.1.4. Monitoring

During 2010, regular project monitoring was undertaken by EU Delegation programme managers on all ongoing contracts through participation in project Steering Committees, in specific project activities and visibility events (conferences, seminars, training sessions, open days) and by field visits, including verification of progress of construction works and delivery of supplies. The general picture of implementation coming from the monitoring activities was rather good; programme managers were in general able to see if the projects are on the track and slightly steer them if needed. Visibility events in general received good media coverage.

71 Result-oriented Monitoring (ROM) missions were undertaken for 63 projects with a total value of approximately EUR 78 million. This was an increase of more than 100 % compared to the previous year, both in value and in number of monitoring missions. The average score of the projects performance was 2.17 on the scale from 1 - very good to 4 - serious deficiencies. Except for individual projects related to social protection, regional development, support to rural development and support to the Ministries of Justice, for which corrective measures were taken, most of the projects received scores ranging from 1 to 3. In general, the problematic issues included mainly impact prospects, potential sustainability, and effectiveness to date. Relevance and quality of design as well efficiency of implementation to date were in general better scored. For each project, key recommendations were proposed separately for the contractor and for the EU Delegation in order to move forward. The implementation of these recommendations generally proved to be successful and the projects were able to get back on track.

The projects "Bosnian Kingdom Trial", "VRBAS, Joint tourism development of the Vrbas valley" "Building in the Capacity for Exports and Promote Export Base in BiH", "Mine Clearance and Technical Assistance", and "Reinforcement of Local Democracy I" as well as "Support to the Registry for Section I for War Crime and Section II for Organised Crime" were considered as success stories.

The findings of ROM reports in 2010 indicated that the best performance of projects was demonstrated in relation to relevance /project design quality and impact as well as sustainability prospects.

In terms of involvement of the beneficiary institutions in the monitoring activity, their representatives participated in project Steering Committees and the above mentioned specific project activities and visibility events as it was the practice in past years. The step forward was undertaken in summer 2010, when the Monitoring and Evaluation (M&E) unit was established within the EU assistance coordination sector of the Directorate for European Integration (DEI). Capacity building to the staff of the M&E Unit was s provided by the Commission.

2.3.2. CARDS

2.3.2.1. Sectors with positive results/ Success stories

As the implementation of CARDS programme was very successful in Bosnia and Herzegovina and done within a relevant timeline, it is almost completed and therefore no noteworthy activities took place in 2010. All the relevant CARDS success stories as well as lessons learned were therefore reported in previous Reports. All evaluations were also done in the previous period.

2.3.2.2. Management performance

With regards to the closure of CARDS contracts, 111 contracts were closed in 2010 compared to 97 closed CARDS contracts in 2009.

In 2010, 17 recovery orders were issued in a total value of EUR 525,716 of which EUR 478,031 was recovered by the end of the year. This is an increase compared with 2009. Sound financial management and the effectiveness and efficiency of the activities were ensured inter alia through the recovery orders. The most common reasons for the recovery orders were ineligible expenses (identified either by the EU Delegation or by external auditors in their expenditure verification report), unspent advance payments, and recovery of interest.

Table 8: Status of financial assistance at the end of December 2010 (in million EUR) – CARDS annual programmes¹²

	Allocated	Contracted	% Contracted	Paid	% Paid
CARDS 2001	105.23	98.12	93.24%	98.12	93.24%
CARDS 2002	60.50	56.53	93.44%	56.53	93.44%
CARDS 2003	50.60	46.09	91.09%	46.07	91.05%
CARDS 2004	62.10	60.15	96.86%	59.96	96.55%
CARDS 2005	44.00	42.79	97.25%	41.95	95.34%
CARDS 2006	43.80	42.30	96.58%	40.72	92.97%
Total	366.23	345.98	94.47%	343.35	93.75%

2.3.2.3. Institution Building highlights

CARDS 2006 "Capacity building and Institutional Strengthening of Science and Research in BiH" (Service Contract EUR 477,900)

The project was completed successfully. It supported the re-establishment of a vibrant national research, technological development and innovation system, and further integration of Bosnia and Herzegovina into the European Research Area. It also contributed to the

¹² Figures include only Annual Action Programmes, while not including other programmes managed centrally, such as Customs and Taxation, or assistance to support the budget of the Office of the High Representative in Bosnia and Herzegovina

development and strengthening of the national contact point network for FP7 and provided support for the Ministry of Civil Affairs in promoting activities in the science and research sector. The project received great support from the Federation of Bosnia and Herzegovina Ministry of Education and Science and the Republika Srpska Ministry of Science and Technology.

3. CROATIA

3.1. Summary

In 2010 the European Union continued providing IPA support for the accession process of Croatia. Croatia made good progress in using IPA funds towards completing the preparations for accession to the EU and assuming the responsibilities of full membership.

The implementation of IPA, as in the previous reporting period, took place under the provisions for decentralised management, through which the management of programs is undertaken by the relevant Croatian authorities, subject to the *ex ante* controls by the European Commission. Furthermore, progress was made by Croatia towards meeting the conditions for the waiver of *ex ante* controls.

Programming and implementation of IPA was differentiated into five components that focused on particular strategic priorities, as defined in the Multi-annual Indicative Programming Document (MIPD) for Croatia.

IPA Component I, Transition Assistance and Institution Building (TAIB), focused on the remaining assistance needs of Croatia relevant for assuming membership obligations. The TAIB National Programme provided support in particular for efforts to reform the judicial system, as well as improve Croatia's capacity of assuming its obligations under the EU *acquis*. Component II, Cross-Border Cooperation (CBC), continued promoting the development of good neighbourly relations between Croatia and the EU Member States, as well as the other Western Balkan countries. Components III, IV and V served the dual role of, on one hand improving the regional competitiveness and development of Croatia, and on the other hand, preparing the national authorities for the implementation of structural and cohesion funds available after the date of accession.

As regards the performance during the reporting period, Component I was characterised by a relatively stable performance in 2010, with 13 twinning and 8 twinning light projects under implementation in this period, as well as considerable support provided to Croatia under the TAIEX and SIGMA programs. TAIB 2007 National Programme reached its contracting deadline, achieving a contracting rate of 92.22%, but the 2008 National Programme faced delays in contracting. This led to a situation where Croatia will have to implement various programmes under this component simultaneously.

Component IV, Human Resources Development, showed good performance, with tenders launched covering 87% of the 2007-2009 allocation and contracts signed representing 70% of the same allocation. The programmes under Components II, III and V showed a slower pace of activity compared with Component I and IV. This was due to a number of factors such as the addition of new bodies to the implementation system in the case of the Cross-Border Cooperation Component, the underlying complexity of big infrastructure contracts in the case of Component III, or due to delays in the conferral of management for Component V, Rural Development. Nevertheless, addressing these delays in the implementation process led to important lessons for improving the structures managing pre-accession assistance and preparing for managing EU Structural and Cohesion funds.

3.2. Strategic planning and programming

3.2.1. Multi-annual Indicative Planning Document

The purpose of the MIPD, prepared during 2010, is to set out the EU's priorities for assistance to Croatia for the programming period 2011-2013. Croatia will receive an indicative allocation of EUR 479 million, according to the Multi-annual Indicative Financial Framework (MIFF) for IPA for the years 2011-2013. The "Enlargement Strategy and Main Challenges 2010—2011" and the 2010 Progress Report¹³, identifies Croatia's needs to consolidate reforms in the field of judiciary and fundamental rights and to make further efforts to finalise and implement the legal framework for public administration reform. Further, Croatia needs to sustain efforts to fully establish the administrative structures required for the management and control of EU funds.

In order to achieve these priorities, the Commission decided to focus assistance on the following 7 sectors, as detailed in the MIPD:

- Justice and home affairs and fundamental rights,
- Public administration reform,
- Environment and climate change,
- Transport,
- Private sector development,
- Social development,
- Agriculture / rural development.

Croatia has shown a high degree of ownership during discussions on the draft MIPD and raised a number of questions related to the presentation of assistance per "sectors" (rather than, as in the past, by IPA Components) and its suitability for Croatia. The Commission explained, as agreed in the wider context of the IPA donor coordination conferences, the need to enhance the strategic links between membership preparations, the Annual Enlargement Strategy and the Progress Report with financial assistance. Evaluations made by external parties, such as the Court of Auditors and the European Parliament, on the effectiveness of financial assistance in Croatia have been carefully taken into consideration.

¹³ Enlargement Strategy and Main Challenges 2010-2011, COM(2010) 660 of 9 November 2010, http://ec.europa.eu/enlargement/press_corner/key-documents/reports_nov_2010_en.htm

Table 1: MIFF¹⁴ allocations per component, in million EUR

Component	2010	2011	2012	2010-2012
I – Transition Assistance and Institution Building	39.48	39.96	40.87	120.31
II – Cross-border cooperation	15.60	15.87	16.14	47.61
III – Regional Development	56.80	58.20	59.35	174.35
IV – Human Resources Development	15.70	16.00	16.04	47.74
V – Rural Development	26.00	26.50	27.27	79.77
TOTAL	153.58	156.53	159.67	469.78

3.2.2. Programming exercise

Table 2: Indicative financial allocations for the year 2010 per component, in million EUR

CROATIA	2010
I. Transition Assistance and Institution Building	39.48
Of which:	
National Programme	38.62
Nuclear Safety Programme*	0.86
II. Cross-Border Cooperation	15.60
Of which:	
CBC Croatia– Bosnia and Herzegovina	1.00
CBC Croatia - Montenegro	0.40
CBC Croatia - Serbia	0.80
CBC Croatia – Slovenia	3.27
CBC Croatia – Hungary	2.67
CBC IPA Adriatic	7.46
III. Regional Development	56.80
Of which:	
Transport	21.30
Environment	21.30
Regional Competitiveness	14.20
IV. Human Resources Development	15.70
V. Rural Development	26.00
TOTAL	153.58

*The Nuclear Safety Programme is coordinated and implemented under the relevant Multi-beneficiary IPA 2010 programme.

3.2.2.1. Component I: Transition Assistance and Institution Building

The IPA 2010 Component I programme for Croatia was adopted by the Commission on 7 December 2010, on the basis of project proposals made by the National IPA Coordinator (NIPAC) in Croatia and subsequent discussions with the Commission.

¹⁴ Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', COM(2009) 543 of 14.10.2009.

Given the advanced state of membership preparations, the IPA Component I programme for Croatia focused on the remaining assistance needs relevant for assuming membership obligations. The 13 projects of the IPA 2010 programme were grouped under the four strategic priority axes defined in the Multi-annual Indicative Planning Document (MIPD) 2009-2011 for Croatia: *political criteria*, *economic criteria*, *ability to assume the obligations of membership*, and *supporting programmes*.

They were selected by taking into account their compliance with the Accession Partnership adopted on 12 February 2008, as well as the Enlargement Strategy Paper and the Croatia Progress Report. They have also been assessed against the background of the 2009 National Plan for the integration of the Republic of Croatia into the EU, the Croatian strategic development framework 2006-2013, as well as sectoral strategies wherever appropriate.

About two thirds of the IPA funding was delivered through institution-building activities. The remaining third focused on investment. Under the Institution Building Component, the twinning instrument continued to be the preferred implementation modality for transposition or legal approximation-related projects, benefiting from expertise from within the Member States. *Investment* projects related to the growing importance of strengthening administrative capacity, complementing *acquis* related projects with an increased emphasis on post-accession objectives.

Lessons learned from previous years were taken into consideration when programming IPA 2010, as described in the thematic *Public Administration Reform*¹⁵ evaluation and in the *Country Programme Interim Evaluation* carried out by the Commission in 2009 (final report of March 2010), as well as the Country Programme Interim Evaluation 2010 carried out by the Croatian authorities.

During the programming exercise, attention was paid especially to conditionality and sequencing by assessing the complementarity with past and ongoing projects so as to avoid overlaps. Most IPA projects were to a various degree follow-ups of previous projects under CARDS and PHARE or precursors for new projects. Measures were deployed to improve the administrative implementability of projects and compress the length of the preparatory phase.

¹⁵ Supporting Public Administration Reform in Croatia – Thematic Evaluation of EU and other support, MWH Consortium, June 2009.

Table 3: Indicative financial allocations for the year 2010 under the National Programme for Component I, per priority axis and per project, in million EUR

Priority Axis/Projects		Budget
Political Criteria		9.2
	Improvement of the Enforcement system	1.5
	Strengthening the efficiency of the judiciary	2.3
	Civil Society Facility	2.4
	De-mining Programme in War Affected Areas	3.0
Economic Criteria		5.5
	Integrated Land Administration System Implementation	5.5
Ability to assume the obligations of membership		12.9
	Continued Support to animal disease control/ eradication	3.1
	Enhancement of the CTA administrative and institutional capacity	0.8
	Integrated Border Management	5.8
	Support to the National Visa System	1.2
	Development of flood hazard maps and flood risk maps	1.0
	Strengthening capacities for Strategic environmental assessment at regional and local level	1.0
Supporting programmes		11.0
	Flexible Facility for Reinforcement of Administrative Capacity	3.6
	Participation in Union Programmes and Agencies	7.4
TOTAL		38.6

3.2.2.2. Component II: Cross-Border Cooperation

Croatia participates in cross-border cooperation (CBC) programmes with neighbouring IPA countries: Bosnia and Herzegovina, Montenegro and Serbia as well as with EU Member States, namely Slovenia, Hungary, as well as Italy and Greece. These programmes aim at encouraging the creation of cross-border networks and partnerships and developing joint cross-border actions with a view to revitalising the economy, protecting the environment and increasing social cohesion in the programme areas. They also include technical assistance.

The Financing Decisions allowing for the deployment of IPA 2010 funds regarding CBC with Western Balkan countries were adopted in August and September 2010, worth respectively EUR 2 million for CBC with Bosnia and Herzegovina, EUR 0.9 million for the programme with Montenegro and EUR 1.8 million for cooperation with Serbia (the amounts covering both sides of the borders).

Croatia participates also in the following cross-border programmes with Member States: CBC Adriatic, CBC Hungary-Croatia and CBC Slovenia-Croatia, which had been adopted over February-March 2008. Multi-annual Financing Decisions were adopted already in 2008 and modified in 2010 to include the allocations for the years 2010-2011.

The "IPA Adriatic Cross-Border Programme" between Greece, Italy, Slovenia, Albania, Bosnia and Herzegovina, Croatia, Montenegro and Serbia contain priority axes on "Economic, social and institutional cooperation", "Natural and Cultural Resources and Risk Prevention", "Accessibility and Networks" and "Technical assistance" for a total amount of EUR 37.64 million under 2010 funding, with a IPA contribution for Croatia of EUR 7.46 million.

The Hungary – Croatia IPA cross-border programme contains priority axes on "Sustainable Environment and Tourism", "Co-operative Economy and Intercommunity Human Resources Development" and "Technical assistance", for a total amount (again including the ERDF contribution) of EUR 8.04 million under 2010 funding, with the IPA contribution amounting to EUR 2.67 million.

The Slovenia – Croatia IPA cross-border programme contains priority axes on "Economic and social development", "Sustainable management of natural resources" and "Technical assistance", for a total amount of EUR 6.54 million under 2010 funding and an IPA contribution of EUR 3.67 million.

3.2.2.3. Components III-V

As regards IPA Components III and IV, Regional Development and respectively Human Resources Development, the relevant Operational Programmes were modified in 2010. The priorities and objectives of the programmes remained unchanged; additional resources were allocated to the existing priority axes and the indicators have been revised due to this increased financial allocation. The new commitment of IPA funds for component III amounts to EUR 56.8 million for 2010 and EUR 58.2 million for 2011.

Furthermore, for the Operational Programme for Human Resources Development two modifications were made regarding the measures. In Priority 2 a new measure was introduced: 2.3 Development of social services to improve employment opportunities. In Priority 3 measure 3.3 Supporting the quality and effectiveness of institutions responsible for policy design and provision of education and training was extended by including higher education.

As regards Component V, the programme for Agriculture and Rural Development, adopted in February 2008, was subsequently modified in October 2008, September 2009, and a third time in November 2010. The last modification included some technical modifications for reasons of clarity and easier administration and implementation of the programme. As lessons were learnt from results of the first and the second call for applications, the new proposals aimed also at broadening the access of potential beneficiaries that previously had not been eligible due to the size of their establishments or the exclusion of their sector. Due to this modification, an increased number of applications have been noted.

3.3. Implementation of assistance

3.3.1. IPA

3.3.1.1. Success stories

Support to the Parliament of Croatia for the Preparation for EU Accession; IPA 2007 Component I; EUR 240,045

The project was implemented by the Croatian Parliament in co-operation with the Hungarian National Assembly with inputs from various parliaments of the EU Member States. The project implementation started in February 2010 and included nineteen activities over six months.

The overall objective of the project was to prepare the Parliament of Croatia for EU accession. The project resulted in the elaboration of the efficient legal framework required to

meet the specific membership obligations of the Croatian Parliament after EU accession, it enhanced the knowledge of the parliamentary staff on EU matters and elaborated proposals on the means to raise public awareness on the parliamentary activities related to the EU.

Throughout this project, the Sabor, as the representative body of the Croatian citizens, became more intensively involved in raising the interest of the Croatian society in EU-related issues. By improving the internal co-ordination and the external relationships with Governmental bodies, the Sabor was able to launch debates and discussions on the EU.

Capacity Building of the Croatian Administration in the Wine Sector; IPA 2007 Component I, Twinning Light project; EUR 248,000

This project supported the development of Croatian geographical indications for wine and it was implemented from January 2010 to July 2010.

With the assistance of Austria, this "twinning light" project improved the expertise of the Croatian administration staff working in the wine sector. It also developed an EU-compliant system of protected denomination of origin (PDO), based on the existing Croatian wine law. Furthermore, professionals in the wine sector were informed about the consequences of the new legislation.

After the 2008 reform of the EU Common Wine Market Organisation, Member States have to decide for their wines between protected designation of origin (PDO) and protected geographical indication (PGI). Given the importance of the wine sector in Croatia, the establishment of this system constituted a challenge during the pre-accession period. During the implementation of the project, the Wine Department of the Ministry of Agriculture, Fisheries and Rural Development was trained through workshops and study visits in the technical aspects of preparation of the new act and its implementation.

The new harmonised legislation was drafted and a plan for its implementation was prepared. Workshops were held with 120 professionals (producers, institutions working in the wine sector and agricultural advisory services) to inform them about obligations and rights arising from the new harmonised legislation. The legislation created through this project entered into force in December 2010.

Transnational Integrated Management of Water Resources in Agriculture for the European Water Emergency Control; IPA 2007 Component II, Trans-national Programme South East Europe, EUR 65,000.

The project has dealt with the development of shared methodologies and the application of demonstrative and innovative interventions towards the integrated management of water resources in rural areas, to move towards sustainable development models framed by EU legislation. The main purpose was to give concrete answers to the problem of water consumptions and water contamination caused by the intensive exploitation operated by agriculture in selected rural communities across South East Europe (SEE), where agriculture represents the major user of natural resources and supplier of environmental services.

In particular Eastern and Southern Europe is affected by a chronic lack of water supply, which has reached alarming levels in the recent years. This situation arises from several causes, e.g. low efficiency, pollution and lack of an integrated cycle in agricultural, civil and industrial

use of water. Furthermore, the scenario of water availability has deteriorated due to climate change and rainfall seasonality variation.

The project, commonly referred to as EU WATER, was carried out in eight rural study areas belonging to eight SEE countries (Greece, Hungary, Italy, the Republic of Moldova¹⁶, Romania, Serbia, Ukraine and Croatia) tackles the emergency related to water consumption and contamination in Europe, and aims at spreading, at transnational level, best practices in integrated water resource management in agriculture based on the optimization of water consumption and cutback of groundwater pollution.

The main objectives of the project were reorganization of existing knowledge about water-sensitive areas, application of joint strategy by downscaled local intervention plans toward better water - agricultural regimes, development of practical actions and grants mechanisms for introducing new technologies and new productive systems in agriculture and improved environmental / rural / land use policy planning thanks to broad local partnerships. The main result upon completion will be the establishment of a bottom-up integrated water management in agriculture, involving directly at least 100 pilot farms, 60 local authorities and 80 technicians, with wide impact on most stakeholders in each concerned region.

Project Zagreb Main Railway Station Signalling and Interlocking System; IPA Component III, Operational Programme Transport 2007-2009; EUR 12.6 million.

The signalling and interlocking system at the Zagreb Main Railway Station dated back to the 1930s and it was technically and technologically outdated and unreliable, with train speeds being reduced to 30 km/h in the interest of safety.

The project was aimed at upgrading railway station technical parameters to Trans-European Network requirements. The basic benefit was the removal of a traffic bottleneck and speed restrictions due to antiquated signalling equipment. The project included all necessary reconstruction, installation and adjustment of the devices. The design phase began in 2010, and the works will be finalised in 2012. Upon completion, both passenger and cargo rail traffic will travel faster through Zagreb.

Time for Women project; IPA Component IV, Operational Programme Human Resources Development 2007 – 2009, Priority Axis 2 Reinforcing Social Inclusion of People at Disadvantage; EUR 108,213

The region of Eastern Croatia, largely rural, was heavily affected by war in the 1990s. Fifteen years after the war, its effects on the economy are still felt. The labour market has been strongly affected by the reduction in employment opportunities, especially for women.

In order to facilitate the entry into labour market of unemployed women, the project established a network of contacts among them, labour market agents and potential employers. However, since most of the project beneficiaries were older than 40 and out of the labour market for a long time, this measure alone would not have significant impact, so the project trained about 50 women in pepper and vegetable growing. The practical training was done at experimental farms established for that purpose. In addition, the project procured ten greenhouses, 100 square meters each, which were distributed to the selected trainees in order to allow them to continue growing vegetables. Other trainees either had their own facilities or

¹⁶ Hereafter Moldova

joined efforts with those ten receiving the greenhouses. 25 more women were trained in nursing, which they could continue practising on a non-professional basis. The training was reinforced by workshops in entrepreneurship and psychological assistance.

IPA Component V, Agriculture and Rural Development programme 2007-2013.

In 2010 three calls for applications were launched for two conferred measures under Axis I "Improving market efficiency and implementation of Community standards". As a result, 28 projects were contracted supporting the improvement of market efficiency and implementation of EU standards in the field of environmental protection, public health, animal welfare and occupational safety.

Successful examples can be found for instance in the poultry sector, where many farms still do not comply with animal welfare and EU environmental standards. Thanks to the rural development component, Croatian poultry and egg producers have received support for investment in equipment for laying hens' housing, and equipment for manure management, usage and transport. In that way, producers introduced new production processes and technologies, as well as improving the quality of their products with the primary emphasis on reaching EU standards. In many cases, thanks to new modernised production facilities/technique, companies reduced their production costs and became more competitive in local and European markets.

Other notable examples can be found in the meat sector. Investment in slaughterhouses is particularly important due to the large number of establishments still not compliant with EU standards. Many old existing slaughterhouses use IPARD programme funds to enter into the 1st category of facilities, according to the Commission classification – EU compliant. Through the modernisation of their production facilities and practices, they not only assured the safety of the meat production according to EU standards, but may also be able to expand their markets by increased capacity.

The IPARD-added value is expressed mainly in compliance of Croatian food production with EU standards, guaranteeing safe food for local and export markets together with improving their competitiveness.

3.3.1.2. Overview of IPA implementation in 2010

Component I: Transition Assistance and Institution Building

On 17 November 2010, the TAIB 2007 National Programme reached its contracting deadline, achieving a contracting level of EUR 36.84 or 92.22% (excluding the nuclear project). At the end of 2010, five months before the contracting deadline of 05 June 2011, excluding the Community Programme part, the contracting rate for IPA 2008 stood at 12.1% or EUR 4.3 million in absolute terms. An extension of the contracting deadline by one year for IPA 2008 was requested by the Croatian Government. .

In 2010, a total of 13 **twinning** contracts were under implementation. The sectors targeted by the twinings and partner countries were as follows: customs (Austria), VAT (Austria), maritime safety (Finland with Italy and Sweden), intellectual property (Denmark) and air quality monitoring (Finland), funded from the Phare 2006 National Programme, Twinings in the sectors anti-corruption (one with Germany and another one with France and Italy), competition and state aid (Italy with UK), personal data protection (Spain), combating drug

trafficking (Austria), capacity building of the Croatian Paying Agency (Austria), energy administrative data management (Denmark with Latvia and Slovenia) and chemical safety (Sweden with Italy) were funded from the TAIB 2007 National Programme.

8 **twinning light** contracts, all funded from the TAIB 2007 National Programme, were under implementation in 2010 in the fields of public-private partnership (2 contracts, both with Greece), plant protection products and pesticide residues (UK), protection of EU financial interests (Romania), own resources (Poland), wine sector (Austria), public internal financial control (UK) and parliament (Hungary).

The total amount of twinning and twinning light contracts under implementation in 2010 was EUR 15.5 million. The funding was secured through the Phare 2006 and the TAIB 2007 national programmes. For IPA 2007, several Member States applied to the various twinings in Croatia, resulting in a wider spread of Member States selected by Croatian ministries to implement these contracts.

Since January 2010, and upon request of the EUD, the CFCA has set up a quality control department for twinings. This important change resulted in considerable improvement of the quality of the twinning documentation submitted to the EUD for *ex ante* approval as well as for the monitoring by the Croatian Contracting Authority of the implementation of twinings in Croatia.

In 2010, the Delegation was consulted on 198 requests for **TAIEX assistance**. The majority of them were related to: Chapter 12 Food safety (74 requests), Chapter 24 Freedom, Security and Justice (23 requests), Chapter 27 Environment (20 requests), Chapter 28 Health and Consumer Protection (20 requests) and Chapter 23 Judiciary (13 requests). The other requests related to all remaining chapters. Interventions funded by TAIEX can be extremely well targeted to the needs of the institutions, and were financially not demanding, which justified the high number of requests by the Croatian institutions (in average one each working day).

During 2010 SIGMA support to Croatia covered the following main areas:

1. Support in public administration reform and the judiciary sector. A comparative study was elaborated on the modality, scope and procedure of verification of assets of officials in the EU Member States', Austria, France, Italy and Slovenia. Sigma provided comments on the draft legislative package elaborated by the Croatian authorities in view of meeting the closing benchmarks on prevention of corruption under Chapter 23 of the accession negotiations. These included in particular: the Law on the Financing of Political Activities and Electoral Campaigns, the Law on Prevention of Conflict of Interest and the Law on Access to Information. Sigma further supported the Ministry of Public Administration in the finalisation of the draft Operational Programme for Administrative Capacity Development. Several workshops were organised by Sigma in order to strengthen the administrative capacities of the Ministry of Public Administration.

2. Support to the financial sector, included support in drafting and implementation of the National Anti-Fraud Strategy. Workshops and consultations were held for strengthening the AFCOS network. Workshops and consultations were organised on compliance assessment; capital budgeting and budget supervision, internal control and audit as well as building up capacities of the ARPA (Audit Authority).

3. Assistance to the public procurement system. A comparative study was elaborated on the alternatives in the new EU Member States on public procurement systems and rules for procurement of EU funds after accession. Discussions were held with the institutions involved for setting-up a national legislative framework for EU funding. Workshops and consultations were organised to improve the remedy systems in Croatia; a workshop on 'Centralised Purchasing in Practice' was held. Assistance was also provided to the Agency for Public Private Partnerships (APPP) and the Ministry of Finance in the field of concessions and Private Public Partnerships. Several workshops were organised in order to improve the capacities of MELE I, contracting authorities and economic operators in applying efficiently PP procedures.

4. Support for the Development of Regulatory Impact Assessment (RIA) including assistance in the elaboration of the draft RIA Strategy and RIA Law. A Conference was held on 'Impact Assessment and the Development of Policy-Making Capacities in Croatia'. Several consultations and workshops were held for improving the capacities of the Government Legislation Office (GLO) on RIA.

In 2010, Croatia participated in the following **EU Programmes**: 'Seventh Research Framework Programme'; 'Competitiveness and Innovation Framework Programme' (including 'Entrepreneurship and Innovation Programme', 'Information Communication Technologies Policy Support Programme' and 'Intelligent Energy Europe Programme'); 'Progress'; 'Culture'; 'Europe for Citizens'; 'Fiscalis 2013'; 'Customs 2013'; 'Interoperable Delivery of European eGovernment Services to public Administrations Business and Citizens' (IDABC); 'Civil Protection Financial Instrument'; 'MEDIA 2007'; 'Community action in the field of health'; 'Marco Polo II'; and 'Civil Protection Mechanism'.

During 2010 Croatia signed a Memorandum of Understanding (MoU) establishing its participation in the Life-Long Learning Programme (LLP) and Youth in Action Programme as of the budget year 2011.

Depending on the EU Programme, the relevant Croatian authorities continued to undertake activities related to the promotion of the opportunities under specific Programmes for institutions from Croatia. The Office of the National IPA Co-ordinator organized on 29 November 2010 a conference "Participation of the Republic of Croatia in Union Programmes: Possibilities and Results". The opportunities under all EU Programmes open to Croatian institutions were presented, as well as the results achieved so far. The successful applicants from Croatian institutions in the following programmes were underlined: Europe for Citizens, Culture 2007-2013 and Seventh Framework Programme for Research, Technological Development and Demonstration Activities.

Table 4: Status of implementation of IPA financial assistance (Component I) as at 31st December 2010 (in million EUR) per annual programme

	Committed	Contracted	% Contracted	Paid	% Paid
IPA 2007	45.41	41.12	90.55%	21.41	47.15%
IPA 2008	41.37	9.59	23.18%	7.18	17.36%
IPA 2009*	42.10	4.68	11.12%	4.57	10.86%
IPA 2010	38.62	0.00	0%	0	0%
TOTAL	167.50	55.39	33.07%	33.16	19.80%

*Excluding a EUR 2.5 million programme cross-delegated to DG Education and Culture

Table 5: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2010 allocations
Political criteria	20.06 %
<i>(of which civil society)</i>	4.85 %
Economic criteria	6.68 %
Ability to assume membership obligations	48.87 %
Support programmes	24.35 %
TOTAL	100 %

Component II: Cross-border Cooperation

Whereas in 2010 the contracting of the 2007 and 2008 allocations of the transnational programmes South East Europe and Mediterranean was completed, the contracting of the same allocations of the bilateral programmes among IPA countries merely started at the end of the year. The delay is significant, bearing in mind that the calls for proposals were published in Q3 2008. This is due mostly to the complexity of the evaluation procedure and of the management structures.

The evaluation procedure for calls for proposals consists of four stages. The Joint Technical Secretariat prepares the proposals and the Joint Monitoring Committee is regularly consulted. Next, the evaluation reports arising from each of the stages are controlled either by the implementing body and EU Delegation (Croatia) or just by the EU Delegation (Bosnia and Herzegovina, Montenegro, and Serbia).

The decisions on both sides of the border covered by a programme must always be harmonised in order to allow the awarding of the matching grants, which requires additional time. These operating procedures take a lot of time, to the extent that it makes sense to launch calls for proposals for the bilateral programmes only every two years. Still, it is a challenge for the grant applicants to stick to the original project proposals for a very long time, often despite changing circumstances.

Tables 6: Status of implementation of IPA financial assistance (Component II) as at 31st December 2010 (in million EUR) per annual programme¹⁷

	Committed	Paid	% Paid
IPA 2007-2010	55.92	9.72	17.38%

Out of which, the breakdown for the intra-Western Balkans CBC Programmes and the ERDF Transnational Programmes (South-East Europe and Mediterranean) is:

	Committed	Contracted	% Contracted	Paid	% Paid
IPA 2007	2.65	2.65	100%	0.92	34.72%
IPA 2008	2.71	2.71	100%	1.06	39.11%
IPA 2009	2.76	0.00	0%	0.00	0%
IPA 2010	2.20	0.00	0%	0.00	0%
TOTAL	10.32	5.36	51.94%	1.98	19.19%

¹⁷

Figures include IPA Adriatic and CBC Programmes with EU Member States

Table 7: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	of 2007-2010 allocations
CBC with Member States	81.54%
CBC within Western Balkans	15.74%
Participation to ERDF Transnational Programmes	2.72%
TOTAL	100%

Component III: Regional Development

Progress on the ground has been rather slow as regards the Operational Programme "Environment". Two projects (solid waste) initially approved in the beginning of 2009 were modified (change in the physical object as more works were added and the project costs increased). The contracting rate for both projects stood at zero at the end of 2010. A third major project application (waste water) initially rejected in 2009 was resubmitted to the Commission services during 2010 for re-evaluation. At the end of 2010, the relevant funding decisions had been adopted for the 2007-2011 allocation to the Operational Programme, five contracts were signed and EUR 13 million contracted.

Under the "Regional competitiveness" Component, the implementation of eight capacity-building projects and two grant schemes covering the 2007-2009 allocation of funds (EUR 35.4 million) began. The programming covering the new 2011-2011 allocation was completed and the tender process launched.

Under the "Transportation Operational Programme, five contracts were signed with an IPA contribution of EUR 9.3 million, including 3 contracts for the major project "Zagreb Main Station Signalling and Interlocking System". A further 5 tenders were running at the end of 2010 with an IPA contribution of EUR 10 million. Programming for the 2010-11 allocations was completed.

For all three Operational Programmes, Croatia has submitted expenditure claims to comply with the n+3 rule which has been met for the year 2010.

A follow-up audit on IPA conferral of management confirmed that internal control procedures are broadly satisfactory. The audit indicates that the internal control procedures for IPA Component III are designed in a manner ensuring that bodies operate satisfactorily in practice and that the conditions included in the Commission Decisions on conferring management powers are properly addressed. Recommendations made have been or are being properly addressed.

Table 8: Status of implementation of IPA financial assistance (Component III) as at 31st December 2010 (in million EUR)

	Committed	Paid	% Paid
IPA 2007-2010	199.4	47.1	23.62%

Table 9: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2010 allocations
Transport	37.56 %
Environment	37.56 %
Regional Competitiveness	24,88 %
TOTAL	100%

Component IV

As regards the Human Resources Development Operational Programme, tenders of EUR 39.28 million were launched (87% of the total 2007-2009 allocation). Contracts were signed worth EUR 31.34 million, representing 70% of the total 2007-2009 allocation. The National Fund received an advance payment of EUR 11.48 million and it has submitted expenditure claims to the Commission for EUR 3.52 million. The amount to be consumed by advance or interim payments by the end of 2010 was EUR 11.37 million in respect of the n+3 automatic de-commitment rule. An automatic de-commitment by the end of 2010 was thus avoided.

A follow-up audit on IPA conferral of management confirmed that internal control procedures are broadly satisfactory.

Table 10: Status of implementation of IPA financial assistance (Component IV) as at 31st December 2010 (in million EUR)

	Committed	Paid	% Paid
IPA 2007-2010	53.9	15.00	27.9 %

Table 11: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2010 allocations
Employment	24.9%
Social inclusion	25.6%
Human capital and employability	39.75%
Technical assistance	9.8%
TOTAL	100%

Up to 31 December 2010 the tenders for all 8 grant schemes were launched and contracts for 7 grant schemes were signed, which was an important step in terms of preparation for the European Social Fund.

Component V: Agriculture and Rural Development

Since Croatia received the conferral of management powers for the first two measures under IPA Rural Development only in November 2009, the effective implementation only started in 2010. Three calls for proposals were launched in 2010 for the two accredited measures, namely measure 101 '*Investments in agriculture holdings to restructure and to upgrade to EU standards*' and measure 103 '*Investments in the processing and marketing of agricultural and fishery products to restructure these activities and to upgrade them to EU standards*'. From those 3 calls, the implementing body received 76 applications out of which 28 projects were contracted. The value of contracted projects in 2010 involved an EU contribution exceeding EUR 6 million.

In 2010 the Croatian rural development programme provided support to agricultural holdings, family farms and food processing companies for relatively small projects aimed at contributing towards achieving of the improvement of market efficiency and implementation of EU standards in the field of environmental protection, public health, animal welfare and occupational safety.

During 2010, the Croatian authorities were focused on the preparation of procedures for conferral of management powers for the remaining programme measures. National accreditation for measure 301 "Improvement and development of rural infrastructure" and for measure 302 "Diversification and development of rural economic activities" was expected to be received in the beginning of 2011.

Although important progress in implementation could be observed, the delays in implementation as well as the small value of the contracted projects under the IPA Rural Development Programme still persisted by the end of 2010 which put at risk the funds allocated for 2007 and 2008. According to the "n+3"¹⁸ budgetary rule, these funds will have to be de-committed if not spent by the end of 2011. Therefore, in the future all efforts would be oriented towards further conferral of management and calls for applications.

Table 12: Status of implementation of IPA financial assistance (Component V) as at 31st December 2010 (in million EUR)

	Committed	Paid	% Paid
IPA 2007-2010	102.90	11.53	11%

Table 13: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2010 allocations
Market efficiency and EU standards	65.7%
Agri-environmental measures and Leader approach	1.3%
Development of rural economy	29.8%
Technical assistance	3.2%
TOTAL	100%

3.3.1.3. Implementation Modalities and Structures

IPA develops its full potential when a candidate country decides to entrust management of its components, from the outset, to the institutions which will continue to manage post-accession instruments. With the Commission decision to confer management, a candidate country better manages the transition between the IPA instruments and the structural funds by the time of accession. All IPA components in Croatia continue to be implemented on a decentralised basis, by the system to which management was conferred in 2008 (except for the rural development component for which the conferral took place in November 2009).

The only major change in the administrative capacity of the structure managing IPA Component II during 2010 happened in August when the Commission conferred management of the programmes with non-Member States to the Agency for Regional Development, which was envisaged to continue to manage related programmes under the ERDF – Priority

¹⁸ As foreseen by Article 166 (3)(a) of Regulation (EC, EURATOM) No 1605/2002 of 25 June 2002.

Territorial Co-operation. This ensured respect of the most important principle of IPA assistance, which was institutional continuity for post-accession assistance.

Due to a small number of calls for proposals managed by the Agency, the question how to formulate the roadmap for the waiver of *ex ante* controls with meaningful performance benchmarks remained open. That is one of the reasons why the roadmap for IPA Component II was still not agreed at end 2010. Other reasons are weaknesses in the draft, which range from general reference to training courses to the role of the procurement plan and dilution of responsibility for certain measures.

The Croatian authorities have taken adequate measures to follow up on the recommendations of the 2009 Country Programme Interim Evaluation. Additional personnel has been employed in the institutions which lacked staff, in order to raise performance to optimum, meet the criteria from the roadmap for *ex ante* controls and prepare for implementation of financial instruments post-accession.

The screening of project proposals by the NIPAC in Component I became stricter during 2010, and the margin of reserve project proposals decreased from 300% of the available budget in case of TAIB 2008 National Programme to less than 100%. NIPAC has intensified the training and advice to the PIUs in the programming phase, which increases implementability of the most recent programmes. At the same time, better knowledge of the project cycle management and intensified controls has had an impact on the quality of monitoring and evaluation at all levels.

Croatia has taken over full responsibility of interim evaluations under IPA Component I. The first Country Programme interim Evaluation (CPiE) contracted by CODEF was presented in December 2010. Overall, the report indicates that performance is good, and in most cases Phare/ IPA TAIB are effectively used to support Croatia's technical preparation for accession. However, the report was also clear that further progress was needed to increase the absorption rate.

3.3.1.4. Monitoring

The European Union Delegation in Croatia (EUD) continues to carry out monitoring activities as follows:

(1) Formal monitoring at programme level:

Active participation in meetings:

- Bi-annual Sectoral Monitoring Committees for IPA I, IIIa, IIIb, IIIc and IV, as well as bi-annual sectoral monitoring sub-committees under IPA Component I (six sub-committees);
- Joint Monitoring Committees (twice a year) and Joint Steering Committees (meetings at each step of evaluation process of calls for proposals) for each of IPA IIb (CBC between IPA countries) Programmes;
- Bi-annual ISPA Monitoring Committees;
- Bi-annual SAPARD Monitoring Committees;
- Annual IPA Monitoring Committee, as well as the Joint Monitoring Committee for Phare and CARDS.

Review of Reports:

- Review of all sectoral implementation reports produced in the framework of these Monitoring Committees

(2) Specific monitoring at priority/measure/project level:

Active participation in following meetings:

- Participation in tender evaluations;
- Monthly meeting with the Ministry responsible for the priority/ measure/ project;
- Kick-off meeting at project level;
- Ad hoc meetings (at the request of *explain* OS, or at the Delegation's request) related to implementation issues;
- Project opening and closing visibility events;
- Project Steering Committee at project level.

Review of following Reports:

- Inception report;
- Six-monthly progress reports/interim and final reports.

(3) Follow-up on procurement and financial management at programme level:

- Monthly or bi-monthly procurement plan meetings for Phare / IPA I, IIIa, IIIb, IIIc and IV (including as regards IPA III and IV the monitoring of the absorption capacity via an update on LOTHAR and assessment of n+3 risk)
- bi-monthly or ad hoc consultations on procedural issues (led by the Delegation's Finance & Contracts section)

(4) In addition to the monitoring instruments mentioned above, the Delegation performs **on the spot checks/monitoring visits**, typically on grants, supply and works contracts.

Measures to make monitoring of programming and implementation more effective include a revision of the Sectoral Monitoring sub-Committees following the recommendations of the Country Programme interim Evaluation. The number of sub-Committees was expanded from five to six, and their coverage has been modified in order to harmonise the workload under each of them. The sub-Committees now cover the following sectors: (1) public administration, public finance and public procurement, (2) energy, transport and environment, (3) justice, freedom and security, (4) internal market and economy, (5) regional development and cohesion policy and (6) agriculture, fisheries, phytosanitary and veterinary policies.

In-depth monitoring by the Delegation of Croatia's implementation of IPA assistance has been complemented by the Croatia Unit's supervision through, in particular, the TAIB Sectoral Monitoring Committee meetings on 9 June and 14 December 2010 (combined with Phare Joint Monitoring Committee). The IPA Monitoring Committee (comprising all five IPA Components) took place on 8 July 2010. These meetings confirmed that Croatia has further strengthened management and control systems in the IPA operating structures and that the quality of files submitted for *ex ante* controls has further increased.

By carrying out monitoring activities, the Delegation adhered to its Annual Assurance Strategy 2010. This included a full coverage of *ex ante* controls, eight procurement plan meetings with the national authorities, participation in monthly PIU meetings involving the beneficiaries, CFCA and CODEF as well as the Delegation's on-the-spot checks on 45 contracts worth EUR 19 Million.

There has been no monitoring of individual grant contracts under **the IPA Component II**, since they were not signed until the end of 2010. JMC meetings happened as foreseen in the regulatory framework (2 meetings per programme - there are 5 CBC/transnational programmes) which were mainly involved in proposing the list of proposals to which the grants should be awarded. Monitoring at the programme level has not been performed by the JMC.

In terms of achieving results and objectives of the ELARG assistance (IPA component I), the final report of the **Country Programme Interim Evaluation 2010** noted that performance and results-oriented management, promoting good practice, encouraging motivation and facilitating institutional learning, should receive further attention. It noted promising signs from the beneficiary institutions that a broader consensus is emerging, aiming at a stronger focus on the performance of IPA TAIB programmes. Currently the management of programmes is still driven more by the need to spend resources and financial compliance, than by a focus on results achieved. It recommended that the remaining time for IPA in Croatia should also be used to bring results-oriented management principles closer to the Croatian stakeholders. In this respect, a broader supportive programme environment promoting good practice, encouraging motivation and facilitating institutional learning has still not sufficiently materialised.

Phare / IPA TAIB impacts are positive and significant, especially in the area of institution building. There are good immediate legislative and administrative impacts, particularly setting up of new institutions, alignment of legislation, and strengthening of administrative capacities. The renewed assistance was influential in promoting and supporting institutional change. The intermediate impact of institutional building projects was observed in efficiently working institutions. Socio-economic impact was identifiable with regard to infrastructure investments.

There has been increased attention by the European Parliament's committees on Budgets (BUDG) and on Budgetary Control (CONT), as well as the Court of Auditors, to Croatia's performance under IPA and its preparation for future EU funds. Following a visit to Croatia by European Parliament committees in June 2010, a feedback report was established and discussed in relevant Parliamentary committees in November 2010. The findings of the report in connection to the use of IPA funds were largely positive but referred also to the need to strengthen administrative and absorption capacities.

The Court of Auditors embarked in 2010 on a performance audit on Croatia covering most IPA Components and pre-IPA programmes. The audit is focused on assessing to what degree EU pre-accession assistance has been effective in preparing Croatia for managing EU funds after accession.

The objectives of the audit were to determine whether: a) the Commission planning of EU assistance sufficiently addressed the issue of Croatia's preparedness to manage the increased EU funding after accession; b) the EU-funded projects targeted the development of Croatia's capacity to ensure proper management of EU funds.

The sample of projects audited includes ten pre-IPA (PHARE, CARDS, ISPA and SAPARD) and six IPA projects (financed by IPA components I, III and IV). The publication of the report is foreseen for early 2012.

3.3.2. *CARDS and PHARE*

3.3.2.1. *Sectors with positive results/ Success stories*

Phare 2006 National Programme, project **Support for Increasing the Competitiveness and Exports of Croatian SMEs, EUR 2 million**. A stronger presence in the EU single market and the global market is both a challenge and a huge opportunity for Croatian companies, especially SMEs. The purpose of the project was to increase the competitiveness, productivity and volume of exports of Croatian SMEs and to pilot test programmes and procedures under IPA, thus strengthening the capacities for the structural instruments that would become available upon accession.

24 grants to export-oriented SMEs were awarded in this grant scheme. The SMEs strengthened their export capacities in such a way that they opened new markets (50% of SMEs), found new customers (22% of SMEs) and established links with potential customers (28 %). Also, many of grant beneficiaries managed to create innovative and more competitive products or to improve the overall quality of their products.

The analysis of delivered results of 21 grant beneficiaries which implemented their projects indicates that they successfully implemented 96% of planned activities and utilised 82% of the total original contracted amount.

Regarding the impacts of this project, it is important to point out that the majority of companies successfully managed to annul the recession trends and even raised the number of employees. Among other impacts, it is necessary to highlight that the productivity level and competitiveness of the SMEs on the EU single market has improved (through certification, introduction of new technologies etc.). Moreover, export potentials of competitive products have been extended and co-operation with partners from the EU on new projects has been established. It is realistic to expect that in the future these companies could contribute to raising the volume of exports of Croatian SMEs. Also, the grant beneficiaries' staff gained priceless knowledge on export initiation, export expansion and dealing with foreign markets.

As added value to this project, it is also necessary to emphasize that many grant beneficiaries participated in several conferences and workshops with the objective of transferring the acquired knowledge and experiences to potential beneficiaries of IPA and structural instruments.

The lessons learnt from this pilot grant scheme mostly indicate that private companies encountered difficulties in the preparation of their applications because they were inexperienced in the area of project preparation and partly due to the lack of support from the regional development agencies and relevant advisory services. Also, as a recommendation for the implementation of future grant schemes for the SME sector, there is a need to assist the grant beneficiaries in the implementation steps and secondary procurement procedures.

Project Maritime Safety - Enforcement of Administrative Capacity - Monitoring and Management of Vessels, implemented in two phases in Phare 2005 and 2006 National programmes, together EUR 7,475,000. The purpose of the project was enhancement of administrative and technical efficiency of Maritime Administration in monitoring and management of vessels, implementation of the flag state and evaluation of the port waste reception facilities.

As a result of these two projects, vessel traffic monitoring and management system covering the East Adriatic area is now fully operational and available to the Croatian maritime administration. Its infrastructure backbone is represented the three operational centres and the ten radars, which were all supplied and put in operation by this project. That will ensure the required level of the safety of navigation and pollution prevention in the East Adriatic area.

The level of safety of navigation and pollution prevention will be increased through shortened response time in case of an emergency (accidents, pollutions) as well as through real-time traffic data processing (particularly in respect of identification of rogue vessels and tracking of non-SOLAS ships, recreational boats and yachts). Data exchange system was interconnected with similar systems in neighbouring countries. Data distribution system was capable to communicate with information systems of relevant data users and providers (governmental bodies and agencies, port authorities, etc).

Cadastre and Land Registry Reform, implemented through CARDS 2002, 2003 and 2004 National programmes, together EUR 11,500,000. The main purpose of these projects was development of a Multi-purpose Spatial Information System aiming to achieve public functionality by becoming available via internet and also enabling distribution of data for final users.

As a result of this project, hand kept cadastre and land register records were digitalised and saved in a simple and user-friendly data base for the whole territory of Croatia. A complex application of the Joint Cadastre and Land Registry IT System was developed and the data integrated, which enables staff of cadastre offices and municipal court land registry departments to implement more efficient and consistent record keeping of both registers.

An internet one-stop-shop for citizens, public authority bodies and businessmen was put in operation¹⁹ (, enabling an easy and quick insight into the registers' data as well as the submission of requests for parcelling out, sales and purchase of land. In consequence, the Croatian real estate market has become much more efficient and organised, which serves the citizens and the economy alike. In the first four years of operation the system has had over 52 million inquiries.

3.3.2.2. Lessons learned

Key success factors in Phare / IPA TAIB interventions were thoroughly conducted **needs' analyses and reviews of existing good practice**. In the case of legal harmonisation and institution building it proved to be very helpful to study the Member State experience and to get acquainted with their systems. Consequently, CODEF should consider encouraging beneficiary institutions to explore good practice more systematically at the design stage of interventions. Lessons learnt from previous interventions and programming campaigns could be widely reported. Good practice should be actively gathered from beneficiaries and disseminated during CODEF training seminars.

Setting realistic preconditions can improve implementation and performance. Putting preconditions in place makes sense where they are directly related to implementation requirements, in particular staffing and capacity issues. However, conditionality involving

¹⁹ www.uredjenazemlja.hr

overall political decisions or actions represent a risk factor, as they can introduce significant delays in the implementation process.

Twinning contracts should be prepared and twinning counterparts mobilised more rapidly. There is still potential to prepare twinning contracts more quickly and to receive feedback from the twinning country more rapidly. There was still too often the impression that some beneficiaries tend to leave the actual preparation to the Member State partner. Equally, it sometimes happens that the selected Member State is not so reactive to the initiatives by the CFCA or beneficiary institutions, extending the period of contract preparations.

Training on horizontal programme is essential, and it needs to continue to be provided and the CFCA and CODEF must ensure that training systems become sustainable. CODEF should also consider carrying out a training needs analysis in order to assess the demonstrated need and interest for conducting advanced training on programming for those who already have experience and may want to develop a higher level of attainment. The central project implementation units can give additional support to sustainable training systems by organizing short internal training courses to transfer knowledge gained at various CODEF/CFCA courses.

Other lessons learnt and recommendations for the future are laid down in the Croatia Country Programme Interim Evaluation 2010.

3.3.2.3. *Management performance*

In 2010 the Delegation received four final declarations, i.e. for the CARDS 2003 National Programme, PHARE 2005 Nuclear Safety, PHARE 2005 CBC Croatia – Italy, and PHARE 2005 Croatia – Slovenia – Hungary.

Other controls, including implementation of the Delegation's annual assurance strategy 2010, were reported in its Annual Management Report of 14 January 2011.

Table 14: Status of financial assistance at the end of December 2010 (in million EUR) – CARDS (PHARE)/TPA annual programmes

	Allocated	Contracted	% Contracted	Paid	% Paid
CARDS 2001	54.00	52.62	97.44%	52.62	97.44%
CARDS 2002	56.00	51.98	92.82%	51.93	92.73%
CARDS 2003	59.00	56.68	96.07%	56.68	96.07%
CARDS 2004	77.00	73.12	94.96%	73.12	94.96%
PHARE 2005	69.52	66.40	95.51%	66.40	95.51%
PHARE 2006	60.47	57.29	94.74%	56.18	92.91%
Total	375.99	358.09	95.24%	356.93	94.93%

3.3.2.4. *Institution Building highlights*

PHARE 2006 National Programme twinning contract Strengthening and Enhancement of the Croatian Tax Administration IT Function to Achieve the EU Standards in the VAT Field, EUR 1 Million, implemented in partnership with Austria.

In the EU two information systems are used in the field of taxation – VIES²⁰ and VES²¹ . .

This project provided technical support to the Croatian Tax Administration (CTA) with regard to IT procedures for enhanced VIES and VES and the preparation of operational manuals and guidelines in the field of VAT. The project provided also comprehensive staff training and support to public awareness actions towards Croatian businesses operators.

The overall objective of the project was to meet the obligations of the EU *acquis* concerning Chapter 16 (Taxation) in order to successfully implement the transposed legislation. The project followed a previous one where the CTA had been supported in the preparation of its internal management structure. The project was linked with a service contract where a private consultant supported the CTA in developing the software needed to run VIES and VES in Croatia in order to be, in future, interconnected with all other IT systems from EU Member States.

The project enhanced the institutional capacity of CTA to manage VIES and VES systems and increased its capacity to combat tax fraud. It also prepared operational manuals and guidelines in the field of VAT (in legal, administrative and procedural spheres), supported the harmonization of the Croatian VAT law with the EU legislation and contributed to the implementation of public awareness actions towards Croatian business operators.

Phare 2006 National Programme twinning contract Strengthening the Enforcement of Intellectual Property Rights, € 1 Million implemented with Denmark.

The objective of the project was to strengthen the administrative capacity of the State Intellectual Property Office, Ministry of Justice, Ministry of Interior, Customs Administration and the State Inspectorate to enhance the enforcement of intellectual and industrial property rights. Enforcement of intellectual property rights (IPR) is a relatively new field of criminal and civil offence that might involve significant health and safety risks for consumers and society and is very profitable for organised crime.

Among various training activities and tools for the individual enforcement bodies, the project also developed a formalised platform for co-operation. This co-operation, on strategic and operational levels, started under the project and has continued ever since. The co-operation now also involves various other state bodies and the private sector, and it forms an integral part of the national IPR strategy.

3.3.2.5. Joint Monitoring Committees / Sector Monitoring Sub-Committees

In 2010 the Commission, under the initiative of the national authorities, carried out 12 meetings of the sectoral monitoring sub-committees (twice per sub-Committee, in April and October) and one Joint Monitoring Committee (JMC) in December. All the issues requiring follow up related to the control environment.

The first conclusion was related to the quality of follow up of findings arising from the on-the-spot checks, which in 2010 was not fully satisfactory, and which was the reason for two

²⁰ VAT Information Exchange System, which EU Member States use to exchange information regarding VAT transactions between business operators and Tax Administrations

²¹ VAT on e-services - an electronic supplied support to EU consumers regarding VAT issues related to non-EU businesses

Senior Programme Officers to have been invited to the Joint Monitoring Committee to report on the follow up in person. It was also concluded that joint on-the-spot checks between the CFCA and EUD could be organised in 2011 whenever possible. That will give to the EU Delegation the opportunity to monitor on-the-spot not only project implementation, but monitoring by the implementing body as well.

There are still some shortcomings in the supervision operated by State Audit Office, acting as the external audit body for the DIS system. The Commission highlighted the importance of this problem to the Croatian authorities in the December 2010 JMC and have asked Croatia to address the issue. Moreover, the Delegation carried out *ex post* audits before the closure of programmes.

4. THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

4.1. Summary

EU financial assistance to the country has played an important role during 2010 to further support the country on its way towards European integration. Compared to the previous year, further improvements in the programming exercise have been noticed as the Secretariat for European Affairs was in a better position to play its coordination role and the Senior Programming Officers became more and more operational. This has to be seen in the context of the accreditation for conferral of management powers for Component I, which was granted in December 2010.

At the end of 2010 the EU Delegation was responsible for a total budget of EUR 113.31 million, out of which EUR 35 million were committed during the year; furthermore, more than 114 contracts were ongoing for a total value of EUR 55 million, and 88 contracts were closed in 2010 for a total value of EUR10 million.

A number of completed CARDS and some on-going IPA projects in the areas of justice and home affairs, public administration reform and supporting improvement of inter-ethnic relations showed concrete results during 2010. Several laws have been adopted by the Parliament as well as new strategies and capacity building activities produced some good impact. To mention some, the drafting of a new law amending the Customs Code (further aligning it with the *acquis*, amongst others, in the areas of electronic customs declarations, transit procedure, and customs debt and guarantees) was entirely supported by the IPA 2007. A CARDS 2005 Twinning project "Fight against Organized Crime and Corruption Unit - Public Prosecutor's Office" completed in June 2009 contributed substantially to the drafting of the new Law on Criminal Procedure which was adopted in November 2010. Also, support under IPA 2007 for strengthening the capacity of the General Secretariat of the Government - Sector for Policy Analysis and Coordination was crucial for the revision of the 1999 Public Administration Reform Strategy, updated in 2010 covering the period 2010-2015. Last but not least, more than 3000 people have been trained in different subjects, from agriculture to internal market, through workshops and study visits under the TAIEX instrument.

2010 also saw the preparation of the new Multiannual Indicative Planning Document (MIPD-2011-2013). The beneficiary, Member States and other donors were actively involved and welcomed the identified choice of sectors. Overall, there was good progress in the programming of EU funds, while there are still remaining challenges concerning the implementation, monitoring and sustainability of projects, particularly under decentralised management

4.2. Strategic planning and programming

4.2.1. Multi-annual Indicative Planning Document

The process of drafting a new MIPD started in summer 2010, shifting from centralised planning towards more inclusive and decentralised planning where the beneficiary was asked to provide the first choice of priorities and sectors for the new 2011-2013 MIPD. Guidance on the content and structure of the new document, as well as the timeline, was provided by the Commission services. The draft followed the broad policy objective of moving towards a sector-based approach engaging the existing national Programme Based Approach (PBA)

working groups.

Donor coordination and consultation on the part of DG ELARG and the Delegation took place not only at the level of annual and multi-annual programming of IPA but also as regards the new MIPD 2011-2013. The skeleton of the draft document was presented to the donor community and civil society in coordination meetings held in Skopje and in Brussels in the course of 2010. Furthermore, IFIs, Member States and civil society organisations were given the opportunity to send written comments on the draft MIPD to the Commission. Comments were incorporated into the draft MIPD in the most appropriate manner.

The following priorities for EU support over the period 2011-2013 were identified: support for the economic and social development of the country, improvement in good governance and reduction in corruption; and ensuring non-discrimination and respect of human rights. In order to achieve these objectives, EU financial assistance would be focused on seven sectors: public administration, justice, home affairs and fundamental rights, private sector development, agriculture and rural development, transport, environment and climate change, and social development.

When the 2010 programming exercise started, the MIPD 2009-2011 was still being applied. The strategic choices were concentrated on three areas of activity, namely supporting institution building, improving cross-border cooperation and preparing the beneficiary for participation in the Union's cohesion policy and rural development instruments. An assessment of the validity of the document and the outlined priorities was conducted in the beginning of 2010. On the basis of this needs assessment, the Commission concluded that no significant changes neither in national policies nor in EU-former Yugoslav Republic of Macedonia relations would require a different approach to IPA support and that the strategy in the MIPD 2009-2011 was valid and matched the gaps identified in the 2009 Progress Report. Therefore it was recommended that the MIPD 2009-2011 should not be revised.

A more in-depth assessment of the strategic approach as regards IPA assistance was undertaken in the context of the preparation for the new MIPD 2011-2013. In agreement with the national authorities, a stronger linkage to some strategies were to be pursued in the next programming period: Public Administration reform Strategy (2010-15), Strategy of the Reform of the Criminal Legislation (2007-11); National Action Plan for implementation of the Penitentiary system reforms (2009-14); the revised National Employment Strategy, National Transport Strategy (2007-17), National Strategy for Agriculture and Rural Development 2007-2013 and National Strategy for Sustainable Development (2008-30).

A *Country Programme Interim Evaluation*, published in December 2010 covering the 2006 CARDS and the 2007 IPA national programmes, outlined a few key recommendations. With regards to programming and intervention logic, it suggested the programming authorities should introduce independent ex ante assessment of the Multi-Annual Indicative Programmes and Annual National Programmes to improve the quality of programming, including the improvement in definition of indicators and determination of baseline data. It also recommended focusing external assistance on only a few key areas, identified in the sector based approach to programming. Furthermore, it recommended a clear but cautious approach to multi-annual financing to facilitate planning and ensure results before more funds are allocated. The national authorities should also aim to replace long term local administrative support with permanent civil servants in those institutions that have long term European Union fund management responsibilities. The Commission noted that some of them were already being implemented.

The evaluation recommended that funding should be directed so as to support existing ministerial strategic planning efforts, that the SEA should review the administrative capacity in each PBA sector and address any weaknesses detected, while the development of sector programmes should be based on existing national strategic plans in order to increase local ownership of the programmes.

Another conclusion was that IPA should allow for greater flexibility in the allocation of resources within the multi-annual envelope according to needs, between priorities and components, to better reflect the requirements and capacity of the recipient country and adapt better to political circumstances as election years.

Table 1: MIFF²² allocations per component, in million EUR

Component	2010	2011	2012	2010-2012
I – Transition Assistance and Institution Building	36.32	28.80	28.21	93.33
II – Cross-border cooperation	5.07	5.12	5.18	15.37
III – Regional Development	29.40	39.30	42.30	111.00
IV – Human Resources Development	8.40	8.80	10.38	27.58
V – Rural Development	12.50	16.00	19.00	47.50
TOTAL	91.68	98.03	105.07	294.78

4.2.2. Programming exercise

4.2.2.1. Component I

The National Programme 2010 was the second one to be programmed following DIS-rules (i.e. implementation by the beneficiary under decentralised management, with *ex ante* controls by the EU Delegation); In order to increase the ownership of the programming process and to reach better efficiency once the priorities were defined, the process of drafting the National Programme 2010 project fiches was the sole responsibility of the final beneficiaries. Still, it was proven that a number of institutions have limited capacities in providing priorities, objectives and results, thus the EU Delegation doubled its efforts and supported the preparations of the 2010 programme, by creating working groups on project fiche basis. This facilitated the drafting process and allowed for timely submission of the programmed to the IPA Committee for approval.

The Government submitted the official documents to the EU services on 15 January 2010. The National Programme IPA 2010 - Component I was adopted by the Commission on 25 August 2010.

The programme covered the following areas/sectors:

- *Priority Axis I* - Political criteria: the programme envisaged strengthening the organizational and institutional capacity of the public administration and the judicial system, with a strong focus on prevention and fight against corruption. It further aimed at providing technical and material assistance to prioritised institutions, including the Ministries of Justice, Interior, Local Self Government, and the Civil Servants Agency, as well as to foster civil society

²² Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', COM(2009) 543 of 14.10.2009.

development and better integration of minorities. The total IPA allocation was EUR 14,884,025.

- *Priority Axis 2* - Socio-economic criteria: support to further harmonize the legislation and improved capacity building in the field of consumer protection. The total IPA allocation was EUR 3,780,000.

- *Priority Axis 3* - Ability to assume the obligations of EU membership: building institutional capacity for transposing, implementing and enforcing the acquis. with a focus on employment and social affairs, Agriculture, environment, internal market, Customs, and food safety. The IPA allocation was EUR 11,470,600.

- *Priority Axis 4* supported the participation of the country in a series of EU Programmes and Agencies which are deemed essential for the country's further cohesion process. The IPA allocation was EUR 6,782,430.

The IPA 2010 Component I programme included 18 project fiches, which were selected based on the following criteria: firstly, priorities identified in the MIPD; secondly, interventions in most cases build on clearly identified and well developed national strategies. However, in some cases these strategies will be updated and improved through IPA assistance; thirdly, possible follow-up on previous and ongoing projects. Finally, projects were screened with regard to the preparedness of intended beneficiaries to receive and manage the support.

The Programme included 9 full twinning arrangements in areas such as public administration reforms, anticorruption, freedom of movement of workers, veterinary, public revenue, customs and environment. Furthermore, 8 service contracts, 7 supply contracts, 3 work contracts, 1 framework contract and 2 calls for proposals (grant schemes) were foreseen.

Sequencing was a very important element. A good example is the support given to the Customs Administration where, with the consecutive support provided with 2007-2008 programmes, and the upcoming 2009/2010 projects, there was a clear recognition that harmonised customs procedures and their implementation exert a great impact on trade with the EU and the international movement of goods across borders.

Coordination of activities among donors was reinforced with the introduction of the Programme Based Approach (PBA) by the national authorities in 2009, and major donors are part of the High Level working group; however, the process lost some of its previous drive in 2010 and its input and relevance is yet to be seen, given the fact that many of the bilateral assistance is phasing out (e.g.: Austria, Sweden).

The programming exercise 2011 was conducted during 2010 in close consultation with the national authorities, civil society and other stakeholders under the coordination of the EU Delegation and DG Enlargement. Two sets of consultations were organised with Member States, IFIs, other donors and civil society organisations (CSOs) in July 2010 when the projects were on the level of ideas, and in December 2010 when the project fiches were finalised. In both cases, input was received from the UK and Dutch Embassies in Skopje. Extensive comments were received also from CSOs in July when the project ideas were discussed and most all of them were taken into account when preparing the first versions of the fiches.

Particular attention was given to complementarity with projects financed under the Multi-Beneficiary IPA programmes and managed by the European Commission, which are linked to sectors such as justice, social issues, statistics, environment and refugees.

Achieving better results through better design and implementation of financial assistance is a key target for the Commission, even more since conferral of management powers for decentralised implementation of IPA Component I was granted on 13 December 2010.

Table 2: Indicative financial allocations for the year 2010 per component, in million EUR

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA	2010
I. Transition Assistance and Institution Building*	36.91
Of which:	
National Programme	36.91
II. Cross-Border Cooperation*	4.47
Of which:	
CBC with Albania	1.00
CBC with Bulgaria	1.37
CBC with Greece	1.50
CBC with Kosovo	0.60
III. Regional Development	29.40
Of which:	
Transport	19.61
Environment	8.51
TA	1.26
IV. Human Resources Development	8.40
V. Rural Development	12.50
TOTAL	91.68

* The difference with Table 1 is explained by a transfer of EUR 0,6 million. from Component II (cross-border programme with Serbia, not programmed yet) to the National Programme

Table 3: Indicative financial allocations for the year 2010 under the National Programme, per priority axis and per project, in million EUR

Priority Axis/Projects		Budget
Political Criteria		14.80
	Support to institutions in implementation of policies relevant to non-majority communities	1.62
	Further support to judiciary and promotion of probation service and alternative sanctioning	3.01
	Further Institution and Capacity Building of the Police Service in the area of border management, Union policing and fight against organised crime	2.51
	Revitalisation and Adaptation of Shengjul (Gjulshen) Hamam into a Cultural-Info Centre	0.81
	Further strengthening of the organisational and institutional capacities for the accession negotiation process	1.99
	Sustainable civil society	1.42
	Support to efficient prevention and fight against corruption	1.35
	Technical assistance to institutions in charge of implementation of the civil service and public administration reform	2.09
Economic Criteria		3.87
	Capacity building to institutions involved in implementation of the Industrial Policy	2.67
	Legal harmonisation and capacity building in the field of consumer protection	1.20
Ability to assume the obligations of membership		11.46
	Strengthening the capacities for effective implementation of the <i>acquis</i> in the field of freedom of movement for workers	0.90
	Further Harmonisation with EU <i>acquis</i> in field of Movement of Capital and Payments and Financial Services	1.17
	Strengthening of administrative and institutional capacity of the competent authorities regarding food safety, veterinary and phytosanitary policy	3.64
	Improving of the Public Revenue Office (PRO) Tax Payers Services	1.33
	Strengthening the administrative capacities at central and local level for implementation and enforcement of the environmental <i>acquis</i>	2.62
	Strengthening the capacity of the Customs Administration	1.80
Supporting programmes		6.78
	Participation in Union Programmes and Agencies	4.78
	Preparatory Measures for Participation in Lifelong Learning (LLP) and Youth in Action (YiA) Programmes*	2.00
TOTAL		36 91

* Management of this project was cross-delegated to DG Education and Culture (EAC)

4.2.3. *Component II*

Currently, the former Yugoslav Republic of Macedonia participates in four IPA cross-border programmes with the neighboring countries Albania, Bulgaria, Greece as well as in the transnational South-East Europe programme.

Besides, a new multiannual Cross-border programme between the former Yugoslav Republic of Macedonia and Kosovo was prepared and submitted by the authorities to the European

Commission in May 2010. It was formally adopted by the Commission in December 2010. Economic and social development and promotion of natural and cultural resources were identified as priorities for the period 2010-2013. As regards the 2010 funds in particular, a strategic project (border-crossing infrastructure) was jointly chosen by both parties and tender(s) should be launched during the third quarter of 2011.

The cross-border cooperation programme 2007–2013 with Albania, was originally adopted by the Commission in December 2007 with financial tables covering the 2007–2009 period only; at the initiative of the Commission, this was revised to add the 2010–2011 appropriations in line with the IPA Multi-annual Indicative Financial Framework (MIFF) 2010–2012. The revised Commission Decision was adopted in October 2010.

Finally, the Financing agreements for the year 2009 corresponding to the CBC programmes with Albania and with Greece, both adopted in August 2009, were signed in December 2010.

4.2.3.1. Components III, IV and V

Component III and IV Operational Programmes, which were adopted in 2007 covering a seven year period, were revised in 2010, and discussions for the revision of Component V Operational Programme started.

As regards the Regional Development Operational Programme under Component III, the modification approved in November 2010 concerned mainly the financial tables, indicators and increased IPA contribution rate²³, thus the revisions did not imply changes in the strategy and priorities.

Concerning the revision of Human Resources Development Operational Programme under Component IV, financial allocations for the years 2010 and 2011 were included, increasing the overall total of IPA component IV contribution to more than EUR 24 million for four years.

4.3. Implementation of assistance

4.3.1. IPA

4.3.1.1. Success stories

In the framework of the professionalization of the public administration it is worth mentioning a project that ran from October 2009 to February 2011 to support the implementation of the National System for Training Coordination. Among the results already achieved: training needs analysis carried out for the Civil Service Agency (CSA), course material developed for the training council on the National System for Training Civil Servants, and new curricula developed for different modules developed for CSA general staff, Training Unit and HR Management Unit.

23 Pursuant to the amendments introduced by Commission Regulation (EU) No 80/2010 of 28 January 2010 amending Regulation (EC) No 718/2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA) the co-financing rate in IPA regional development programmes is increased to 85%

Some good results were achieved in further aligning the legislation with the Acquis in the customs sector, through a Technical Assistance project (EUR 999,900). With IPA support, a thorough assessment of the situation in the field of customs legislation was done in 2010, resulting in an accurate gap analysis, by comparing in detail the current status with the requirements of the Community Customs Code and its implementing regulations. A study visit to Finland was organised in June 2010 and to the Czech Republic in December 2010. The project was highly relevant as it addressed the most urgent priorities in the area of customs as stated in the National Programme for the Adoption of the Acquis (NPAA) and the Accession Partnership, as well as in the Customs Administration's (MCA) Strategic Plan. The impact prospects of this project were significant. Legal and procedural basis were created for electronic transit, export and import, including newly established security measures, allowing for electronic communications between customs and traders.

In the reporting period, the Ministry of Environment and Physical Planning (MEPP) successfully continued using *TAIEX* technical assistance regarding the legal and implementation aspects of relevant EU directives in the area of environment. Several seminars and workshops were organized and all of them were considered useful. In particular, the following two workshops were considered as very successful:

1) A TAIEX workshop on the legal requirements and implementation of the Directive on batteries, accumulators and waste batteries took place in Skopje (May 2010) and representatives of MEPP, other ministries and institutions, NGOs, Economic Chamber, public enterprises and private companies participated. It was a great opportunity for sharing experiences regarding the legal requirements and the implementation of the EU Directive 2006/66/EC with EU Member State representatives. This workshop contributed in such a way that the gained knowledge was reflected in the national Law on Management of Batteries and Accumulators, Waste Batteries and Accumulators adopted in October 2010 which also transposed provision from the EU Directive 2006/66/EC.

2) A workshop on the EU Directive on Noise was held in Skopje in June 2010. This workshop was attended by representatives of several ministries, scientific and educational institutions and NGOs and it was a good opportunity for sharing experiences regarding the legal requirements and the implementation of the basic EU Directive 2002/49/EC on noise protection in environment. The knowledge gained from this seminar contributed in the preparation on several sub laws regarding strategic noise maps and plans, as well as action plans. By these sub-laws, adopted in 2010, Directive 2002/49/EC became fully transposed into national legislation.

4.3.1.2. Overview of IPA implementation in 2010

The year 2010 has seen several major achievements under operational aspects:

- The contracting of all outstanding projects under IPA 2007- Component I;
- The conferral of management for decentralised management (DIS) of Component I to the national authorities granted in December 2010; followed by the signature of IPA Component I 2009 Financing agreement;
- Payment of a first pre-financing request under DIS for Component I (EUR 16,30 million) processed by EU services on 27 December 2010;
- Payment of the first direct grant to the Employment State Agency in the frame of measure 1.3 of the Operational programme for Component IV, the flagship measure to address unemployment issues;

- New CBC programme between the former Yugoslav Republic of Macedonia and Kosovo was adopted in December 2010;
- Two calls for proposals under the IPARD Programme were opened in 2010, and in total more than 200 applications received, which demonstrated high interest in IPARD assistance

The Delegation managed to contract the last outstanding Component I 2007 project (Municipal Infrastructure) within the extended deadline (November 2010). By this, all projects foreseen in the 2007 Financing Agreement/Project Fiches were contracted as planned, before end of contracting deadline 19 May 2010. Due to savings in the procurement process, more than 90% of funds were committed. Furthermore, IPA 2008, Component I contracting rate by 31 December 2010 reached 64%.

Since the IPA Component I Financing Agreement 2009 was only signed in December 2010 there was virtually no contracting in 2010. Given the fact that this programme will be implemented under DIS by the Central Financing and Contracting Department in the Ministry of Finance, efforts were made to assist the national authorities in preparation of project documents and proper procurement plan, and close follow up of the medium term risks identified with the Conferral decision.

Component I: Transition Assistance and Institution Building

Overall, the relevance of EU assistance was largely satisfactory and implementation under IPA Component I particularly satisfactory in 2010. However, building on the experience gained from programming and implementing EU funds in the country, project implementation was still regularly hampered by either insufficient staff or financial resources.

Stronger conditionalities were defined in the 2010 project fiches, especially as regards the tasks of the beneficiary. Very often the beneficiary institutions had difficulties in fulfilling the following:

- 1) Endorsement by all key stakeholders of the terms of reference, where there was more than one beneficiary;
- 2) Allocation of working space and facilities by the beneficiary for technical assistance before the launch of tenders;
- 3) Arrangement of all legal procedures to allow construction, refurbishment activities before the launch of tenders;
- 4) Appointing and permitting the relevant staff by the beneficiaries to participate in training activities as per work plans;

Furthermore, in 2010 the preparatory measures for the Lifelong Learning and Youth in Action Programmes (for which funds have been allocated under IPA 2007, IPA 2009 and IPA 2010) were suspended due to irregularities and serious deficiencies in the financial management and control system in the country

Strong commitment from senior management and various final beneficiaries remained crucial for the overall implementation of the project activities.

Table 4: Status of implementation of IPA financial assistance (Component I) as at 31st December 2010 (in million EUR) per annual programme

	Committed	Contracted	% Contracted	Paid	% Paid
IPA 2007	34.02	30.71	90.27%	18.76	55.14%
IPA 2008	37.12	19.13	51.54%	6.23	16.78%
IPA 2009	37.06	0	0%	0	0%
IPA 2010	36.91	0	0%	0	0%
TOTAL	145.11	49.84	34.35%	24.99	17.22%

Table 5: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2010 allocations
Political criteria	31%
<i>(of which civil society)</i>	3%
Economic criteria	15%
Ability to assume membership obligations	40%
Support programmes	14%
TOTAL	100%

During the reporting period, the Delegation conducted 50 evaluations/short-listings, 3 Call for Proposals, plus 15 smaller evaluations for Framework Contracts and 4 Direct Grants. This was an average of 1.4 evaluations/short-listings per week or 6 evaluations/short-listings per month, so 22% above the average figures in 2009. 101 contracts were signed including 15 Framework contracts. This contracting is higher than the figure of 2009 (64). The value of contracts follow the same trend, as all contracted in 2010 represents more than twice the amount of 2009 (EUR 35.5 million versus EUR 16.9 million).

The Twinning instrument was used successfully in many priority areas and helped the country to further prepare for the implementation of EU policies. Up to now a total of 15 fully-fledged twinning projects for a total amount of around EUR 17 million and 3 twinning light projects amounting to around EUR 600,000 have been programmed under IPA.

Of these, there were five projects under implementation in 2010, financed under IPA 2007 and 2008, with a total budget amounting to EUR 10,699,534: Institutional Strengthening of the Energy Regulatory Commission; Support on the preparation of the country to manage the European Social Fund; Support to the National Employment Policy; Modernisation the educational and training system; Strengthening the central and local level capacities for environmental management in the area of air quality; and Support for capacity building of the Centre for Adult Education and Development of programme for Adult Education and programme for literacy and fulfilment of elementary education for exclude persons.

Institution/capacity building activity under the **TAIEX instrument** was intense, particularly in the fields of agriculture, internal market and justice and home affairs, as can be seen from the tables bellow. There were 184 single country events organised and 3600 participants from the former Yugoslav Republic of Macedonia attended TAIEX events in 2010.

As for participation in **Union Programmes**, in the course of 2010 the following entry tickets were committed: Culture 2009, 2010 and 2011; PROGRESS 2010; Europe for Citizens 2010

and 2011; CIP²⁴ – EIP 2010 and 2011, FP7 2010 and 2011, Fiscalis 2013, and Customs 2013. The interest is very high as it is another way for the country to get closer to EU activities and work in different specific fields related to EU policies (research for small and medium sized enterprises; Taxation and Customs Training Interactive Campus; e pilot and market replication projects; fight against social exclusion; Information Society, etc) already together with Member States.

As an example, two projects supported in the former Yugoslav Republic of Macedonia under the PROGRESS programme in 2010: the first one named “Open Dialogue on social inclusion through youth employment and youth labour rights” implemented by the Balkan Children Youth Foundation in partnership with Federation of the Trade Unions. And the second one “Introducing indicators for measuring discrimination at local level (through information, education and measuring indicators)” by the Helsinki Committee for Human Rights.

Component II: Cross-border Cooperation

Overall, implementation of the four on-going cross-border programmes in which the country participates was not easy in 2010. Long delays in setting the joint management structures and lengthy evaluation of applications led to increased risk of losing some funds in 2011.

The second call of the programme former Yugoslav Republic of Macedonia-Albania, including part of 2007 and all 2008 appropriations (EUR 3.5 million), was launched in April 2010; more than 80 applications were received and the evaluation was just starting at the end of the year. In November 2010 the EU Delegation warned the national authorities about the high risk of losing more than one million Euro of IPA funds 2007 unless a revised proposal for the composition of the Joint Steering (evaluation) Committee was immediately sent for endorsement, allowing in that way the immediate start of the evaluation and a timely signature of grant contracts next year.

The first Call for proposals under the programme the former Yugoslav Republic of Macedonia-Greece was finally launched in July and closed in November 2010; the high expectations were confirmed by the 133 project proposals received.

As the regional South East Europe Transnational Programme is concerned, the selection of the projects for the 2nd call for proposal (2008 and 2009 IPA funds up to EUR 1,015 million) was completed in December 2010.

Tables 6: Status of implementation of IPA financial assistance (Component II) as at 31st December 2010 (in million EUR) per annual programme²⁵

	Committed	Paid	% Paid
IPA 2007-2010	17.09	1.87	10.94

Out of which, the breakdown for the intra-Western Balkans CBC Programmes and the ERDF Transnational Programmes (South-East Europe and Mediterranean) is²⁶:

²⁴ CIP has three sub-programmes: 1. Entrepreneurship and Innovation Programme (EIP), 2. Information and Communication Technology Programme (ICT) and 3. Intelligent Energy Europe Programme (IEE). Participation in EIP in 2007 and 2008 was co-financed with CARDS funds, whereas participation in the other two sub-programmes was co-financed with IPA funds.

²⁵ Figures include the CBC Programmes with Bulgaria, under shared management

²⁶ Figures include also the CBC Programme with Greece, which is not under shared management

	Committed	Contracted	% Contracted	Paid	% Paid
IPA 2007	3.44	0.27	7.85%%	0.22	6.40%
IPA 2008	2.85	0	0%	0	0%
IPA 2009	3.03	0	0%	0	0%
IPA 2010	3.10	0	0%	0	0%
TOTAL	12.42	0.27	2.17%	0.22	1.77%

Table 7: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2010 allocations
CBC with Member States	64%
CBC within Western Balkans	26%
Participation to ERDF Transnational Programmes	10%
TOTAL	100%

Component III

Programming under IPA Component III is multi-annual (2007-2013) and sector-based. Due to this approach and the long lifecycle of mostly infrastructure projects, operational programmes under Component III typically do not register financial implementation in the first years. Additionally, eligibility of expenditure starts only after the completion of a rigorous accreditation procedure designed to establish efficient and reliable managing and control systems in the beneficiary countries. Due to this accreditation procedure, the start of eligibility period for expenditure in the country was July 2009.

Since the conferral of management powers, implementation has unfortunately been very slow and the risk of losing funds through de-commitment (at the end of 2011) was very high at the end of 2010, due to the fact that the greatest share of the allocations is earmarked for the completion of the Corridor X motorway, which the Commission has, in principle, agreed to co-finance and allocate EUR 45 million.

The preparation of the two major projects in the operational programme (completion of Corridor X motorway and Prilep wastewater treatment plant) was considerably delayed in 2010. Finally, another reason for the high risk of losing funds was the insufficiently mature project pipeline in the environment sector.

Table 8: Status of implementation of IPA financial assistance (Component III) as at 31st December 2010 (in million EUR)

	Committed	Paid	% Paid
IPA 2007-2010²⁷	69.90	12.15	17.4 %

²⁷ According to Commission decision C(2007)5721 Operational Programme (OP) "Regional Development" comprised allocations 2007-2009 (EUR 40.5 million) whereas modifying decision C(2010)7569 extended allocations 2010-2011 to the same OP, bringing total commitments to EUR 109.2 million

Table 9: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes ²⁸	% of 2007-2009 allocations
Transport	61.0%
Environment	34.2%
Technical assistance	4.8%
TOTAL	100%

Component IV

The country received conferral of management powers for this IPA Component in October 2009. The signature in November 2010 of the direct grant to Employment State Agency (ESA) was the first concrete achievement and an important milestone for the implementation of the multi-annual Operational Programme for Human resources Development (OPHRD) under IPA IV component. This direct grant to ESA (for an amount of EUR 1.3 million) was made in the frame of measure 1.3 in the OPHRD, the flagship measure to address unemployment issues. This meant also the starting point for a series of direct grants to ESA which would allow for a close link in between IPA funding and Active Labour Market Policies' schemes, as the main policy tool to tackle unemployment in the country.

To speed-up procurement the administrative capacity of IPA units in the Line Ministries (Ministry of Labour & Social Policy and Ministry of Education and Science) would be reinforced with the contribution of the expertise to be provided by several twinning projects. The first twinning contract for *"Support to the capacity building of the Centre for Adult Education and development of programmes for adult education and programmes for literacy and fulfilment of elementary education for excluded persons"* was signed in December 2010 with the Finnish administration.

Table 10: Status of implementation of IPA financial assistance (Component IV) as at 31st December 2010 (in million EUR)

	Committed	Paid	% Paid
IPA 2007-2010	24.70	4.89	20%

Table 11: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2009 allocations
Employment	42%
Social inclusion	30%
Human capital and employability	20%
Technical assistance	8%
TOTAL	100%

²⁸

The Operational Programme Regional Development," has 4 axes, of which two are dedicated to transport, one to environment, and one to TA. So the entries above for transport show the total of the two transport axes. The amounts shown are those determined by modifying Decision C(2010)7569, which, however, includes the 2010 and 2011 allocations as well.

Component V

The former Yugoslav Republic of Macedonia received conferral of management powers under IPA Component V for three measures (101 "Investments in agriculture holdings to restructure and to upgrade to EU standards", 103 "Investments in the processing and marketing of agricultural and fishery products to restructure these activities and to upgrade them to EU standards" and 302 "Diversification and development of rural economic activities") in December 2009. Therefore, effective programme implementation could only start in 2010.

The Financial Agreement (FA) for this Component was signed on 19 February 2010 for an amount of EUR 31.5 million, covering the period 2007-2010. The first call for applications under IPARD was announced in December 2009, immediately after the conferral of management was granted. During the call 133 applications were received, demonstrating high interest in the IPARD Programme. However, the analysis of the applications done afterwards revealed that only 27 of those were eligible. One of the problems was that the bodies/services responsible for issuing compliance certificates could not issue them in time or did not issue the proper documents, making some applications ineligible. Another was that many buildings were built illegally in the past and could not now be certified. Measures to overcome both problems were taken, for example through changes in the legal framework and through signing memorandums with the technical services responsible for issuing certificates.

The majority of the 27 projects finally contracted were under measures "Investment in agricultural holdings" and "Investments in processing and marketing".

In the period September – November 2010 a second call for applications under IPARD was organised. A total of 112 applications were received. As realisation of IPARD projects requires some time, no direct payments to beneficiaries were made in 2010. Nevertheless the Commission disbursed in 2010 the first part of an advance payment of EUR 2.85 million.

Although important progress in the implementation of the IPARD Programme could be observed, the late start of activities as well as the high rejection rate and small value of contracted projects under the Programme in 2010 put at risk the funds allocated for 2007 and 2008. According to the "n+3"²⁹ budgetary rule, these funds will have to be de-committed if not spent by the end of 2011. An Action Plan, describing the corrective measures to be taken, is due to be prepared in 2011 by the NAO at the request of the Commission.

Table 12: Status of implementation of IPA financial assistance (Component V) as at 31st December 2010 (in million EUR)

	Committed	Paid	% Paid
IPA 2007-2010	31.50	2.85	9.05 %

²⁹

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

Table 13: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2010 allocations
Market efficiency and EU standards	75%
Agri-environmental measures and Leader approach	3%
Development of rural economy	18%
Technical assistance	4%
TOTAL	100%

4.3.1.3. Implementation Modalities and Structures

Significant efforts were done during the reporting period to ensure the readiness of all national structures to manage IPA funds under decentralised management.

Indeed, the country took legislative measures to strengthen the accredited structures under Component I and prepared an Action plan to address the remaining medium risk weaknesses identified by the Commission's auditors in the management and control systems. Considerable progress was evident in all Line Ministries and beneficiary institutions regarding staffing, organisational set up of IPA Units, continuous training and awareness rising regarding IPA.

A full re-assessment by NAO of the readiness of bodies constituting the Operating Structures for IPA Component I took place, based on the recommendations received from the Commission. Furthermore, separate laws on State Audit Office and on IPA Audit Authority were prepared, incorporating all relevant comments from the European Commission. This Law, that provides for the independence of the Audit Authority from all actors in the management and control system, was approved in May 2010. Also, all necessary additional employments for key positions were realized as planned in the Recruitment Plans for 2010.

In December 2010, management powers were finally granted to the former Yugoslav Republic of Macedonia for IPA Component I, followed by the signing of the financing agreement concerning the National Programme 2009.

However, implementation of Components III, IV and V for 2007 and 2008 funds, under decentralised management, was still slow one year after the respective conferral of management decisions, and progress under Component II, only one left under centralised management, was also limited.

4.3.1.4. Monitoring

Regarding monitoring activities under centralised management, in addition to the 'shadow'³⁰ Sectoral Monitoring Committee for Component I held in October in Skopje, and consequently a 'shadow' Joint Monitoring Committee which took place, as the year before, in December in Skopje, the Commission undertook many actions to monitor the programmes concerned during 2010.

³⁰ "Shadow" Sectoral and Joint Monitoring Committees were held for IPA Component I because the conferral of management powers for this component was not granted to the national authorities until 13 December 2010.

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

The Delegation, as contracting authority, developed a draft monitoring strategy for IPA Component II under centralised management, a particularly challenging element given the very high number of small projects, with a significant geographical dispersion and a great thematical variety. Annual monitoring plans will be elaborated in consultation with the national authorities and implemented as of 2011.

In addition, following Articles 60, 83 and 84 of the IPA Implementing Regulation, progress in the area of monitoring of the IPA Operational Programmes was attained by larger involvement of the national structures. All Sectoral Monitoring Committees for IPA components III, IV and V were organised regularly, including the last 'shadow' Joint Monitoring Committee (JMC) held on 3 December 2010. The general conclusions from that meeting were the following:

Design of the programmes and choice of activities to achieve the stated objectives:

1. The project design under all Operational/National Programmes is relevant to the priorities of the country as set in the MIPDs.
2. Once the implementation is launched under all components, it will be followed with interim evaluations under each of them, thus offering solid base for drawing conclusions and recommendations vis-à-vis the design of the programmes not undermining the specific features of the programmes.

Management and control systems:

1. NAO is committed in maintaining and even more in increasing the quality of the management and control systems installed within each OS by providing regular follow up and reporting on mitigating the remaining medium risks deriving from the Commission's Audit Reports to the Government.
2. The accreditation of the DIS and the conferral of management (in particular for component I) have the highest priority as it is a precondition for the implementation of the programmes under the IPA instrument.
3. To reinforce and sustain the cooperation between the Operating structures for efficient use of the IPA assistance and to follow and implement the principles of "partnership and ownership".

Sustainability or likely sustainability of the changes initiated with the assistance of the programmes:

1. The JMC calls upon sharing good practices identified in the frame of sectoral and future sub-sectoral monitoring committees.
2. To avoid overlapping with other bilateral and multilateral assistance.
3. Where necessary, additional staff should be recruited quickly and available training possibilities used.

The status of all recommendations and conclusions would be reviewed during the next JMC, to be scheduled in 2011.

The monitoring capacities within NIPAC Office and CFCD in producing Annual Implementation Reports were weak, requiring preparations for all those committees to be supported by the Delegation.³¹ In order to help the structures in performing this task, a technical support was foreseen to give assistance to the national structures involved in implementation of Operational Programmes, monitoring and evaluation.

4.3.2. CARDS

4.3.2.1. Sectors with positive results/ Success stories

The EU has provided substantial support under CARDS to the police reform, with constant attention and effort to sustain the momentum in the country during the last years. In order to achieve high-level guarantees of basic rights, the common minimum standards on physical condition of police stations, both the structure of the actual buildings and the facilities, had to be fully in line with international human rights standards.

Namely, under CARDS 2005 programme a short term project prepared the full design and technical specifications with the objective of full renovation of the police station Kisela Voda in Skopje and the police station in Tetovo. The scope of the activities and the selection of the stations were carefully and thoroughly done in continuous cooperation with the Beneficiary.

Furthermore, under CARDS 2006 Programme, a project for a value of EUR 536,311 upgraded the working conditions at the police station Kisela Voda in Skopje in accordance to the EU standards and the national law on police. The construction phase ended in March 2010 and provisional Acceptance Certificate was issued in April 2010.

The upgrade of the police stations not only contributed to raising human rights standards in the field of detention to European levels but also will significantly help increasing the citizens' confidence in the law enforcement agencies.

4.3.2.2. Lessons learned

A Country Programme Interim Evaluation, published in December 2010 covering the 2006 CARDS and the 2007 IPA national programmes, outlined a few key recommendations and conclusions. CARDS 2006 projects were implemented directly by the European Agency for Reconstruction (EAR), with internal project monitoring maintained by task managers to ensure that output targets were achieved. National authorities had no formal involvement in this process but were included to various degrees as observers in the project preparation, evaluation and implementation process including membership of steering committees. An internal evaluation unit was established within the EAR that produced more than 50 sector or thematic evaluations. Knowledge management of these important learning exercises has been poor, with the only source of information being a selection of executive summaries on the webpage of the EAR.

As regards the impact and sustainability of CARDS projects, greater emphasis should have been placed on the identification and development of ownership of both the programme as a

³¹ Annex with dates of SMC for all IPA Components, Findings and recommendations are also included.

whole by the central authorities and the individual projects by line ministry stakeholders; staff turnover has undermined the sustainability of EU-funded assistance, as well as the frequent use of external contractors by the beneficiary institutions to complete their tasks, rather than completing the work under the supervision of the experts. Nevertheless, it should also be noted that in some key sectors where substantial EU assistance has been provided, such as customs and police, real institutional change has been achieved

4.3.2.3. *Management performance*

All contracts have been completed from the operational point of view already in 2009 with the exception of the construction works of the Veterinary and Phytosanitary Border Inspection facilities at the Border Crossing Point of Tabanovce (CARDS 2006- Contract amount: EUR 1.22 million) - Provisional acceptance certificate expected to be issued in January 2011 (with 3 months delay); the contract was in defects liability period and the supervisor will still have to inspect the works periodically, and when necessary.

Only a few final invoices and final acceptance certificates are being processed corresponding to the CARDS Programmes 2004 and 2005.

Table 14: Status of financial assistance at the end of December 2010 (in million EUR) – CARDS annual programmes³²

	Allocated	Contracted	% contracted	Paid	% paid
CARDS 2001	56.64	55.48	97.95%	55.48	97.95%
CARDS 2002	34.50	34.00	98.55%	34.00	98.55%
CARDS 2003	33.50	32.22	96.18%	32.22	96.18%
CARDS 2004	51.00	48.67	95.43%	48.62	95.33%
CARDS 2005	37.50	35.52	94.72%	35.46	94.56%
CARDS 2006	32.50	30.07	92.52%	29.15	89.69%
Total	245.64	235.96	96.06%	234.93	95.64%

³² Figures include only Annual Action Programmes, while not including other programmes managed centrally, such as Customs, or the running costs for the European Agency for Reconstruction

5. ICELAND

5.1. Summary

Following Iceland's application for EU membership on 17 July 2009 and the opening of the accession negotiations on 17 June 2010, Council Regulation 1085/2006 establishing an Instrument for Pre-Accession Assistance (IPA) was amended to include Iceland as a beneficiary country for EU pre-accession assistance. The amended Regulation³³ entered into force on 14 July 2010. Due to the country's level of economic and social development and its substantial degree of alignment with the EU legislation, through the EEA Agreement, IPA financial support will be exclusively implemented under IPA Component I "Transition Assistance and Institution Building" and via direct centralised management. IPA financial assistance to Iceland will be channelled through three main tools: the Technical Assistance and Information Exchange (TAIEX) instrument, multi-beneficiary programmes and a National Programme.

In 2010, the preparations for the programming of the first ever National Programme for Iceland started. Until the finalisation of the programme, envisaged in late 2011, TAIEX instrument and multi-beneficiary programmes are the sole means of pre-accession assistance to Iceland.

The Framework Agreement that sets out the rules for cooperation concerning EU financial assistance to Iceland remains to be agreed between the Commission and the Icelandic government.

5.2. Strategic planning and programming

5.2.1. Multi-annual Indicative Planning Document

In 2010 there was no financial framework for Iceland who became a candidate country for the accession of European Union in the reporting period.

The first Multi-annual Indicative Planning Document (MIPD), that is the key strategic planning document for financial assistance under IPA in Iceland, was prepared during 2010 and covers the period 2011-2013.

The overall objective of pre-accession assistance to Iceland is to support the country's efforts to fully comply with the accession criteria by the date of accession. More concretely due to Iceland's existing level of alignment with EU law, IPA assistance specifically targets identified institution-related gaps in all chapters of the *acquis*, with a strong focus on chapters not or only partially covered by the European Economic Area Agreement. Particular emphasis is also paid to the preparations for Iceland's participation in common EU policies and implementation of Structural Funds and other EU funds following accession. EU assistance should therefore also support preparations for the implementation of the EU's cohesion policy by introducing strategic planning and management principles which guide the implementation of EU structural instruments.

³³ Regulation (EU) No 540/2010 of the European Parliament and of the Council of 16 June 2010.

On this basis, two strategic objectives corresponding to the above mentioned areas of intervention are identified in the MIPD: i) to further enhance Iceland's ability to assume the obligations of membership by supporting the institutional capacity building of the Icelandic central and local administration for *acquis* transposition and implementation; and ii) to reinforce Iceland's institutional capacity while preparing for participation in and implementation of Structural Funds³⁴ and other EU funds³⁵.

The identification of the objectives was done in close contact between Commission services and the Government of Iceland. Close contact is maintained throughout the programming exercise to identify the assistance needs the most relevant to the Iceland's accession process. The Commission Opinion on Iceland's application for membership of the European Union, EU Enlargement Strategy, Progress Reports as well as observations of the screening exercise will serve as important pillar in these discussions.

Table 1: MIFF³⁶ allocations per component, in million EUR

Component	2010	2011	2012	2010-2012
I-Transition Assistance and Institution Building	N/A	10	12	22
TOTAL	N/A	10	12	22

5.2.2. *Programming exercise*

5.2.2.1. *Component I*

IPA financial assistance to Iceland will be implemented under IPA Component I and channelled through the TAIEX instrument, multi-beneficiary programmes and National Programme. Whilst TAIEX and multi-beneficiary programmes became open to Iceland in 2010, programming and implementation of the National Programme could not happen during the reporting period.

Preparations for the first, 2011, National Programme for Iceland started in autumn 2010. In December 2010 Icelandic authorities submitted 50 project outlines for an estimated EU contribution ca EUR 96 million. The challenge in 2011 is to prioritise the needs to fit to the envelope of EUR 10 million..

5.3. **Implementation of assistance**

5.3.1. *IPA*

5.3.1.1. *Success stories*

Until the start of the implementation of the 1st National Programme for Iceland the assistance will be mainly provided through TAIEX instrument. In 2010 TAIEX executed 25 events for Iceland beneficiaries. Namely expert missions but also study visits and workshops. As an

³⁴ European Regional Development Fund (ERDF), European Social Fund (ESF).

³⁵ European Agricultural Fund for Rural Development (EAFRD), European Fisheries Fund (EFF).

³⁶ Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', COM(2010) 640 of 10.11.2010.

outcome of the 7 assessment missions conducted in autumn 2010, Iceland's needs for technical assistance were identified in sectors considered as priority in the Commission Opinion on Iceland's application for membership of the European Union: regional policy and preparation for the implementation of structural funds; agriculture and rural development; customs; taxation; financial services; food safety, veterinary and phytosanitary policy; environment. Mapping of needs and required timeline has facilitated the provision of TAIEX assistance as well as programming of the National Programme 2011.

In addition to the elaborated needs assessment TAIEX activities raised awareness among the Icelandic administration on the *acquis* requirement concerning short term business statistics, financial accounts, NUTS classification and requirements to the institutional set up of Structural Funds.

5.3.1.2. Overview of IPA implementation in 2010

Component I: Transition Assistance and Institution Building

The first National Programme for Iceland will be the National Programme 2011 that will be implemented as of 2012, but activities under TAIEX started in 2010.

TAIEX assistance for the Icelandic administration is performed through a wide range of short term institution building activities as well as through medium term assistance based on action plans for particular sectors drafted together with Icelandic administration.

The needs for technical assistance are identified in cooperation with the National IPA Coordinator in Iceland (NIPAC) who ensures that the applications correspond to the actual needs of the central administration and that the offered assistance effectively supports the process of Iceland's preparations for the accession in the European Union.

In 2010, TAIEX organised, together with Icelandic authorities, 7 scoping missions to assess the needs for technical assistance in the sectors identified as priorities in the Commission Opinion on Iceland's application for membership of the European Union: Fisheries, Regional policy and coordination of structural funds. Agriculture and Rural Development, Environment, Food safety, veterinary and phytosanitary, Customs and Taxation, and Financial services supervision. The assessments resulted in action plans for TAIEX assistance over a medium-term perspective.

The first TAIEX applications from Iceland were received in spring 2010 and the short-term technical assistance activities have since then been organised in various fields including: regional policy, judiciary and fundamental rights, statistics, agriculture and rural development.

5.3.1.3. Implementation Modalities and Structures

In August 2010 Iceland appointed a National IPA Coordinator (NIPAC) to ensure the overall coordination and implementation of assistance under IPA including TAIEX. The NIPAC is placed in the Ministry for Foreign Affairs and is assisted by a staff of two people and a Coordination team formed of representatives of Ministry for Foreign Affairs, Prime Minister's Office and Icelandic Mission to the EU.

Iceland faces difficulties in terms of administrative capacity to programme and implement IPA. Icelandic institutions have already gained some experience in participation in European programmes through the EEA agreement however setting up and managing EU pre-accession assistance is a new undertaking requiring knowledge on strategy development and project cycle management. Secondly, Iceland faces a problem of capacity, particularly in terms of staff numbers. As a country of 318 000 habitants, the size of the public administration is small. The size of the ministries ranges from 26 (Ministry of Economic Affairs) to 214 staff (Ministry for Foreign Affairs), with an average size of 58 staff members. Hence the absorption capacity of the country is limited and will provide a challenge during programming as well as implementation of national programmes. Thorough thought needs to be put to the choice of instruments used for providing the assistance. TAIEX, facilitating institution building with a relatively short notice and less demands on the beneficiary, is the most suitable in Icelandic circumstances.

The structures of NIPAC need to be further strengthened to provide support and guidance to the Iceland administrations throughout the cycle of IPA support.

5.3.1.4. Monitoring

No monitoring activities took place in 2010.

6. KOSOVO

6.1. Summary

The European Commission Liaison Office to Kosovo (ECLO) continued managing the implementation of EU assistance to Kosovo. The ECLO managed to exceed its financial targets, both in terms of contracts and payments.

The preparations of the 2010 IPA Annual Programme (AP) for Kosovo have been completed. Programming of the AP 2011 has started. Kosovo has started participating in IPA Cross-Border Cooperation (CBC) programmes. Preparations of the CBC-programmes with the former Yugoslav Republic of Macedonia and with Albania have completed and both programmes are ready for implementation. Programming for the CBC programme with Montenegro has started.

In terms of projects, important successes include the "Vetting and the Re-Appointment of Judges and Prosecutors" and the closing of the Roma Camp in Cesmin Lug. The inclusion of the new minority communities in the EURED-project was significant as well, since it provides a platform for regional economic development and reconciliation. The pilot projects on energy efficiency have demonstrated a significant impact on energy use and the potential for reducing energy demand, which is very relevant in the context of Kosovo. In addition, an attractive legal and regulatory framework has been created for investment in the energy sector. Finally, important groundwork has been done for the preparation of the 2011 census, the first census in Kosovo for more than 30 years.

6.2. Strategic planning and programming

6.2.1. Multi-annual Indicative Planning Document

The purpose of the Multi-annual Indicative Planning Document (MIPD), prepared during 2010, is to set out the EU's priorities for assistance to Kosovo for the programming period 2011-2013.

The MIPD is based on the needs identified in the European Partnership of Kosovo as well as the latest progress report (adopted on 9 November 2010 as part of the Enlargement Package) and with Kosovo's own strategies. The Government of Kosovo, local stakeholders, EU Member States and other donors have all been consulted in the design of this MIPD.

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

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

Justice and Home Affairs (focus on visa liberalisation and the judiciary)
 Private Sector Development (focus on trade and business environment)
 Public Administration Reform (focus on the functional review)

The overall objective of EU financial assistance to Kosovo is to support its efforts for reform and towards compliance with EU standards and progress in the implementation of its European reform agenda.

The Europe 2020 agenda offers the enlargement countries an anchor for reforms. Kosovo is invited to follow the priorities of the strategy and adapt main challenges in the Kosovo context. Enlargement policy also supports the Europe 2020 strategy by extending the internal market and enhancing cooperation in areas where cross border cooperation is key.

Table 1: MIFF³⁷ allocations per component, in million EUR

Component	2010	2011	2012	2010-2012
I – Transition Assistance and Institution Building	64.5	65.8	67.1	197.4
II – Cross-border cooperation	2.8	2.9	2.9	8.6
TOTAL	67.3	68.7	70.0	206.0

6.2.2. *Programming exercise*

6.2.2.1. *Component I*

The 2010 IPA Annual Programme was presented to the IPA Committee on 8 December 2010. The Commission Decision was adopted on 17 December 2010. This annual programme was prepared by the ECLO in close coordination with all beneficiaries and the Ministry of European Integration (MEI). Close involvement of beneficiaries is to facilitate project implementation. The IPA committee also approved the two CBC programmes with Albania and the former Yugoslav Republic of Macedonia on 8 December.

IPA 2010 is to support the strengthening the rule of law, governance, public administration reform, communities and education. It also addresses socio-economic issues, such as public finance, regional economic development, including infrastructure, agriculture and rural development. The programme also focuses on the approximation of the legislation and European standards, including on veterinary and food safety, energy sector reform, and the environment.

The government has increased its effort in terms of donor coordination and EU Integration in general. The Ministry of European Integration was confirmed as the main IPA coordination body in April 2010.

At the second High Level Forum held on 16 April 2010, the government reported to the donor community on progress in the area of donor coordination. The government presented the new

³⁷ Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', COM(2009) 543 of 14.10.2009.

donor coordination mechanism, the establishment of sector and sub-sector working groups and the implementation of the Aid Management Platform (AMP).

The platform is an initiative by all donors in a joint effort to support the government to improve Aid Management and Coordination. The platform aims to:

- facilitate the link between donor assistance and the European Partnership Action Plan (EPAP);
- improve the alignment of EPAP with the Medium Term Expenditure Framework (MTEF);
- reduce transaction costs in gathering and reporting on donor assistance;
- improve the alignment of donor assistance with the government's sector wide strategies; and
- provide up-to-date and publicly available information on ongoing and planned aid activities.

The Aid Management Platform was successfully launched by the Minister of European Integration at the end of June 2010.

During 2010 the ECLO continued involving beneficiary institutions in implementing projects. The IPA assistance is currently providing support for the development of monitoring systems.

Strong emphasis is made on coordination with all other parties (bilateral and multilateral donors) through the regular monthly coordination meetings chaired by the ECLO. These meetings were originally for Member States only but now also include representatives from the US, Switzerland, Norway, Japan, the WB, IMF and the UN. EULEX and the International Civilian Office also participate.

The programming of the IPA 2011 programme started in August 2010. It was agreed that the MEI take a more active role in the programming process. MEI therefore organised meetings with the different beneficiaries without much involvement of ECLO. The MEI submitted a draft list of concept notes for projects proposed for inclusion in the 2011 programme before end-2010. The ECLO is currently working with the line ministries and MEI in developing the project fiches. The intention is to discuss the IPA 2011 programme in the IPA Committee in September 2011.

Table 2: Indicative financial allocations³⁸ for the year per component, in million EUR

KOSOVO	2010
I. Transition Assistance and Institution Building	66.10
Of which:	
Annual Programme	63.90
Tempus Programme*	2.20
II. Cross-Border Cooperation	1.20
Of which:	
CBC Albania – Kosovo	0.60
CBC the former Yugoslav Republic of Macedonia - Kosovo	0.60
TOTAL	67.30

* The Tempus Programme is coordinated and implemented under the relevant Multi-beneficiary IPA 2010 programme.

Table 3: Indicative financial allocations for the year 2010 under the Annual Programme, per priority axis and per project, in million EUR

Transition Assistance and Institution Building

Priority Axis/Projects	Budget
Political Criteria	24.80
Strengthening the rule of law	12.30
Governance	2.00
Public administration reform	5.50
Communities and education	5.00
Economic Criteria	21.00
Public finance	1.50
Regional economic development	17.50
Agriculture and rural development	2.00
Ability to assume the obligations of membership	12.00
Veterinary and food safety	1.50
Energy sector reform	2.00
Environment	8.50
Supporting programmes	6.10
General technical assistance and ‘Kosovo Communication’ follow-up facility	6.10
TOTAL	63.90

6.2.2.2. Components II

In 2010, the Commission programmed Cross-Border Cooperation programmes for Kosovo for the first time. There is a CBC-programme with Albania, and with the former Yugoslav Republic of Macedonia.

Project Title: Cross-Border Cooperation Programme – Kosovo-Albania

³⁸ Allocations reflect MIFF 2011-2013 adopted by Decision COM(2010)640 of 10.11.2010. The difference with Table 1 is explained by the fact that in the course of 2010, allocations for Component II for 2010 were reduced to EUR 1.2 million, the remaining funds having been transferred to Component I.

Value: EUR 1.2 million (programme 2010-2011)

Description: The overall objective of this Cross-border Programme is promoting cooperation between people, communities and institutions in the bordering areas, fostering the sustainable development, stability and prosperity of the cross-border region in the interest of the citizens of Kosovo and Albania.

The programme (2010-2011) will be implemented through call for proposals.

Status: The Financial Agreements are in the process for signature. The Operating Structure is working on TA grant proposal, staff recruitment for Joint Technical Secretariat, and has appointed members of Joint Monitoring Committee.

Project Title: Cross-Border Cooperation Programme – Kosovo-former Yugoslav Republic of Macedonia

Value: EUR 1.2 million (programme 2010-2011)

Description: The overall objective of this cross-border programme is promoting cooperation between people, communities and institutions in the bordering areas, fostering the sustainable development, stability and prosperity of the cross-border region in the interest of the citizens of Kosovo and the former Yugoslav Republic of Macedonia.

The programmes allocation for first year (2010) foresees strategic project: border crossing point while second year (2011) will be implemented through call for proposals.

Status: The Financial Agreements are in the process for signature. The Operating Structure is working on TA grant proposal, staff recruitment for Joint Technical Secretariat, and has appointed members of Joint Monitoring Committee.

Remarks: From the former Yugoslav Republic of Macedonia side, the road (in length around 15 km) which leads to the border crossing needs the reconstruction. To date no action has been taken by the authorities in this regard. Therefore the first year implementation of this strategic project (border crossing point) could fail.

6.3. Implementation of assistance

6.3.1. IPA

6.3.1.1. Success stories

Vetting and Re-appointment of Judges and Prosecutors

Value: EUR 5 million – Instrument for Stability 2007

The Independent Judicial and Prosecutorial Commission (IJPC), established for the purpose of conducting a one-time, comprehensive, Kosovo-wide review of the suitability of all applicants for permanent appointments as judges and prosecutors, managed the complex process of developing standards for examination of judicial candidates, conducting the exams, the vetting, the interviews of the candidates and their final selection. After the completion of the first appointments of judges and prosecutors, some of them were appointed to join the IJPC as Kosovo members participating in the further process. Working side by side with

international members, the joining of the Kosovo colleagues has ensured the progressive taking over of the entire vetting process.

Some noteworthy aspects of the appointments made during of the appointment process should be mentioned:

- Seven completely new members were appointed to the Supreme Court and five of them were women.
- All ten positions in the Office of the Special Prosecutor were filled, including one person from a non-majority community. The new Deputy Head of the Special Prosecutor's Office is a woman.
- 60% of the appointees are new to their positions which marks a major rejuvenation of Kosovo's judiciary and prosecution service.
- 28% of all appointees were women.
- 15 positions were filled by candidates with minority background.

While 72% of all advertised positions were filled, 28% or 127 positions need yet to be filled. This shortfall resulted mainly from the lack of well-qualified candidates, especially at the municipal level. Due to the limited number of minority applicants, the IJPC appointment process only resulted in the appointment of 15 minority candidates, out of approximately 45 minority positions in total.

However, it is expected that many of these positions will be filled by individuals who are currently enrolled in the 15 months long Initial Legal Education Program conducted by the Kosovo Judicial Institute. Entry into this program is highly competitive and it is specifically designed to prepare successful applicants to serve as judges and prosecutors.

Promoting energy efficiency

Value: EUR 3 million – IPA 2008

The main objective was to provide support on energy efficiency which was initially focused on establishing the legal framework and the national plan on energy efficiency. In the subsequent phase, the implementation of this plan was supported through specific and targeted measures, namely: implementing demonstration projects in schools and hospitals; raising the public awareness; establishing the energy audit process, and promoting energy efficiency in Small and Medium Enterprises (SMEs) through a loan scheme with the European Bank for Reconstruction and Development (EBRD).

Energy audits have been very useful for the efficient management of resources and the protection of environment in general. Specifically the public buildings, business facilities and homes are managed in more efficient way and also remarkable financial resources have been released which could be reprogrammed to further develop the economy and individuals. A strong impact will also have the very short pay-back period of the most cost-effective investment measure used.

Furthermore the assistance has had an impact at a local government level by improving their capacities to forecast expenditures for energy services in their respective public buildings (public health houses, schools, kindergartens, etc).

Another important result is that an attractive legal and regulatory environment has been created. This has proven to be conducive for interesting International Financial Institutions

(namely EBRD and KfW) to provide funds for both the private and the public sector to invest in energy efficiency. EBRD is planning a loan of € 12 million for SMEs, whereas KfW has earmarked a loan of EUR 5 million for energy efficiency measures in municipal buildings.

Return & Reintegration in Kosovo (phase I)

Value: EUR 3.3 million – IPA 2007

(For the actual return of Internally Displaced Persons (IDPs) to Kosovo fostering a sustainable multi-ethnic society)

The IPA 2007 project which was completed in November 2010 aimed at fostering and consolidating sustainable return of minority communities to Kosovo and is implemented through a grant contract entailing the various aspects of the comprehensive package delivered to returnee families.

Despite the important shortcomings experienced with UNDP (direct grant agreement) throughout the implementation of this first phase, the success of the approach has been demonstrated and will be continued through a phase II (ongoing) under IPA 2008 and an upcoming phase III under IPA 2010 – both of these phases being implemented following an open Call for Proposals.

Under this project, 130 refugee families (or approximately 520 IDPs) from minority communities have been able to return to their places of origin in Kosovo: these persons have been offered a comprehensive package of assistance to allow their sustainable reintegration. Through this EU-funded project, 130 dwellings (including related infrastructure) were reconstructed. Socio-economic support measures were also taken - among other things - to prepare them for their own income generation (e.g. by providing gardening tools based on a family's agricultural skills). Lastly, community development projects were implemented (mostly relating to basic infrastructure such as improving of the water supply). Consequently, this project is directly contributing to create a climate of reconciliation, inter-ethnic tolerance and sustainable multi-ethnicity.

Food Safety Twinning

Value: EUR 2 million – IPA 2007

The overall objective of the twinning project “Meeting EU Standards Food Safety & Veterinary Services” is to develop and implement sectoral policies and strategies that are compatible with European Standards (including gender, minorities and environmental standards) for Kosovo’s institutions. The project's purpose is to enhance the commercial and export potential of the agro-business food chain in Kosovo through improving controls on animal health, food safety and quality, in line with EU standards and technical requirements.

An immediate impact of this twinning project is that the fragmented food control institutions (competences divided between the Ministry of Health, Ministry of Agriculture and Local Government administration) were brought together under one umbrella, i.e. one single institution – Kosovo Food and Veterinary Agency (KVFA); at the same time since they all operated under different legal provisions, as a single institution they reorganised under a single legal act being EU *acquis* compliant.

Because of the previously fragmented system, each institution had applied different standards and operating procedures for food safety control, causing overlap of competences, internal market distortion and double standards. With the support of the twinning project, single operating procedures for the entire food chain are developed and the KVFA staff is trained to apply one food safety control standard at food establishments' level.

The KVFA staff is trained in applying risk assessment methods in food control system; coherent methodology and transparency for food control/inspection according to EU standards and *acquis*.

Work with Member States' twinning partners enabled the KVFA staff to adopt EU compliant norms and educated the local food business operators in the implementation of the upcoming strict food safety legal requirements and obligations.

Support to Border and Boundary Police

Value: EUR 2 million – IPA 2007

The overall objective of this project was to strengthen the rule of law in Kosovo, further reform of the Kosovo Police Service including the border/boundary police; fighting corruption; and furthering alignment with and implementation of the *acquis* in the area of justice and home affairs.

In particular, this project has focused on ensuring that the concept of Integrated Border Management is applied in an effective manner throughout Kosovo's borders. In this sense, the coordination with the other state bodies involved on Integrated Border Management has been increased. The application of the Law on Integrated Border Management was facilitated by the development of secondary legislation (Administrative Instructions), which are an essential means for border police officers to perform more efficiently and effectively. Efficient implementation of an Integrated Border Management will also improve the coordination with other neighbouring countries.

The ability of Kosovo Border Police to intercept and seize contraband and prevent illegal border crossings has also been improved. Moreover, more than 750 police officers received tailored trainings that included a wide range of policing subjects such as basic investigation, intelligence management, and trafficking in human beings as well as courses that centred on EU Standards for Border Control and Visa Regimes. The project contributed also to the re-design of an effective institutional structure for Kosovo Border Police, improving the management and workflow among all the divisions of the Border Police, in particular of those responsible for policing the entry/exit points to Kosovo. Also, a key performance indicator framework have been developed by the project and adopted by the Kosovo Border Police as a tool to improve the effectiveness.

Regional Development Agencies

Value: EUR 6.6 million – IPA 2008

The general aim of this ongoing project is to enhance activities which foster regional development in Kosovo. Specifically, this programme aims to support:

- The development of a regional development framework that is line with EU practices;

- The introduction of a Regional Economic Development (RED) approach in at least three regions in Kosovo to facilitate local and regional economic development and consequently employment generation; and
- The development of institutional capacity in these selected areas to manage the process of economic development

So far, five Regional Development Agencies have been established across Kosovo in the respective economic regions of: Centre (Pristina), North (Mitrovica), West (Peja), South (Prizren) and East (Gjilan). The agencies are fully staffed and functional. They serve as a platform which increases the ownership of the municipalities of their own development, as these municipalities are able to determine their *own* needs by *themselves*. Additionally, the agencies help to increase mutual understanding and to bridge the cultural divide, as all municipalities (including those considered minority municipalities) are encouraged to interact and cooperate with each other. Lastly, the foundation of a regional institutional framework has been created to incorporate European acquis by absorbing EU structural funds which may become available in the future.

6.3.1.2. Overview of IPA implementation in 2010

Component I: Transition Assistance and Institution Building

Overall, the implementation under IPA Component I was highly satisfactory in 2010. The remainder of IPA 2007 was contracted, as well as the bulk of IPA 2008.

The Strategic Interim Evaluation of IPA assistance aimed to carry out an interim evaluation of assistance provided to Kosovo under the EU *Instrument for Pre-Accession* (IPA). Specifically, it aimed to: (1) assess the intervention logic used, to date, in the planning, programming and management of IPA assistance, and (2) to make an overall judgement on the performance of programming and implementation of IPA assistance.

The scope of the evaluation was confined to IPA Component I (IPA-TAIB) over the period 2007-2009. It started with a mission in June 2010, during which several meetings took place with representatives from MEI, line-ministries (SPOs), Member States and main donors.

The evaluation confirmed that "the procurement stage of implementation is well managed in Kosovo" (on the basis of contracting and disbursement rates) and that "contract management and pay systems are functional and well managed." Of course, several recommendations were also formulated, including:

- the quality of the IPA intervention logic could be improved by reducing the number of (MIPD)-priorities and improving their focus;
- multi-annual programming would allow the identification and preparation of mature and well-sequenced projects; and
- quality and ownership can be improved by greater involvement of beneficiaries in implementation and monitoring;

Table 4: Status of implementation of IPA financial assistance (Component I) as at 31st December 2010 (in million EUR) per annual programme

	Committed	Contracted	%Contracted	Paid	% Paid
IPA 2007	62.00	61.39	99.02%	39.86	64.29%
IPA 2008	182.70	146.05	79.94%	76.03	41.61%
IPA 2009	103.60	43.82	42.30%	12.88	12.43%
IPA 2010	63.90	0.00	0%	0.00	0%
TOTAL	412.20	251.26	60.96%	128.77	31.24%

Table 5: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007 - 2010 allocations
Political Criteria	35.52%
Economic Criteria	47.79%
Ability to assume membership obligations	11.67%
Support Programmes	5.02%
TOTAL	100.00%

Component II: Cross-border Cooperation

As the programmes were only approved by the end of 2010, no project activities have taken place.

6.3.1.3. Implementation Modalities and Structures

IPA programmes in Kosovo are implemented under centralised management by the European Commission. The programmes can also be implemented under joint management with international organisations. As any other IPA beneficiary, Kosovo has to establish a roadmap for the decentralisation of management of EU funds. Kosovo is at very early stage. The Commission is supporting the Kosovo authorities in efforts to take ownership of the annual programming process, inter alia with a Twinning project supporting the Ministry of European Integration.

6.3.1.4. Monitoring

In 2010, Kosovo participated in the Results Oriented Monitoring (ROM) project managed by DG Enlargement. Accordingly, all contracts with a value exceeding € 1 million were subject to ROM, providing the ECLO with an independent opinion on the efficiency of project implementation and its impact. Accordingly, most ongoing IPA projects were monitored by an independent team of experts. The contractor has been working closely with ECLO to make sure that planned monitoring missions are implemented as per the monitoring plan.

By end -2010, 48 monitoring missions had been conducted. The overall average score of IPA projects in Kosovo improved by 6%, while the share of projects performing 'very well' and 'well' increased by 9.5%. In general, IPA projects in Kosovo improved, notably in terms of effectiveness. A meta-analysis ROM report produced in October 2010 suggests this is due to

improved results and better use made by the beneficiaries of these results. The discussions with the new contractor on the monitoring plan for 2011 have started and the first mission is planned for April.

6.3.2. CARDS

6.3.2.1. Sectors with positive results/ Success stories

During the reporting period all CARDS-funded projects were completed. A few projects continued under defect liability periods. Projects which are considered a success include:

Justice and youth: Support to the juvenile justice system

Value: EUR 1 million - CARDS 2006

This project, implemented by UNICEF, aimed to support the reform of the juvenile justice system based on the rights of children and adolescents and evidence-based research will offer alternatives to detention and promote a juvenile crime prevention programme and social rehabilitation of juveniles. A main result of this project was the mobilisation of a network of child protection service providers and community stakeholders, which laid the foundation for future work in establishing a coordinated response in preventing juvenile delinquency, despite the challenging political context.

Economic development and employment: Promoting local enterprise development and employment creation in the Mitrovica/Zvečan municipalities (FAIR Grant programme)

Value: EUR 3.2 million - CARDS 2004

The main objective of this project was to support the establishment and expansion of growth oriented enterprises in the agro-processing, industry manufacturing and service sectors through employment creation and export potential in the north region of Kosovo. Some of the project activities were to assess current market needs and priorities, identify points of synergy and prevent duplication, evaluate business profiles and award grants to the best ones, conduct monitoring and inspection visits, promote dialogue between government and the business community, conduct final evaluation and audit of supported enterprises, analyse monitoring and inspection visit results, and conduct SME development workshops. The project was completed on 15 September 2009. In total, over EUR 2.3 million have been awarded to the 17 beneficiaries of the three calls for proposals. The total combined investment mobilised through the FAIR project was over EUR 5.3 million. The new business ventures are expected to create a total of 295 new jobs. Supported businesses are in industry sectors ranging from food processing (meat and sausage production, industrial production of bread), textiles, wood industry (furniture production, and production of semi processed wood for the furniture and construction industry), recycling (processing of scrap metal and production of egg cartons from recycled paper, production of plastic granulate from waste plastic and production of water pipes), construction related (production of doors and windows, production of decorative features for buildings) and other (printing, production of prescription lenses for optical glasses, production of motor oil for vehicles).

6.3.2.2. Lessons learned

Some of the main lessons learned in the implementation of CARDS projects in Kosovo are:

- Overall, CARDS has performed better in concrete and specific technical projects rather than in strategic and planning type of projects.
- Donor coordination during the implementation of CARDS was generally a weak point; it did not function effectively in a majority of the areas subject to the evaluation.
- Delays had been registered in the implementation because institutions were being set up when the project started and lacked administrative capacity and staff.
- It has been difficult to assess CARDS in relation to national sector strategies as they did not exist in most sectors at the time.
- Lack of developed sector strategies and prior needed assessments may have contributed to inadequate project design, which has impacted CARDS performance.
- Impact can be noticed in particular at the institutional level in many projects in most of sectors subject to the evaluation; however, a general concern is that the lack of institutional capacity did limit the wider impact.
- CARDS assistance has focused on direct training in a majority of the projects more than on training-of-trainers and developing training capacity, and was vulnerable to staff turnover and movement.
- Many projects have been implemented in a continuously changing environment with new staff at all levels.

6.3.2.3. Management performance

Table 6: Status of financial assistance at the end of December 2010 (in million EUR) – CARDS annual programmes³⁹

	Allocated	Contracted	% Contracted	Paid	% Paid
CARDS 2001	155.50	154.95	99.65%	154.95	99.65%
CARDS 2002	162.54	131.30	80.78%	131.30	80.78%
CARDS 2003	62.28	58.16	93.38%	57.80	92.81%
CARDS 2004	72.60	69.29	95.44%	69.25	95.39%
CARDS 2005	76.50	72.79	95.15%	72.36	94.59%
CARDS 2006	46.50	44.79	96.32%	44.31	95.29%
TOTAL	575.92	531.28	92.25%	529.97	92.02%

6.3.2.4. Institution Building highlights

CARDS projects were completed during the reporting period. No activities took place, except for some under the defect liability periods for some works / supply contracts.

6.3.2.5. Joint Monitoring Committees / Sector Monitoring Sub-Committees

A Joint Monitoring Committee to review IPA implementation in Kosovo took place in early July 2010.

³⁹ Figures include only Annual Action Programmes, while not including other programmes managed centrally, such as Customs and Taxation, or the running costs for the European Agency for Reconstruction and for the EU Pillar of UNMIK

7. MONTENEGRO

7.1. Summary

2010 has been a successful year in terms of contracting and implementation and the IPA projects started to deliver results and early impacts. Several laws have been adopted by the Parliament as well as new strategies and capacity building activities produced good impact. To mention some, new laws on Financial Stability Council, on National Qualification Framework in education, Energy and Energy Efficiency have been supported by IPA assistance and adopted during the year. The 2.4 km road by-pass of Podgorica was finally concluded, more than 780 people have been trained in public procurement, and the national Television has been provided with digital computerised newsroom which improved the quality of news broadcasted. Moreover, IPA assisted 2100 refugees and IDPs with appropriate houses, income generation packages, special training, and 50 families returned to Kosovo.

At the end of 2010 projects were ongoing for a total value of EUR 73.6 million, and projects were finalised for a total value of EUR 9 million.

7.2. Strategic planning and programming

7.2.1. Multi-annual Indicative Planning Document

On 17 December 2010, the European Council endorsed the Council's conclusions of 14 December 2010 on enlargement and agreed to give Montenegro the status of candidate country.

In its Opinion on the Montenegrin application for membership, the Commission identified key priorities that need to be closely monitored before opening negotiations: improving the legislative framework; completing public administration reform; strengthening rule of law; improving the anti-corruption legal framework and implementing the government's anti-corruption strategy and action plan; strengthening the fight against organized crime; enhancing media freedom and strengthening cooperation with civil society; implementing the legal and policy framework on anti-discrimination; adopting and implementing a sustainable strategy for the closure of the Konik camp.

One of the practical implications for Montenegro of receiving candidate status is the access to the other three components of IPA, namely regional development; human resources development; and agriculture and rural development.

Taking into account that other donors are also actively involved in assisting Montenegro, areas where IPA can make a contribution in the future (2011-2013) to further approaching EU membership, have the following priorities:

Strengthen the Parliament's legislative and oversight role; complete essential steps in public administration reform; enhance media freedom and strengthen cooperation with civil society;

Strengthen rule of law; improve the anti-corruption legal framework and strengthen the fight against organised crime;

Implement effectively the *acquis* throughout the programme, and specifically through strengthening the administration capacity;

Prepare Montenegro for the management of Structural Funds for the future EU cohesion policy, namely the European Regional Fund and Cohesion Fund regarding the environmental and transport sectors (in the areas of railways and maritime) and the European Social Fund (in the areas of human resources development, ie. employment, education and social inclusion);

Strengthen the environmental administration including for EIAs, for the management of protected areas, for climate change and to identify sustainable funding for implementation;

Strengthen the administrative capacity in the sector of agriculture and rural development, including food safety, veterinary and phytosanitary issues, and focus preparations on setting up basic instruments and institutions for managing the CAP.

To achieve these priorities in the programming period 2011-2013, the Commission will focus its assistance on the following sectors: (1) Justice and home affairs; (2) Public administration reform; (3) Environment and Climate Change; (4) Transport; (5) Social Development; (6) Agriculture and rural development.

Preparations for IPA Component III will fall under the sectors environment and climate change, as well as transport, while for Component IV preparations for the Human Resources Development component are under the sector Social development. For Component V, agriculture and rural development, the preparation is carried out with the close involvement of AGRI. The joint work of Commission services has been very fruitful and will be a good basis for the implementation of the IPA programmes during the next years as well as with view to the future strategic definitions in the frame of the next IPA 2014-2020 preparations.

Other main line DGs which have a link with the national programming are ECFIN, MOVE, ENV, CLIMA, INFSO, EAC, HOME and JUST.

The progress report, the Commission Europe 2020 strategy on enlargement, the European Partnership, the national plan for integration to the EU, and other national strategies, have been the basis for the programming exercise. Ownership is progressively improving, alongside the understanding of the EU accession process. In addition, a needs assessment was carried out, based on the existing strategies, on the needs expressed by Government, on the conclusions of the sub-committees, on the shortcomings mentioned in the progress report and in the Opinion, on the SWOT analysis done for the draft Strategic Coherence Framework (SCF), and on the lessons learnt from past and on-going assistance. The EU Delegation also carried out a survey to identify the existing strategies or action plans in view of identifying priority sectors, as well as of programming IPA assistance for the next three years period.

Participants at the various donor coordination meetings outlined the sectors which they found to be priority areas for future financial assistance, such as environment, good governance or assistance to EU accession. Italy is supporting sustainable development and environment. Germany, through GTZ is assisting the employment sector through vocational education and economic development as well as in the tourism sector, energy efficiency, communal land management. Austria is involved in the education and tourism sector. IPA support will closely work with those donors. KfW is the biggest donor in the energy sector, financing investments in energy production, transmission and energy efficient measures both on the supply and on

the demand sides. Moreover KfW is financing water and waste water projects at the coast. With the World Bank, areas for potential close cooperation with IPA have been identified in the sectors of Agriculture and food safety; in energy efficiency and in education. EIB is investing in environment Northern region and in the railways sector, in close collaboration with IPA also. Donor coordination is crucial for the efficient use of scarce funds. The US and other bilateral donors are also closely supporting the CSOs.

Experience with the implementation of the first two components of IPA assistance and the evaluation carried out for CARDS projects in the fields of public administration, justice, liberty and security, and civil society led to strategic and operational recommendations which included: the need to better target project objectives; to improve the planning of operations; to increase the awareness on sustainability; to conduct functional needs assessments; to improve donor coordination; to improve project design and project preparation; to involve civil society in the programming steps, not only for social matters; to increase the monitoring of project implementation; to ensure that cross-cutting aspects lead to concrete impact; to ensure ownership by the beneficiaries and sufficient absorption capacity. Experience also showed that in the sectors of environment and transport, an adequate project pipeline and quality project preparation is essential to success; that competent and strong managerial capacities should be in place, at local and national levels.

In October 2009, the MIFF has been adopted, and these amounts are presented in Table 1. In November 2010 the revised MIFF for 2011-2013 was adopted without prejudging whether or not the Council would decide to grant candidate status to Montenegro.

Table 1: MIFF⁴⁰ allocations per component, in million EUR

Component	2010	2011	2012	2010-2012
I – Transition Assistance and Institution Building	29.24	29.84	30.45	89.53
II – Cross-border cooperation	4.28	4.31	4.34	12.93
TOTAL	33.52	34.15	34.79	102.46

In December 2010, Montenegro became a candidate country, and thus, the MIFF will have to be amended to take into account components III to V, however, only after the revision of the IPA Regulation allowing Montenegro to be moved from Annex II (pre-candidate countries) to Annex I (candidate countries). The amounts presented in Table 1.2 (here below contain slight changes.

7.2.2. Programming exercise

7.2.2.1. Component I

During the year, IPA 2010 national programme was finalised and adopted on 28 July 2010. It focuses on infrastructures (with a leverage effect on EIB loans) (35%), as this helps mitigating the impacts of the financial crisis and provides employment, in addition to developing the necessary infrastructure needs, through two large projects on railways rehabilitation and waste water treatment as well as grants for municipal small infrastructures. It also includes two new projects in the social sector, on gender equality and a large social inclusion one dealing with

⁴⁰ Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', COM(2009) 543 of 14.10.2009.

inclusive education, social welfare reform and child care. There are also several well needed projects in the main *acquis*-related areas.

No project was foreseen for civil society in 2010, as in 2009, a large programme of support for civil society project was launched as well as an ongoing one from 2007 going. The regional multi-country "civil society facility" was in place.

Per priority axis, the IPA 2010 national programme is clustered as follows:

- Political criteria. This includes support for local self government, as a continuation of the IPA 2008 project including grants for infrastructure; for strengthening the police; and pursues the fight against corruption through developing integrity framework in the public administration; in addition to creating the path towards gender equality.
- Economic criteria. This axis includes support for infrastructure (railways and environment); for reforms in the social area for an inclusive society; for environment through forestry projects and awareness campaigns; as well as for assisting the ministry of Information society.
- Ability to assume obligations of membership. This axis supports the implementation of *acquis* related activities in the areas of statistics, phytosanitary, construction norms, blood transfusion, market surveillance, as well as tax administration
- Participation in Community programmes, IPA facilitates the "entry ticket" for the 7th Framework programme in Research; Entrepreneurship & Innovation; Culture and Customs 2013.

Montenegro being a small country, coordination among donors is permanent. As presented in this report, to the extent possible, projects are designed to be implemented by an EU bilateral donor, or a UN agency, or as co-financing with an IFI, mainly EIB for 2010.

Some sectors are well covered by specific donors such as energy by KfW, private sector and education by the World Bank. In addition, most donors are assisting the country in fighting corruption and organised crime, and in good governance. Caution was taken during programming to ensure absorption capacity, as technical assistance is excess is counterproductive.

In addition, IPA national programmes take into account IPA multi-beneficiary programmes, which are also involved in infrastructures, energy efficiency, SMEs (through EFSE), and several networking projects in the sectors of JLS, statistics, environment, refugees, etc.

In Montenegro, the bulk of assistance goes to infrastructures in the environment sector such as solid waste management and waste water management. In the sector of transport, the assistance focuses on railway infrastructure. Both these sectors contribute directly to achieving EU policies in terms of environment and climate change. In addition, they are complementing EIB loans.

At the start of the programming process, all projects were, as usual, presented to the Commission by the beneficiaries themselves. During this year, it was clear that the needs were well-owned and stemmed from the sub-committees, the progress reports and other specific *acquis* needs. The Delegation continued to enjoy a very close relationship with civil society and NGOs participated in the needs identification for the IPA civil society project.

As a result of donor coordination and efficiency of the implementation, in 2010, one project (project 10: Capacity building in the forestry sector) is set-up to be implemented under Indirect Centralised Management, in accordance with Article 56.1 of the Financial Regulation through a delegation agreement with Lux Development. In addition, direct grants (for projects 4: Gender Equality, 8: Social welfare and child care system reform: enhancing social inclusion and 14: Implementation of the European Blood Transfusion System) are to be negotiated with UNDP, UNICEF and WHO (under Article 168.1.c Implementing Rules).

The programming of IPA 2010 funds took into account whenever possible the lessons learned programmes such as an improved use of conditionalities and of functional needs assessments of the institutions involved in the projects. However, the implementation of IPA projects was sometimes hindered by lack of ownership by the beneficiaries, the limited size and weakness of the public administration dealing with IPA related which are recurrent issues.

Programming for IPA 2011 has started early 2010, and was fairly advanced by the end of 2010. However, due to the late progress in the MIPDs 2011-2013, the programming was put on-hold. In addition, joint programming missions with line DGs to prepare for components III and IV were planned for early 2011.

The total amount allocated to Montenegro in the MIFF is EUR 29.24 million. An additional amount of EUR 600,000 has been added in order to start socio-economic activities at the border with Kosovo (CBC-type activities) instead of a CBC component II programme.

Table 2: Indicative financial allocations for the year 2010 per component, in million EUR

MONTENEGRO	2010
I. Transition Assistance and Institution Building⁴¹	29.84
Of which:	
National Programme	28.64
Tempus Programme*	1.20
II. Cross-Border Cooperation⁴²	4.84
Of which:	
CBC Albania Montenegro	0.60
CBC Croatia Montenegro	0.50
CBC Bosnia and Herzegovina Montenegro	0.60
CBC Serbia Montenegro	0.60
CBC with Adriatic Programme	1.38
Participation in ERDF transnational programmes (SEE and MED)	1.16
TOTAL	34.68

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

⁴¹ The difference of EUR 0.6 million compared to Table 1 is due to a transfer from Component II (originally allocated to a CBC with Kosovo)

⁴² The difference of EUR 0.56 million compared to Table 1 is due to additional transfers to reinforce CBC with Adriatic Programme / Participation in ERDF transnational programmes (SEE and MED)

Table 3: Indicative financial allocations for the year 2010 under the National Programme, per priority axis and per project, in million EUR

Priority axes/projects		Budget
Political criteria		6.70
	Strengthening the police directorate in integrated border management, criminal intelligence and the fight against drugs	1.80
	Support the implementation of the anti corruption strategy and action plan	0.70
	Support to Local Self-Government for implementing the National Training Strategy (NTS) and provision of grants to municipalities)	3.50
	Gender Equality	0.70
Economic Criteria		13.25
	Major rehabilitation of the main Railway line Bar–Vrbnica (Miatovo Kolo-Mojkovac) section	5.00
	Upgrading the Pljevlja waste water treatment system)	3.50
	Raising environmental awareness	0.50
	Social welfare and child care system reform: enhancing social inclusion	3.00
	Strengthening administrative capacities in information society	0.50
	Support for capacity building in the forestry sector	0.75
Ability to assume obligations of membership		5.60
	Improving Statistical information system	1.20
	Strengthening of the Phytosanitary Directorate	0.70
	Achieving highest safety and technical quality of construction	0.70
	Implementation of the European Blood Transfusion System	1.80
	Consumer protection and market surveillance	0.70
	Upgrading IT capacity of the Tax Administration	0.50
Supporting programmes		0.32
	Community programmes	0.32
Support activities		2.77
	TA&PPF	2.02
	Support Measures Facility (SMF)	0.75
Total		28.64

7.2.2.2. Component II

For programmes at borders with candidate countries/potential candidates, the Montenegrin Operating Structures focused on reinforcing the capacity of their staff and that of the Joint Technical Secretariats working for the programmes where Montenegro is a participating country. For this capacity building effort, the assistance of the regional project “CBIB II” was instrumental, as well as the signature of four grant contracts (March 2010), directly awarded to the Ministry of European Integration as technical assistance for the programmes with its four neighbours (Albania, Bosnia and Herzegovina, Croatia and Serbia).

The evaluation of the four calls for proposals launched in 2009 under the CBC programmes with these neighbours was successfully concluded and most of the contracts were signed by the end of 2010. The last two contracts in relation to the participation of Montenegrin operators in the ERDF-SEE transnational programme were concluded by May 2010.

The second call under the CBC programme with Albania was published in June 2010 including the allocations 2008-2009. By the deadline, the number of applications received was a 50% greater than in the first call published just one year before, which indicates a growing interest in the scheme thanks to the measures taken to promote the visibility of the programme and the capacity of the potential applicants under the aforementioned TA contract supporting the implementation of this programme.

Finally, during the fall of 2010, the CBC programme document for the new CBC programme Kosovo – Montenegro was drafted and approved by the Operating Structures.

The programme Albania – Montenegro seeks to promote cooperation between people, communities and institutions on the bordering areas, aiming at sustainable development, stability and prosperity in the mutual interest of citizens of the two countries. They specifically target the promotion of economic development through the improvement of tourism and cultural potentials; the advancement in the protection, promotion and management of sensitive ecosystems and sustainable environmental development; and the furtherance of citizens cooperation and partnership building across the border.

The main priority of the programme Bosnia & Herzegovina – Montenegro consists of fostering the sustainable development of the cross-border area, its economic, cultural, natural and human resources and potentials by strengthening the local capacities and common institutional networks among local communities and other relevant actors.

The overall objective of the Croatia - Montenegro programme is to improve the quality of life in the cross-border area by (a) establishing cooperation between institutions in charge of environment protection, as well as cultural heritage protection; by (b) creating recognizable tourist products based on the natural and cultural assets of the programme area and re-establish social and cultural connections; and by (c) enhancing cooperation between institutions, citizens and civic organizations in order to boost community development and improve neighbourhood relations.

The Serbia – Montenegro programme revolves around five main priorities, to wit: (a) strengthening the incentives for SME development in the border areas; (b) development of tourism as a key sector of the border economy; (c) promotion of cross-border business cooperation and accessibility to markets; (d) preservation of the high quality of the border area environment as an economic resource; and (e) strengthening cross-border ‘people-to-people’ interaction to reinforce ethnic, educational, cultural and sporting links.

The regional Adriatic IPA Cross-border programme includes maritime areas in three Member States (Greece, Italy and Slovenia) and several IPA countries Croatia (HR), Bosnia & Herzegovina (BiH), Montenegro (MNE) & Albania (AL) and seeks to strengthen sustainable development capabilities of the Adriatic region through a concerted strategy of action between the partners of the eligible territories emphasising research and innovation, promotion and protection of natural and cultural resources, and the integration and extension of the existing infrastructure network.

The two ERDF-South East Europe and Mediterranean trans-national programmes enable the participation of Montenegrin partners with partners from many EU Member States in joint transnational cooperation activities and make possible the familiarisation of Montenegrin partners with territorial cooperation programmes under the EU structural funds. The main areas of cooperation are innovation, environment, accessibility and sustainable urban/rural

development.

7.3. Implementation of assistance

7.3.1. IPA

7.3.1.1. Success stories

Construction of Podgorica Eastern by-pass, Section 4 (IPA 2007 EUR 4 million)

This project has contributed to the economic growth of Montenegro by improving the efficiency, effectiveness and safety of its transport network. Rehabilitation of roads is key not only to integrating Montenegro into regional trade and tourism networks but also to improve traffic flows and safety measures in line with EU standards. The completion in 2010 of the construction of Section 4 of the Podgorica by-pass has had a significant impact on passengers and goods transport in Montenegro by considerably reducing the time taken to transit the capital city. In addition the new by-pass has led to a significant reduction of circulation and pollution in Podgorica itself. The total construction comprised a length of highway of 2.4 km, comprising dual carriageways, central median, pedestrian footpaths, and ancillary works and the provision of two railway under-passes. The main beneficiary was the Ministry of Transport.

Juvenile Justice System Reform (IPA 2008 Direct grant to UNICEF EUR 500,000)

The main achievement of this project has been to harmonise Juvenile Justice Policy and the Legislative Framework with internationally recognized standards of protection of the rights of children in conflict with law. The Draft Law on Juvenile Justice has now been prepared and is in the process of adoption. Under this law, the focus is on education rather than punishment for juveniles in conflict with the law with imprisonment used only as a last resort. Additional achievements included improvements to the Juvenile Justice database and capacity building for over 200 professionals, judges, prosecutors, police officers, social workers, psychologists and staff within responsible departments to deal with juvenile justice. The main beneficiaries were the judiciary and Ministry of Justice.

National Qualification Framework (NQF) and Quality Assurance in Education (IPA 2007 EUR 1.5 million)

This project has helped to further policy and institutional reforms in education and training as part of Montenegro's effort to engage with the wider European Union education developments. The main achievement included the adoption by the Parliament of Montenegro in December 2010 of the Law on a National Qualification Framework. In September 2010, Pilot Sector Commissions for Qualifications were established for the sectors of Tourism, Trade and Hospitality, Construction and Architecture; Agriculture, Forestry, Food processing and Veterinary. In addition a Communication and Public Relations strategy was adopted to guide the work on awareness rising on the Montenegrin Qualification Framework over a five year period. The main beneficiary was the Ministry of Education and Science.

Fight against organised crime and corruption (IPA 2008 Twinning EUR 1.2 million)

The main achievements of this project included strengthened inter-agency cooperation in the fight against organised crime, corruption and money laundering including the establishment and implementation of both a surveillance system to obtain evidence on organised crime and

an anti-money laundering database. Public campaigns on anti-corruption were organised and an integrity plan and website was established for the Directorate for Anti-corruption Initiative (DACI). Main beneficiaries of the project were the Police Directorate, Ministry of Interior, Police Academy, Administration for the Prevention of Money Laundering and DACI.

Support to Transformation of Radio and Television of Montenegro into a Public Service Broadcaster – supply of digital equipment (IPA 2008 EUR 1.2million)

This project has contributed to establishing an independent and effective Montenegrin public broadcasting service as befits an open and democratic society. The beneficiary is Radio Television of Montenegro (RTCG). The main achievements have been the provision of a modern computerised newsroom in order to strengthen the independence and effectiveness of the Montenegrin public broadcaster RTCG to provide better quality news and other public service programming. The project also aimed at enhancing the knowledge and skills of RTCG staff to effectively use the new digital workflow technology in television programme production. The actual benefit to citizens will materialize after the digital switchover.

Comprehensive support to refugees and displaced persons (IPA 2008 Grant EUR 1.5 million)

The overall objective of the project was to contribute to resolving the issues of refugees and displaced persons as outlined in the Montenegro's National Strategy. Finding durable solutions for refugees and displaced people in Montenegro is also a priority identified by the Commission for action before Montenegro can begin accession talks. The main achievements of this project, which was implemented by the German NGO "HELP", included providing over 400 people with secure and appropriate housing, supporting over 230 income generation schemes, providing 230 people with specialised training, conducting cross border information activities with 1159 participants and facilitating return of 50 displaced families to Kosovo. In addition to these 2100 direct beneficiaries assisted by the project the institutional beneficiaries were Bureau for Care of Refugees, Ministry of Social Welfare, Local Governments and communities in Montenegro and Kosovo.

Institution building highlights

Strengthening the regulatory and supervisory capacity of the financial regulators (IPA 2008 Twinning EUR 1.2 million)

This project has helped to create the conditions for long-term economic stability and growth in Montenegro by strengthening the regulatory and supervisory framework of the capital and financial markets in line with EU *acquis*. In this respect, one of the key successes has been the adoption by the Parliament of Montenegro in July 2010 of the Law for the Financial Stability Council and the approval by the Government of the Law of Prevention of Money Laundering and Financing of Terrorism. A draft of the Montenegrin Law on Financial Collateral Arrangements has also been prepared and a Plan of Action for the implementation of Basel II in the banking sector has been adopted by CBM Governing Board. In addition a Consumers' Awareness and Financial Education Strategy was prepared and adopted by SEC Management Board and the capacity of financial institutions has been strengthened through training in EU financial stability issues. Three inspection programmes for anti-money laundering and against financing of terrorism have also been established. The main beneficiaries were the Central Bank of Montenegro (CBM), Securities and Exchange Commission (SEC) and Insurance Supervision Agency (ISA).

Further development and strengthening of the public procurement system (IPA2007 EUR 1.3 million)

One of the main achievements of this project has been the drafting of a New Public Procurement law which is now in the process of adoption and will help to ensure full harmonisation with the EU *acquis* and international best practice. The project has also strengthened the capacity of the Public Procurement Directorate to implement its functions through training of 786 procurement officers and through establishing an IT system for publication of public procurement notices. A public awareness campaign on the benefits and principles of public procurement has also been implemented. The main beneficiary is the Directorate for Public Procurement

Technical Assistance for implementation of Energy Community Treaty (IPA 2007 EUR 1.5million)

This project has helped to develop and implement energy sector policies that will ensure the implementation of Montenegro's commitments under the Energy Community Treaty, including the implementation of the Regional Energy Market. The key achievement has been the adoption by the Parliament of Montenegro in April 2010 of the Law on Energy and the Law on Energy Efficiency. A further achievement in December 2010 was the adoption by the Government of Montenegro of their first Energy Efficiency Action Plan. The main beneficiaries were the Ministry of Economic Development and the Energy Regulatory Agency.

7.3.1.2. Overview of IPA implementation in 2010

2010 was successful so far in terms of implementation of IPA projects in Montenegro.

Year	Commitments (million EUR)	Disbursements (million EUR)
2008	11.5	3.5
2009	15.6	12.0
2010	39.3	28.4

In 2010 the EU Delegation committed 2.5 times the amount committed in 2009 and 3.4 times the committed amount of 2008. During the same year EU Delegation disbursed 2.4 times the amount paid in 2009 and 8.1 times the amount disbursed in 2008. Overall the Delegation committed a total of EUR 39.3 million. Indeed, in 2008, commitments amounted to EUR 11.5 million, and disbursed EUR 3.5 million; while in 2009, respectively EUR 15.6 million and EUR 12 million, and in 2010, respectively EUR 39.3 million and EUR 28.4 million.

Component I: Transition Assistance and Institution Building

Table 4: Status of implementation of IPA financial assistance (Component I) as at 31st December 2010 (in million EUR) per annual programme

	Committed	Contracted	% Contracted	Paid	% Paid
IPA 2007	23.87	23.65	99.08%	16.91	70.84%
IPA 2008	26.80	23.37	87.20%	11.18	41.72%
IPA 2009*	28.43	12.56	44.18%	4.67	16.43%
IPA 2010	28.64	4.25	14.84%	1.94	6.77%
TOTAL	107.74	63.83	59.24%	34.7	32.21%

*Including EUR 1.2 million for a separate Rural Roads project

Table 5: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2010 allocations
Political criteria	24.49%
<i>(of which civil society)</i>	3%
Economic criteria	38.25%
Ability to assume membership obligations	29.55%
Support programmes	7.71%
TOTAL	100%

Several contracts have been closed in 2010: 12 out of the IPA 2007 programme, 3 out of IPA 2008 and 2 out of IPA 2009, for amounts of respectively EUR 2.18 million, 0 EUR .12 million, and EUR 0.13 million.

Component II: Cross-border Cooperation

The complex architecture (dual managing structures; dual operational structures, Joint Monitoring Committees (JMC) and Joint Technical Secretariats) has led to considerable delays in contracting CBC funds.

Only in the last three months of 2010 was progress made. By the end of 2010 the EUD had signed all contracts stemming from the evaluation of the first calls for proposal under priority 1 (regional cohesion) under the Albania-Montenegro, Bosnia and Herzegovina-Montenegro, Croatia-Montenegro and Serbia-Montenegro CBC programmes respectively. [This represents 24 contracts under the CBC 2007 allocation, 7 under CBC 2008 allocation, 7 under both CBC 2007 and 2008 allocation and 4 under the transnational programmes allocation 2007.] The 2007 allocations for Bosnia and Herzegovina-Montenegro, Croatia-Montenegro and Serbia-Montenegro programmes have been fully committed. The Joint Monitoring Committee (JMC) of the Albania-Montenegro programme submitted in late December a strategic project for the use of residual funds of the 2007 Albania-Montenegro allocation. The uncommitted funds from the 2008 allocations for the Bosnia and Herzegovina-Montenegro, Croatia-Montenegro and Serbia-Montenegro programmes will be used in the second calls for proposals to be published in Q1 2011.

Tables 6: Status of implementation of IPA financial assistance (Component II) as at 31st December 2010 (in million EUR) per annual programme⁴³

	Committed	Paid	% Paid
IPA 2007-2010	17.91	2.13	11.89%

Out of which, the breakdown for the intra-Western Balkans CBC Programmes and the ERDF Transnational Programmes (South-East Europe and Mediterranean) is:

	Committed	Contracted	% Contracted	Paid	% Paid
IPA 2007	3.18	2.50	78.62%	1.63	51.26%
IPA 2008	3.25	0.93	28.62%	0.50	15.38%
IPA 2009	3.31	0	0%	0	0%
IPA 2010	3.40	0	0%	0	0%
TOTAL	13.20	3.43	25.98%	2.13	16.14%

Table 7: and distribution of total committed funds (2007-2010 allocations)

Priority Axes	% of 2007-2010 allocations
CBC with Member States	-
CBC within Western Balkans	80.00%
Participation to ERDF Transnational Programmes	20.00%
TOTAL	100%

7.3.1.3. Implementation Modalities and Structures

With view to decentralisation in the management of EU funds, in 2010 Montenegro completed Stage 1 and progressed to Stage 2 (gap plugging) as regards Component I and II while for the other Components Montenegro remained in Stage 0. Five IPA projects were dedicated to preparing the systems for decentralised management – 1 project for components I and II, upon the results of which a bigger project for Components I-IV was launched in Q4 of 2010, 1 service contract for the preparation of the Operational Programmes and the Strategic Coherence Framework for Components III and IV, 1 twinning contract for Component V and 1 project for the establishment of the Audit Authority. As a consequence, 2010 has shown a progress in strengthening the capacity of the National Authorising Officer (NAO) and the National Fund: a head of the National Fund was appointed and the staff was increased; the NAO has taken over the role of a general manager of the decentralisation process for all five components; the practice of regular three-monthly reports by the NAO to the EC was established. The capacity of the Central Financing and Contracting Unit and the Programme Authorising Officer were strengthened significantly as well. An Audit Authority was formally established within the State Audit Institution as a temporary host until the end of 2011. It employs 5 persons, has its own premises and relative budget independence. Following the changes in the Government at the end of 2010, a new National IPA Coordinator and Competent Accrediting Officer were appointed.

⁴³ Figures include IPA Adriatic

7.3.2. CARDS

7.3.2.1. Sectors with positive results/ Success stories

All CARDS projects ended in 2010.

7.3.2.2. Management performance

Table 8: Status of financial assistance at the end of December 2010 (in million EUR) – CARDS annual programmes⁴⁴

	Allocated	Contracted	% Contracted	Paid	% Paid
CARDS 2001	16.30	16.30	100%	16.30	100%
CARDS 2002	12.00	11.50	95.83%	11.50	95.83%
CARDS 2003	12.00	11.89	99.08%	11.89	99.08%
CARDS 2004	16.76	16.34	97.49%	16.34	97.49%
CARDS 2005	23.12	20.22	87.46%	20.18	87.28%
CARDS 2006	20.71	19.40	93.67%	19.40	93.67%
Total	100.89	95.65	94.81%	95.61	94.77%

7.3.2.3. Joint Monitoring

The IPA Monitoring Committee took place on 4 June afternoon in Budva.

The main findings of the meeting can be summarised as follows:

- It was agreed by all participants that the administration lacks absorption capacity; one of the immediate solutions could be the reduction of the number of projects and contracts i.e. the financing of large infrastructure projects for IPA 2011 and 2012
- Co-financing is sometimes an issue, therefore close monitoring by NIPAC will be established from June 2010 onwards.
- Office space is a main issue; thus each beneficiary with such a problem should find a solution, and any potential beneficiary without sufficient office space should refrain to request an IPA project. NIPAC shall monitor this closely.
- Coordination and communication is an issue when a project has several beneficiaries. NIPAC shall improve monitoring of projects, and efforts in inter ministerial coordination should be done.
- EU accession requires high numbers of staff, in such a small country; this is a real issue in the public administration not only in terms of number but also in terms of qualification and English speaking. Stakeholders (donors and beneficiaries) shall ensure reasonable requirements / recruitment, in terms of staff for project management and wise selection. Donor coordination could also contribute to improve this.
- The role of twinning is sometimes not fully understood and should not be underestimated. Indeed, technical assistance is not always the best option for institution building in the fields of the *Acquis*; in addition, twinning partners should be carefully

⁴⁴

Figures include only Annual Action Programmes, while not including other programmes managed centrally, such as Customs and Taxation, or the running costs for the European Agency for Reconstruction

selected. In the future IPA programmes will consider "twinning-lights" as much as possible.

- Official donor coordination should imperatively improve and NIPAC or Office of the deputy PM will ensure this.
- Motivation is sometimes lacking, due to low wages. This is a widespread issue which unfortunately this IPA monitoring committee cannot address.

In the course of 2010, mitigation measures were established for several of the issues mentioned; for example, the set-up of a donor coordination office within the Prime minister's office.

8. SERBIA

8.1. Summary

Programming of EU assistance during 2010 included finalisation and approval of the IPA 2010 programme and the start of programming of the IPA 2011 programme. The elaboration of the IPA 2010 programme was shorter compared to the previous ones. One key reason was the fact that there was a substantial increase in both ownership and capacities of national bodies responsible for the IPA programming process, following the technical assistance support provided by the EU during the previous year. As a consequence the Financing Decision for the IPA 2010 programme was adopted on 12 April 2010 and the Financing Agreement between the European Commission and the Republic of Serbia was signed on 25 May 2010. The gradual move to sector based approach started during 2010 and had an impact on programming of IPA 2011. Especially the setting up of sectoral working groups by Serbian authorities further improved ownership and coordination both internally and with donors. The sectoral working groups will also help to further improve inter-institutional coordination.

The targets for contracting and disbursement for 2010 were established in December 2009 and foresaw EUR 200 million for contracting and EUR 184 million for disbursement in 2010. These targets for 2010 were exceeded by EUR 2.9 million (1.45%) for contracting and EUR 4.5 million (2.44%) for disbursement. On average, this performance represents an increase of 43% in contracting compared with 2009 (excluding budget support).

In terms of implementation, the EU Delegation in Belgrade was managing a portfolio of ongoing projects amounting to EUR 606 million by the end of 2010, encompassing 7 annual programmes. In order to reach these high contracting and disbursement rates increased cooperation with National Authorities at Central and Municipal level was essential, as was the prominent role played by the Delegation in the coordination of all donors and International Financial Institutions (IFIs). Project implementation was assessed through a formal, external monitoring mechanism, which complemented the Delegation's internal monitoring of projects. During 2010 the external monitoring mechanism covered 108 projects for an amount of approximately EUR 243.6 million and noting that the average performance of projects was "good" (a rating of 3.04 out of 5).

8.2. Strategic planning and programming

8.2.1. Multi-annual Indicative Planning Document

The Government of Serbia, local stakeholders, the EU Member States, and other donors have all been consulted in the design for the Multi-annual Indicative Planning Document (MIPD) for the period 2011-13. The following priorities, which are in line with the EU strategic framework and the EU Enlargement strategy, have been identified for IPA support: (1) Strengthening the rule of law and public administration; (2) Overcoming the economic crisis and improving competitiveness; and, (3) Social inclusion and reconciliation.

To achieve the priorities selected for support in the programming period 2011-2013, the European Commission will primarily focus EU assistance on the following sectors:

- (1) Justice and home affairs;
- (2) Public administration reform;
- (3) Social development;

- (4) Private sector development;
- (5) Transport;
- (6) Environment, climate change and energy; and,
- (7) Agriculture and rural development.

The consultation and coordination mechanisms that were established at the beginning of 2009 functioned well in 2010 and were instrumental in planning the priority sectors for MIPD 2011-13. These mechanisms consisted of monthly EU donor meetings and two-monthly Informal Donor Group (IDG) meetings. In the monthly EU-27 assistance meetings chaired by the Delegation, information was also shared about the ongoing and planned activities of each Member State. In each meeting, a presentation of a specific sector was made, followed by an exchange of views and information on the sector. IDG meetings were co-chaired by the Delegation and the World Bank and gathered all the main donors in Serbia in order to share information about respective activities and to discuss related issues.

Table 1: MIFF⁴⁵ allocations per component, in million EUR

Component	2010	2011	2012	2010-2012
I – Transition Assistance and Institution Building	186.20	189.96	193.80	569.96
II – Cross-border cooperation	11.75	11.92	12.10	35.77
TOTAL	197.95	201.88	205.90	605.73

8.2.2. *Programming exercise*

8.2.2.1. Component I

The programming activity during 2010 included finalisation and approval of the IPA 2010 programme and start of programming of IPA 2011 programme. The Financing Decision for IPA 2010 programme was adopted on 12 April 2010 and the Financing Agreement signed on 25 May 2010 by the European Commission and the Republic of Serbia. The 2010 IPA programme under Component I included 27 projects which were selected in line with the priorities identified in the MIPD for 2009-2011. The distribution under Component I by priority axis was the following: 31% Political criteria (7 projects), 43% Socio-economic criteria (9 projects), 25% Ability to assume obligations of membership (10 projects), and 1% Supporting activities (1 project).

The programming of IPA 2010 took into account the various lessons learned from previous CARDS and IPA programming exercises. Assistance had to complement and be consistent with development and action plans of implementing institutions. Particular attention was paid for the preparedness and maturity of the selected projects, absorption capacity and past achievement records of implementing institutions. A very important aspect that contributed to efficient programming of IPA 2010 programme was a clear increase in ownership of national bodies responsible for the IPA programming process, following the technical assistance support provided by the EU during the past year.

The programming of IPA 2011 started at the beginning of 2010 with a first meeting organised by Serbia's National IPA Coordinator (NIPAC), where the objectives for the new programme

⁴⁵ Communication from the Commission to the European Parliament and the Council 'Instrument for Pre-Accession Assistance (IPA) Revised Multi-Annual Indicative Financial Framework for 2011-2013', COM(2009) 543 of 14.10.2009

were identified. As the national programme for IPA 2011 was prepared simultaneously with preparation of the MIPD for 2011-2013, the programme fully reflects the sectoral priorities of the new MIPD and takes into account the EU Strategy for the Danube Region and the Europe 2020 Strategy. Several rounds of consultations were organised between the Commission and the Serbian authorities, as well as with the EU Member States, other donors and local stakeholders.

IPA 2011 programming was positively affected by the gradual move to sector approach during 2010. Under the leadership of the NIPAC office the inter-institutional sectoral working groups were established. The working groups started to meet on a regular basis to discuss programming and implementation of financial assistance. The preparation of the needs assessment document for international financial assistance for 2011-13 and regular meetings of the sectoral working groups enhanced ownership over IPA programming. The sectoral working groups were also a positive step towards better inter-institutional coordination, and is expected to positively effect implementation of IPA programmes in the future. Furthermore, consultation of civil society organisations and donors are organised for each sectoral working group, thus improving the overall strategic and coordinated approach.

Table 2: Indicative financial allocations for the year 2010 per component, in million EUR

SERBIA	2010
I. Transition Assistance and Institution Building	186.8⁴⁶
Of which:	
National Programme	174.8
Tempus Programme*	7.0
Nuclear Safety Programme*	5.0
II. Cross-Border Cooperation	12.2⁴⁷
Of which:	
CBC Serbia – Croatia	1.0
CBC Serbia - BiH	1.0
CBC Serbia - Montenegro	0.6
CBC Serbia - Hungary	2.5
CBC Serbia - Romania	3.0
CBC Serbia - Bulgaria	2.4
CBC IPA Adriatic	0.6
Serbia's participation in ERDF transnational Programmes "South East Europe" and "Mediterranean"***	1.1
TOTAL	199.00

* The Nuclear Safety and Tempus Programmes are coordinated and implemented under the relevant Multi-beneficiary IPA 2010 programme.

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

⁴⁶ The difference with Table 1 is explained by the fact that EUR 600,000 were reallocated from Component II to Component I

⁴⁷ As above. Moreover, additional EUR 1.1 million were allocated to the ERDF transnational programmes

Table 3: Indicative financial allocations for the year 2010 under the National Programme, per priority axis and per project, in million EUR

8.2.2.2. Component II

Priority Axis	Projects	Budget
Political Criteria		54.1
	Support for the implementation of Public Administration reform process	6.5
	Support to the preparation for IPA component III	5.0
	Municipal Infrastructure Support programme MISP 2010	31.1
	Support for the Ministry of Finance- treasury administration capacity building	2.0
	Project Against money laundering and terrorism financing in Serbia	2.0
	Further alignment of the penal system with EU standards and strengthening alternative sanction system	5.5
	Support to Civil society	2.0
Economic Criteria		75.9
	Higher Education teaching infrastructure programme	25.0
	European South and South west Serbian Support Programme	14.1
	Development of palliative care services in the Republic in Serbia	3.5
	Implementation of strategy for fight against drugs – supply reduction component	4.0
	Integrated innovation support programme	3.0
	Removal of UXO from Danube river	3.8
	Preparation of the necessary documentation for river training and dredging works on selected locations along the Danube river	2.0
	Supervision of road construction works on the corridor X	10.0
	Assistance to the digital broadcasting switchover in Serbia	10.5
Ability to assume the obligations of membership		42.8
	Capacity building of institutions involve in migration management and reintegration of returnees in the Republic in Serbia	1.8
	Establishment of efficient system for prevention and suppression of illegal migrations on the territory of the Republic of Serbia	5.0
	PF code nr and project Title Strengthening of the Serbian market surveillance system for non-food and food products	2.5
	Institutional and capacity building and support to agriculture and rural development in Serbia	2.8
	Establishment of the Serbian farm accountancy data network	2.2
	Equipment and courier service supply and capacity building of Serbian National Referent Laboratories in food chain	6.5
	Strengthening the Serbian environmental inspectorate and relevant stakeholders	2.5
	Follow up technical Assistance to Srbijagas	1.5
	Construction of substations 400/110Kv Vranje4 and Leskovac2	15.5
	Implementation of Energy component of the National strategy for sustainable development	2.5
Supporting programmes		2.0
	Project Preparation facility	2.0
TOTAL		174.8

Serbia is actively participating in three Cross-Border Cooperation Programmes (CBCs) with the EU Member States Bulgaria, Hungary and Romania, as well as in three CBCs with neighbouring countries Croatia, Bosnia and Herzegovina, and Montenegro.

The main objectives of this component were: i) to support cross-border economic, social and environmental cooperation; ii) to foster socio-economic development of border regions; iii) to address common challenges in fields such as environment, natural and cultural heritage; iv) public health; v) to prevent of and the fight against organised crime; iv) to promote joint small scale local actions ("people-to-people") with a view to encourage contacts; vi) communication and cooperation between local communities and institutions across the borders; vii) to support accessibility, networks as well as emergency preparedness, particularly in relation to flood prevention and control; and, viii) to address cross-border pollution, food safety and health issues.

All mentioned programmes were in an advanced stage of implementation over the reporting period. Following the establishment of the appropriate institutional and legal frameworks, all authorities and bodies foreseen by the applicable rules were created and appropriate implementation capacities were developed.

During 2010, the institutional setup for the management of Component II was reorganised with the aim of streamlining it in preparation for a Decentralised Implementation System (DIS). The body in charge of programming and monitoring; the "CBC Unit", was functionally and logistically separated from the "implementation body" (whose functions were attributed to the Ministry of Finance's Central Finance and Contracting Unit).

IPA Component II also supported the participation of Serbia in two Transnational Cross-Border Programmes: the South East Europe Programme (SEE) and the Adriatic Programme, although participation in the latter was on a phasing-out basis, and was limited to the participation of Serbian research, cultural and university institutions.

With a view to integrate IPA and the ERDF funds under the direct responsibility of the Managing Authority, the SEE programme underwent important revisions during 2010. Technical details on the institutional reshaping of the programme were discussed with the management structure of the Programme. The modified draft Operational Programme was submitted to the European Commission in November 2010. The overall management of the programme should, as a result, be greatly simplified with a corresponding reduction in timings and administrative costs.

8.3. Implementation of assistance

8.3.1. IPA

8.3.1.1. Success stories

Environment and Spatial Planning

Air quality is a problem in Serbia as in many transition economies, having a negative impact on public health, flora and fauna, and even the neighboring countries. A twinning project "*Strengthening Administrative Capacities for Implementation of Air Quality Management System*" twinning project (IPA 2007, EUR 1 million) with the Czech Republic and Germany was under implementation in 2010. The project was based on the results of the CARDS project, which included an investment of nearly EUR 3 million for establishment of a national

automatic air quality monitoring network. The project helped Serbia to substantially complete the legislative alignment with the EU air protection legislation. Based on the data generated amongst others by the new EU-funded air quality monitoring network, it also supported with Serbia's first preliminary air quality assessment by helping to distinguish between areas where air quality is good, where air quality is poor and where measures for air quality improvement are required.

The twinning project has had an impact on the definition of concrete measures for the improvement of air quality. The Serbian municipal administrations are now developing on pilot basis Cleaner Air Plans with short-, medium- and long-term measures for Serbia's most problematic agglomerations, i.e. Belgrade, Niš and Bor, where a mix between an overegged vehicle fleet, poor fuel standards and location specific industries are the principle sources of air pollution. The identified measures are various, including for example legislative changes and restricted accesses of old vehicles to city centres. Furthermore there is more transparency about air quality problems due to the air quality database, which is accessible to general public.

Health sector

In 2010 the "*Support to the Health Care Accreditation Agency*" technical assistance project (IPA 2007, EUR 1.5 million) provided support both with development of the Public Agency for Accreditation of Health Care Institutions and with the design and testing of the Agency's accreditation process for Serbian health care institutions. The project has had an impact on Serbia's health care reform programme by improving the role and the functioning of the Agency. The Agency is now in a position to develop certification mechanisms, which will improve the overall healthcare sector in Serbia. This project also assisted in further developing and defining the culture of health care quality and the role of patients and medical professionals in quality assurance. A wider, long-term impact relates to the increased trust of health care service users in quality and patient safety.

Local government

In 2010, the 3-year project '*Strengthening Local Self Government in Serbia*' (IPA 2007, EUR 2 million) entered its second phase. The project was implemented by the Council of Europe. It supports Serbia to develop a legal framework for decentralisation and local government capacity building. The second phase built on the achievements of the first phase (completed in 2008) and supported a further elaboration of the decentralisation strategy and the implementation of institutional and legal reforms in Serbian local government.

The '*EXCHANGE 3 programme*' (IPA 2007, EUR 11,9 million) supports local self-governments in implementing projects identified in their strategic plans and local economic development plans. Exchanges between EU and Serbian municipalities were financed on a project basis through two calls for proposals. More than 30 projects were financed in a variety of sectors such as inclusive governance, education, employment, rural development, economic development, tourism development and environmental protection. The programme strengthened core financial management capacity in local self governments, improved HR management for local governments and contributed to the finalisation and implementation of the national local self-government training strategy. It also supported the integrated process of programming in the area of local government and community development.

The *Municipal Infrastructure Support Programme* (MISP) (EUR 2.4 million) provided technical assistance in three areas: the Public Utilities Companies (PUC) transformation strategy; programming and project preparation; and, to construction implementation through supervision services and institutional building of relevant local services. In addition to the technical assistance, EUR 35 million has been allocated for capital investment in municipal infrastructure projects, of which three started in 2010, focusing on regional water supply (EUR 7.2 million), regional wastewater treatment (EUR 9 million) and solid waste management (EUR 4.5 million).

Transport and Infrastructure

In 2010 a number of important projects were implemented in the transport sector. The main project " *Žeželj Bridge – Rebuilding Serbian infrastructure*" (IPA 2009, EUR 30 million) started. This is an important project with the purpose to build the new Žeželj Bridge and the associated connecting infrastructure. The project aims to restore full road and rail traffic across the Danube in Novi Sad and has a wide impact both in Serbia, neighbouring countries and Europe, as Novi Sad is located on the international 'Corridor X', the transport artery connecting Central and South East Europe. A project "*Implementation of the European Common Aviation Area*" " (IPA 2007, EUR 2 million) with both technical assistance and supply components, was under implementation in 2010. Technical assistance provided support in safety, security, air traffic management and airport management, resulting in adoption of a new Aviation Law. The project results include, among others full opening of Serbian skies for foreign carriers, adoption of a State Safety Programme (SSP), large-scale training programme of expert staff (1,275 student days) and delivery of critical security equipment for training and for usage on airports. The project has improved both quality of work of air traffic authorities and safety of air travelers.

8.3.1.2. Overview of IPA implementation in 2010

Component I: Transition Assistance and Institution Building

Table 4: Status of implementation of IPA financial assistance (Component I) as of 31 December 2010 (in million EUR) per annual programme

	Committed	Contracted	% Contracted	Paid	% Paid
IPA 2007	164.84	133.53	81.01%	80.86	49.05%
IPA 2008	168.64	90.02	53.38%	37.15	22.03%
IPA 2009	170.55	106.67	62.54%	102.83	60.29%
IPA 2010	174.81	20.21	11.56%	4.92	2.81%
TOTAL	678.84	350.43	51.62%	225.76	33.26%

Table 5: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2010 allocations
Political criteria	38%
(of which civil society)	1%
Economic criteria	35%
Ability to assume membership obligations	24%
Support programmes	3%
TOTAL	100%

For the IPA 2008, 2009 and 2010 programmes, the deadline for contracting is in the first half of 2012. The early signature of the Financing Agreements for the IPA 2009 and IPA 2010 programmes, on 10 February and 25 May 2010 respectively, allowed a timely implementation of both programmes. As a consequence, out of IPA 2009 and 2010 programmes, contracts worth EUR 97.7 million were signed by the end of 2010. This is an important improvement and reduced considerably time between project design and project implementation.

According to the external monitoring of projects covering 108 projects in 2010 for an amount of approximately EUR 243.6 million, the average performance was "good"; a rating 3.04 out of 5. This is a weighted average of each project, comparing: relevance and quality of design, efficiency, effectiveness, impact and sustainability. This close follow-up and assessment through a formal, external monitoring mechanism has complemented the internal monitoring carried out by task managers.

Over the course of 2010, SIGMA (Support for Improvement in Governance and Management) completed its assistance for the development of a new administrative legal framework, aligned with democratic principles and standards, as practiced by EU Member States. Furthermore, the assistance to the Ministry of Finance in promoting and establishing a Coordination and Harmonisation Unit (CHU) was completed in April 2010. Between March and June, the authorities responsible for EU integration and for public finance explored together the possibilities of implementing cutbacks while preserving priorities ("rational decremental budgeting"). Mid-2010, SIGMA started a mission on assistance in concession and the introduction of Public Private Partnerships in Serbia.

With regard to TAIEX, there was a further increase in the use of the TAIEX instrument. In 2010 the Serbian authorities submitted 159 requests for TAIEX support in comparison to 143 requests in 2009. During 2010, 96 events (either in Serbia or abroad) were organised with Serbia as a single beneficiary, representing 7.2% of all classic TAIEX events. Further 60 events (either in Serbia or abroad) were organised with Serbia as one of the beneficiaries. Participation of Serbians in the TAIEX events increased from 3,241 participants in 2009 to 3,550 participants in 2010, representing 10.7% of all participants in the TAIEX events during 2010.

Twinning has become recognised by the Serbian administration as an important instrument supporting approximation with EU legislation. Twinning coordination continues to be enhanced between the EU Delegation and the Serbian administration, with strong support from the Twinning team in DG Enlargement. The Serbian national contact point for Twinning is based in Serbia's European Integration Office and plays an active coordinating role between the EU Delegation and beneficiaries in the ministries. Following selection procedures, nine Twinning projects started in 2010:

- Strengthening Administrative Capacities to protect Natural Areas;
- Strengthening the capacities of the Republic of Serbia for the absorption of EU Rural Development funds in pre-accession period;
- Police Reform: Internal Affairs;
- Support to the Public Procurement Office;
- Harmonization of the Serbian Customs Enforcement Division with the standards, organization and operational methodology of EU enforcement agencies: Component 3 – Risk Analysis and Risk Management and Post Clearance Audit;
- Harmonization with EU *acquis* in the Field of Transport – Phase II;

- Strengthening institutional capacity in Hazardous Waste Management;
- Harmonisation of national legislation with EU legislation for placing on the market and control of Plant Protection Products and implementation of new legal provisions;
- Capacity building within the National Referent Laboratories Directorate.

During 2010 Serbia has participated in a number of EU programmes under the financial perspective 2007-13, including the 7th Framework Programme for research and technological development, PROGRESS, the Entrepreneurship and Innovation Programme (EIP), the ICT Policy Support Programme, the Culture Programme, as well as the Customs and Fiscalis programmes.

Component II: Cross-border Cooperation

The implementation of Component II (Cross-Border Cooperation, or 'CBC') is done mainly through a bottom-up approach, favoured by Grant schemes based on joint calls for proposals fully involving local communities. During 2010 implementation started for grants financed by the Programmes between Serbia and Montenegro, Serbia and Bosnia and Herzegovina as well as Croatia and Serbia.

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

The first calls for proposals for all programmes, both the programmes with Member States and between candidate and potential candidate countries, were launched and completed in 2010. The contracts awarded first were signed at the end of 2010.

One important success was an event in November held in Zlatibor that celebrated the signature of the first round of grants awarded under the Programmes between Serbia and Bosnia Herzegovina and between Serbia and Montenegro. A total of 25 contracts have been signed for a total amount of EUR 4.12 million to fund the activities of 50 applicants from the three countries involved, half of which are from Serbia. The event saw the participation of high level government representatives from all three countries involved, including the deputy Prime Minister of Serbia, achieving high resonance in regional and national media and drawing the public's attention to the impact of EU funds on economic development in peripheral regions.

A few of the more advanced programmes launched the second round of calls for proposals (e.g. the SEE programme, the CBC Hungary-Serbia and the CBC Romania-Serbia), while preparations are at an advanced stage for the second round of calls for proposals in all other programmes. The actual launch is expected to take place during the first semester of 2011.

Component II is also financing the participation of Serbia in the European Regional Development Fund's (ERDF) European territorial cooperation transnational programme "South East Europe". Under the first call for proposals, 17 projects (for a total value of EUR 1.8 million) with Serbian partners were selected for financing and by the end of 2010 were in the process of implementation. The selection process within the second call for proposals was undertaken in 2010. By the end of the year, a total of 21 applications were provisionally selected, 9 of which included partners from Serbia. Preparation of the third

strategic call for proposals also took place in 2010. Selection priorities were defined and relevant stakeholders in all participating countries were identified.

Tables 6: Status of implementation of IPA financial assistance (Component II) as of 31 December 2010 (in million EUR) per annual programme⁴⁸

	Committed	Paid	% Paid
IPA 2007-2010	43.96	6.24	14.19%

Out of which, the breakdown for the intra-Western Balkans CBC Programmes and the ERDF Transnational Programmes (South-East Europe) is:

	Committed	Contracted	% Contracted	Paid	% Paid
IPA 2007	3.71	2.67	71.97%	1.68	45.28%
IPA 2008	3.59	1.81	50.42%	0.95	26.46%
IPA 2009	3.86	0	0%	0	0%
IPA 2010	3.70	0	0%	0	0%
TOTAL	14.86	4.48	30.15%	2.63	17.70%

Table 7: Distribution of total committed funds (2007-2010 allocations) by programmes

Programmes	% of 2007-2010 allocations
CBC with Member States	65%
CBC within Western Balkans	25%
Participation to ERDF Transnational Programmes	10%
TOTAL	100%

8.3.1.3. Implementation Modalities and Structures

As a potential candidate country, Serbia receives pre-accession financial assistance from the Instrument for Pre-Accession Assistance (IPA) under the first two IPA components (Transition Assistance & Institution Building and Cross-border Cooperation). The EU Delegation in Belgrade (EUD) is currently responsible for managing these two components.

Serbia has started preparations for the introduction of a decentralised implementation system (DIS) for management of IPA funds. DIS will enable Serbia to take responsibility for, and hence increased ownership over, the implementation of IPA components and for the future management of EU Structural and Cohesion Funds.

Serbia has taken a number of steps towards achieving DIS accreditation in line with the Commission's " Roadmap to decentralised system for IPA", which foresees five different stages prior introduction of DIS. During 2010 Serbia continued working towards this objective:

Components I, II, III and IV: During 2010 Serbia moved from Stage 1 (gap assessment) to Stage 2 (gap-plugging). After the first gap assessment in 2009 to determine to what extent the conditions for a DIS are in place for Components I and II, a subsequent gap assessment was performed for Components III and IV and the gap assessment report published in March 2010. EU-funded technical assistance supporting relevant national authorities started for

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Figures include the CBC Programmes with EU Member States and IPA Adriatic

Components I and II in December 2009 and for Components III and IV in September 2010. Implementation of these two projects was ongoing during 2010. During this gap plugging phase, training is provided to staff of the relevant structures and manuals and procedures are drafted.

Component V: The required structures, i.e. the future paying agency and the future managing authority, were being established during 2010 (and have continued to be established during 2011) with support of both a twinning project, which started in July 2010 and a technical assistance project, which started in November 2010.

8.3.1.4. Monitoring

A formalised, Result Oriented Monitoring (ROM) mechanism, outsourced to a specialised contractor, has been in place since 2009. For 2010, the Delegation adopted a monitoring plan and regularly updated it with the ROM team. In 2010, 108 project monitoring reports were produced covering approximately EUR 250 million of ongoing assistance. According to the ROM mechanism, monitored projects are classified as A (very good), B (good), C (problems) and D (serious deficiencies). The table below shows the frequency of A and B occurrences in relation to EU funded projects in Serbia, along with the average score in 2010.

Criterion	Good or Very Good (A or B)	Average Score (out of 5)
Relevance/Quality of design	97 %	3.15
Efficiency	84 %	2.98
Effectiveness	85 %	3.01
Impact	95 %	3.04
Sustainability	95 %	3.01
Average	91%	3.04

None of the projects monitored was classified as "D" (having "Serious deficiencies"). Factors that contributed to the above results included:

- 1) Involvement of all relevant project stakeholders;
- 2) Ownership and commitment of the beneficiary stakeholders;
- 3) Professional and "Final Beneficiary-Oriented" project management, based on a bottom-up approach;
- 4) Good adaptation capacity towards changing needs by project teams; and
- 5) Interaction, supervision and coordination with the project partners at project design stage by the EU Delegation;

In addition to ROM, regular internal monitoring has been conducted by the EU Delegation. This has included monthly (minimum) project meetings between the EU Delegation, project team leaders and beneficiary organizations and other stakeholders. Also, regular internal meetings within the EU Delegation have been organized to follow up on project implementation and to highlight any potential bottlenecks for project implementation. Furthermore, ad hoc sectoral meetings between the EU Delegation, beneficiary institutions and other stakeholders (e.g. donors, consultants/contractors, the Serbian EU Integration Office, National Audit Coordinators have been organized on a regular basis. The EU Delegation has also organized regular on-the-spot monitoring visits to projects. All these

various monitoring mechanisms aim to identify any potential problems as early as possible so that appropriate corrective measures can be taken to allow proper implementation of projects.

8.3.2. CARDS

8.3.2.1. Sectors with positive results/ Success stories

Orthophoto Maps project (CARDS 2005, EUR 2.6 million, technical assistance)

Implementation of the project activities with the Geodetic Authority of Serbia were completed in December 2010. The project took several years and entailed taking areal photos all over Serbia. These photos were then digitised into orthophoto maps. The project helped to improve a database, which is necessary for the access to community funding as an EU member state. Following the project, the Geodetic Authority now disposes the necessary means to assist the transition from landbooks to a modern, reliable and unified real-estate cadastre in Serbia and to allow for more efficient spatial management. The good results of this project have also had a positive impact on the increase of legal certainty in land and property issues.

The Geodetic Authority is able to use the digital data for improved cadastre verifications and will contribute to a sound tax reviewing facility in this area. The project facilitated the online access to the digital data production, which created a wider understanding of mapping exercises within the civil society and enabled better institutional coordination.

Project Preparation facility (PPF) (CARDS 2006, EUR 1.9 million, technical assistance)

The Project Preparation facility (PPF) project started in 2008 and was finished in July 2010. It achieved particularly good results, as it helped substantially to strengthen Serbian ownership of the programming process and improve absorption capacity. Improvement of the beneficiaries' ownership over the programming process, i.e. in identification, selection and development of projects would later on ensure higher rates of absorption of funds and enhanced quality of implementation. These results are particularly important considering that Serbia is preparing for the decentralised management of EU funds. More concretely, the project supported national authorities with:

- Programming of the IPA 2009 and 2010 programmes, including preparation of Project Fiches under IPA component I, and preparation of IPA 2009 Budget support for Serbia;
- Preparation of a first draft for the IPA 2011 programme;
- Drafting of supporting documents for the ongoing IPA programmes (ToRs, Twinning Fiches, Technical specifications);
- Provision of training on programming and project preparation; and,
- Development of an interactive training system for distance learning (also known as a 'MOODLE').

The project was monitored by ROM and the final monitoring report stated as follows: "Results have been achieved as foreseen and expanded due to the dedication, knowledge and commitment of the personnel involved. The accomplished synergy between the beneficiary and project partners is indicating how mutual coordination can serve its purpose, even in the

most difficult implementing environment. This layout is making the projects' added value even higher, due to the gained skills, experience and knowledge by the personnel involved.”

Support to National Investment Planning and Implementation (CARDS 2006, EUR 1.4 million, technical assistance)

This project focused on improving capital expenditure, the macro-fiscal framework, macroeconomic policy coordination and budgetary processes. The project contributed to the improvement of national strategic investment expenditure priorities by developing and detailing categorisation and prioritization methods for investment projects and the necessary information gathering tools for the tracking and monitoring of line-ministry expenditure against plans and budgets. The project also improved the capacity of staff of the Ministry of Finance and related line-ministries through training, study tours and expert working groups. It generally improved the overall policy making system.

The Project also supported the Treasury with a number of econometric models and tools that have been directly embedded into the Treasury system such as the ability to calculate macro-economic stabilization, the long-term projections of Serbian indicators to 2050, and the ability to estimate budget revenues and to forecast these revenues on a daily basis so that spending needs and revenues collected can be matched. This last process has been incorporated into the Treasury's newly established dealing room and is used on a daily basis. As a consequence of these improvements to the Serbia's public investment and budgetary planning, a strong impact on the socio-economic development of Serbia, in line with EU standards, has been achieved.

Ministry of the Interior - Border Police Directorate (CARDS 2006, EUR 1.5 million, twinning)

The Serbian Government adopted the Integrated Border Management (IBM) strategy and the associated action plan in 2006. Although the Serbian administrations were making steady progress in some important areas of IBM, a structured approach in the implementation process was missing. The overall objective of this project was to contribute to the “open borders” for citizens and goods and at the same time ensure that Serbia's borders are better controlled and secure. The project undertook a review of the legal framework, and provided substantial recommendations for updating existing laws and implementing regulations. Furthermore, the IBM strategy and Action plan for all four types of border crossing were updated. Guidelines describing the workflow at all four types of border crossings were developed as well.

The main result of the twinning project was the establishment of coordinating structures at all levels that allow permanent communication and information exchange, especially on the operational level of the integrated management of the borders. The project contributed to efficient and effective border management, which enhances citizens' security and at the same time facilitates travel conditions. The project had an impact in alleviating threats related to malfunctioning border management systems, such as smuggling of goods and trafficking in human beings, drugs and arms, because these threats can be now more effectively addressed due to improved communication, exchange of information and overall cooperation among the authorities responsible for the management of state borders. The project also contributed for facilitation of cross-border trade, which further contributes for economic growth and poverty reduction in long-term. Enhanced cross-border flows will also have impact on improvement of relations between the neighbouring countries in long-term.

8.3.2.2. Lessons learned

The final CARDS Evaluation was performed in 2009 and is incorporated in the annual 2009 report for Serbia.

8.3.2.3. Management performance

In 2010 the Delegation continued to implement the remaining CARDS programmes (33 projects financed under CARDS are still active from the administrative and implementation point of view). As described in the table below, the overall contracting rate for CARDS projects is over 99%. The disbursement percentage is also extremely high.

Table 8: Status of financial assistance at the end of December 2010 (in million EUR) – CARDS annual programmes⁴⁹

	Allocated	Contracted	Contracted (%)	Paid	Paid (%)
CARDS 2001	143.50	143.50	100%	143.50	100%
CARDS 2002	170.70	164.99	96.65%	164.99	96.65%
CARDS 2003	220.00	213.76	97.16%	213.65	97.11%
CARDS 2004	207.13	205.42	99.17%	203.26	98.13%
CARDS 2005	147.17	144.07	97.89%	140.19	95.26%
CARDS 2006	157.46	144.08	91.50%	129.27	82.10%
Total	1045.96	1015.82	97.12%	994.86	95.11%

8.3.2.4. Institution Building highlights

The programming exercise of CARDS concentrated on institution building and the introduction of IPA assistance. The priorities were strengthening capacities of the Government, economic development and reform in line with the European Partnership recommendations, including promoting good governance and the strengthening of rule of law.

Among the remaining CARDS project that will be completed in 2011 in the Infrastructure sector a programme implementation unit has been established in the Serbian Railway Company (ZTP) with the objective to assist the Railway Company in the implementation of infrastructure projects and rehabilitation of rolling stock, as well as to provide capacity building to the management of the Railway Company.

In the field of consumer protection, a CARDS project is providing technical assistance to the Ministry of Trade and Services, line ministries, law enforcement bodies involved in consumer protection and independent consumer organizations. The project contributed to the drafting of a new Law on Consumer Protection, which was adopted in October 2010.

⁴⁹ Figures include only Annual Action Programmes, while not including other programmes managed centrally, such as Customs and Taxation, or the running costs for the European Agency for Reconstruction

9. TURKEY

9.1. Summary

The year in review has registered positive developments in the management of the financial assistance and Turkey is continuously improving the expertise in key institutions in charge of programming, implementation and monitoring of EU funds. Numerous projects financed under the Turkish pre-Accession Instrument (TPA) have been completed and the implementation of IPA projects is now well underway and is starting to show a substantial impact. Positive results have been achieved in several domains such as social inclusion, education and entrepreneurship.

Important reforms have been brought under way to improve the programming and monitoring of funds. Efforts were made to better focus projects on the political criteria of the accession process as well as on aligning them with sector priorities and putting them in a longer term perspective. Particular emphasis has been given to law enforcements services and human rights as well as civil society dialogue development, being fundamental for Turkey's political reform process.

The extension of the coordination groups run by the EU Delegation to other donors beside the International Monetary Funds represented an important step to avoid duplications of financial assistance and generate added value through the support of complementary actions when appropriate.

The year 2010 has also seen the preparation of the MIPD 2011-2013, which follows a sectoral approach. The beneficiary, Member States and other donors have been actively involved and welcomed a more consultative process in drafting the MIPD, which ensures a higher ownership. The programming of IPA funds now follows a more sector based approach, which includes better link of assistance to sector strategies and political priorities, development of more measurable results and indicators, enhanced donor coordination and improved monitoring systems to measure performance.

9.2. Strategic planning and programming

9.2.1. Multi-annual Indicative Planning Document

The Multi-annual indicative planning document 2009-2010 was still being applied in 2010. An assessment of the validity of the MIPD 2009-2011 has been conducted together with the Turkish authorities, and on this basis the strategic approach was considered to be still valid for programming in 2010.

The new Multi-Annual Indicative Planning Document for Turkey covering the years 2011-2013 was drafted during 2010 based on the needs identified in the Accession Partnership of the country as well as the latest progress report and the country's own strategies. It takes into account the lessons learned outlined in the Commission's own assessment of past performance and on recent audits and evaluations. The MIPD 2011-2013 was adopted on 28 June 2011 through Commission Decision C(2011)4490.

The MIPD 2011-2013 puts the stress on ownership and a more sector based approach and on ownership towards setting priorities for assistance as it was drafted based on the priorities

established by Turkish authorities. To support a more effective delivery of IPA and to move to a more sector based approach with more focus and impact, the following strategic objectives for the new MIPD have been chosen:

1. The first priority for Turkey is to make progress in the critical areas of rule of law in order to tackle key reforms of the judiciary and fundamental rights.
2. A second priority is to adopt the *acquis* in areas where there is complex legislation or costly requirements to adopt EU standards in areas such as transport, agriculture, food safety, environment, climate change and energy.
3. A third priority is to support Turkey in its economic and social development and to enhance competitiveness.
4. Horizontal priorities that will be supported as cross-cutting themes are participation of civil society, participation in EU programmes, a high degree of protection of the environment, mainstreaming of climate change considerations, equal opportunities for men and women, support to disadvantaged and vulnerable groups as well as the development of good neighbourly relations. These horizontal priorities may be supported in their own right or as part of programmes and projects in other priority areas.

In line with these priorities, the choice of sectors in the MIPD has therefore been carried out bearing in mind the remaining challenges for Turkey to fully meet the Copenhagen criteria for membership with particular focus on the political criteria. The new MIPD for Turkey for 2011-2013 focuses EUR 2.56 billion of assistance on 7 sectors:

- Justice, home affairs and fundamental rights
- Private sector development
- Environment and climate change
- Transport
- Energy
- Social development
- Agriculture and rural development

The selection of a limited number of sectors allows for a targeted approach towards EU assistance that aims to deliver the expected results and meet the envisaged objectives in a sustainable manner. The sectors and priorities chosen have potential to support the catalytic effect and additional EU support. Where linkages between sectors exist, these will be explored in order to ensure that assistance provided is mutually reinforcing. This is especially the case where there is strong ownership and political commitments for the reforms on the Turkish side and comprehensive sector strategies either exist or are under way. EU assistance will provide value added and often kick start important reform processes that will continue in a sustainable manner beyond the duration of the EU programmes.

The MIPD was drafted by the Commission based on input from sectoral working groups in Turkey. National consultation meetings took place in Ankara on 24 and 25 November 2010

involving around 70 participants from the public administration, 30 participants from the Embassies of Member States, IFIs, bilateral and international organisations and civil society organisations. These constructive discussions were much appreciated by all stakeholders and increased ownership of Turkish authorities in the programming of EU funds.

Based on the Commission's own assessment of past performance and recent audits and evaluations⁵⁰ the following lessons learnt have been taken on board while drafting in order to improve the financial assistance:

- Given the often insufficient strategic underpinning of assistance provided, the new MIPD for 2011-2013 aims to be a step in the direction of establishing a more strategic and focussed programming framework for IPA in particular through the introduction of sectors. A review of the sectoral definitions under IPA Component I aim to ensure a higher degree of consistency and clearer links between the MIPD, annual programmes and monitoring committees.
- Although projects in the past have generally achieved their intended outputs and results were likely to be sustainable, the results and impact of assistance has not always been measurable. Further efforts are therefore made in the programme and project design to have measurable objectives and results and adequate indicators.
- Extended use of the twinning instrument is also envisaged to improve the relationship between Turkish ministries and their counterparts in EU Member States and to make full use of the potential gains from exchange of know-how between the Member States and Turkey on the implementation of the *acquis*.
- Within the field of civil society efforts are focused on bringing together key organisations in order to develop a clear strategy for the development of civil society and to maximize the contribution which civil society can make to Turkey's preparations for EU membership.
- Considering the need for enhanced donor coordination, under the lead of the EU Delegation in Turkey, EU member states, IFIs and other international and bilateral donors have accepted a systematically enlarged coordination at the level of all relevant actors engaged in Turkey in financial and technical cooperation. These efforts reflect the principles of aid effectiveness laid down in the Paris and Accra summits.
- The evaluation report on *Gender Equality in Turkey*, which was financed by the Commission, emphasised the need to systematically carry out gender mainstreaming within the IPA structures, while the thematic report focusing political criteria highlighted the need for priority indicators - particularly in the field of gender equality - to ensure sufficient prioritisation between projects

The recommendations of the evaluations which have been finalised during 2010 concerning strategic planning have been taken into account in the new 2011-2013 MIPD i.e. the *Country Programme Interim Evaluation of EU pre-accession assistance to Turkey*, concluded that

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An evaluation on the intervention logic for programming pre-accession assistance to Turkey under IPA was completed in September 2009: "Ad Hoc Evaluation of the European Commission's intervention logic for Financial Assistance in candidate countries and key lessons for MIPD 2010-2012 revision A case study – Turkey". A number of thematic evaluations were also carried out between 2008 and 2010. A Country Programme Interim Evaluation of EU pre-accession assistance to Turkey was finalized in 2010)

MIPD should be a real multi-annual strategic document used by all stakeholders as the main reference of EU pre-accession assistance. The evaluation on *Stakeholder Participation in Programming and Implementation of Pre-Accession Assistance to Turkey* concluded that the strategic approach of stakeholder involvement should be reinforced and linkages with the new sectoral strategies being put in place.

As concerns a three-year planning period, considering the dynamic nature of accession negotiations and EU Turkey relations, although a longer term planning period is desirable a three year review is adequate for the planning of assistance. Planning needs to continue to be based on the pace of negotiations, Accession Partnership and NPAA (National Programme for the Adoption of the *acquis*) and updates are required in line with the changes of these basic documents and in accordance with the development of the *acquis*. It is also strongly encouraged to increase freedom to frontload or backload spending within this multi annual envelop in order to better adapt to political circumstances such as political elections, slow negotiation and absorption of funds.

Table 1: MIFF⁵¹ allocations per component, in million EUR

Component	2010	2011	2012	2010-2012
I – Transition Assistance and Institution Building	211.31	228.62	233.90	673.83
II – Cross-border cooperation	9.59	9.78	9.97	29.45
III – Regional Development	238.10	293.40	367.81	899.31
IV – Human Resources Development	63.40	77.60	89.93	230.93
V – Rural Development	131.30	172.50	197.89	501.69
TOTAL	653.70	781.90	899.50	2335.10

9.2.2. Programming exercise

9.2.2.1. Component I

The 2010 programming exercise under Component I started in 2009 and was completed in May 2010 when the selection of the projects to be supported was finalised. The programme was presented on 27 September 2010 by the Commission to the IPA Management Committee who gave its approval. After its adoption on 23 November, the first Financing Agreement was signed on 17 December 2010.

The 2010 National Programme for Turkey under component I included 33 projects selected in line with the priorities identified in the 2009-2011 MIPD. The projects have been selected after analysis of the Turkish authorities and consultation with the Commission, according to the priorities identified in the Accession Partnership, the screening process and ongoing negotiations in the different chapters of the *acquis*.

The distribution within IPA 2010 Component I by priority axis was the following: 14.92 % Political criteria, 46.54 % *acquis* harmonisation, 35.46 % Civil Society Dialogue, and 3.08 % Supporting Activities.

⁵¹ Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', COM(2009) 543 of 14.10.2009.

As part of the programming process, only projects that have achieved sufficient readiness for implementation have been accepted. Efforts were made to better focus projects on the political priorities of the accession process as well as on aligning them with sector priorities and putting them in a longer term perspective.

Under the 2010 programme there were 13 projects which focus on judicial reform, support to law enforcements services and human rights, being fundamental for Turkey's political reform process. Strong emphasis was given on promoting women's and children's rights: for example the projects '*Support to the Local Human Rights Boards and Women's Rights Awareness*' (EU contribution EUR 2.3 million and '*Prevention of Domestic Violence against Women*' (EU contribution EUR 2.8 million) aims at improving human rights violation complaints and investigation mechanisms and to raise awareness among the society on human rights, with a special focus on women's participation in social, economic and cultural life as well as to prevent domestic violence and enhance human rights for women. The project '*Improved Relations between Mass Media and Judiciary*' aims at supporting the setting up of a spokesperson system for the judiciary, which should increase transparency and communication on judicial cases. Moreover, the project should result in improved relations between the independent media and judiciary in terms of protecting fundamental rights and freedom of expression (EU contribution EUR 1.6 million). Implementation of these projects is expected to start in 2012.

The 2010 National Programme also addressed the need for continuation of the EU-Turkey civil society dialogue (CSD), i.e. the 2010 project *Civil Society Dialogue between the EU and Turkey-III* was built on two previous projects: the 2006 project Promotion of Civil Society Dialogue between the European Union and Turkey and the 2007 project "Promotion of the Civil Society Dialogue between European Union and Turkey-II". The 2006 project encompassed four grant schemes amounting to EUR 19,3 million. The aim was to establish a framework for cooperation, support the establishment of partnerships, and promote dialogue between the following categories of Turkish and EU counterparts. The follow up, project in 2007 covers three grant schemes amounting to EUR 4.2 million and aims, like its precursor at establishing a framework for cooperation, supporting the establishment of partnerships and promoting dialogue between the civil societies of Turkish and EU counterparts.

The EUR 9.6 million project included in the 2010 programme will build on the 2006 and 2007 projects under CSD. It aims to establish strong links and a high level of cooperation between civil society in Turkey and the EU Member States through a concrete civil society dialogue on the themes of "political criteria" (40 grants), "media" (20 grants) and "EU policy" (40 grants).

All three civil society dialogue projects have contributed to the exchange of opinions, to sharing experiences and best practice from the EU and candidate countries and to discussing perceptions of culture and values. The overarching goal of the projects was to encourage an effective civil society and its participation in the political, cultural and economic development of Turkey.

There is continuous information exchange between the EU Delegation in Ankara and donor organizations working in Turkey with a view to avoid duplication of financial assistance and support complementary actions where appropriate. During 2010 the Commission and the EU Delegation in Ankara conducted several coordination meetings on the coordination of financial cooperation in Turkey with other donors.

The EU Delegation's proposal for a systematically enlarged coordination at the level of all relevant actors engaged in Turkey in financial and technical cooperation was accepted by EU member states and the coordination group was extended to include different IFIs (World Bank, AFD, EIB, KFW, JICA, IDB), UN agencies and other bilateral actors such as USA and Canada, beside the IMF. So as to exchange information on sectoral issues and financial cooperation the following thematic working groups were established: 1) Governance, Democracy and Human Rights; 2) Migration; 3) Economic governance; 4) Regional development (including private sector and rural development); 5) Employment and social policies; 6) Environment, energy and sustainable development; 7) Transport. Alongside working group meeting the EU Delegation continued to hold ad hoc bilateral meetings with representatives of the Member States, IFIs and international organisations on the coordination of assistance in specific areas.

A joint European Commission and World Bank coordination meeting was also organised in Brussels on 7 December, following the 2010 IPA conference, to discuss opportunities to strengthen operational coordination between the two institutions. The meeting intended to strengthen the impact and sustainability of respective financial and technical programs with Turkey by exchanging views on economic, social and administrative challenges and opportunities for Turkey in relation to its EU accession process; sharing information on existing programs and exploring concrete opportunities for collaboration. The Commission and the World Bank agreed that the dialogue and exchange of information on ongoing and planned assistance for Turkey will be enhanced. Energy, Environment, Skills, Competitiveness, Public Administration Reform and Food Safety have been identified by both partners as potential priorities for increasing collaboration and impact. The Commission and the World Bank are determined to coordinate their future strategies and their implementation (CPS and MIPD) in order to explore further areas where synergy and value added can be found through a joint approach. Where possible, in such areas the Turkish authorities will be approached in a coordinated manner by the two institutions.

The 2011 Programming under IPA component I has been already well advanced and a first part of the programme (consisting of the deferred 2010 projects) was finalised by the end of 2010. As concerns the second package for the 2011 programme the project proposals have been assessed by the Commission by the end of 2010. The second part of 2011 programme should be presented at the IPA Committee meeting in September

The National Programme 2011 part I was drafted in the end of 2010 taking into account the new MIPD 2011-2013 sectoral approach and consists of three sectors: Justice, Home Affairs and Fundamental Rights, Social Development and Transport.

Table 2: Indicative financial allocations for the year 2010 per component, in million EUR

TURKEY	2010
I. Transition Assistance and Institution Building	217.81⁵²
Of which:	
National Programme	217.81
II. Cross-Border Cooperation	3.09⁵³
Of which:	
CBC Turkey– Bulgaria	2.09
Turkey's participation in the ENPI Black Sea basin programme 2010	1.00
III. Regional Development	238.10
Of which:	
Environment	95.24
Transport	71.43
Regional Competitiveness	71.43
IV. Human Resources Development	63.40
HRD OP Turkey	63.40
V. Rural Development	131.30
TOTAL	653.70

Table 3: Indicative financial allocations for the year 2010 under the National Programme, per priority axis and per project, in million EUR

Priority Axis/Projects	Budget
Priority 1 Political Criteria	32.50
<i>Public Administration Reform</i>	2.33
Improved Strategic Management Capacity	2.33
<i>Human Rights/Women, rights</i>	8.28
Support to the Local Human Rights Boards and Women's Rights Awareness	2.25
Prevention of Domestic Violence against Women	2.79
Promoting Gender Equality in Education	3.24
<i>Children's rights and social inclusion</i>	11.00
Increasing Primary School Attendance Rate of Children	2.88
Supporting Social Inclusion through Sports Education	2.07
Fight Against Violence Towards Children	2.70
Justice for Children	3.35
<i>Judiciary</i>	10.91
Towards an effective and professional Justice Academy	1.94
Improvement of Enforcement Services in Prisons	4.97
Strengthening witness protection capacities	0.95
Improved Relations Between Mass Media and Judiciary	1.62
Improved Court Expert System	1.43

⁵² The difference with Table 1 is explained by the fact that EUR 6.5 million of unspent funds were transferred from IPA Component II

⁵³ Idem

Priority 2: Adoption and implementation of the acquis communautaire		46.54
<i>Free movement of goods</i>		4.10
	Strengthened Market Surveillance System For ICT sector	2.50
	Improving chemical and ionising radiation metrology II	1.60
<i>Information Society/Competition</i>		0.90
	Prevention of anti-competitive behaviors in the electronic communications sector	0.90
<i>Agriculture and Food Safety</i>		73.76
	Digitisation of Land Parcel Identification System	39.27
	Oral Vaccination Against Rabies	1.87
	Control of Foot and Mouth Disease- Phase 2	32.62
<i>Transport and energy</i>		4.11
	Improved Maritime Education and Training	1.24
	Control of Ship-Sourced Emissions	1.52
	Harmonization of Transmission System for Electricity	1.35
<i>Justice Freedom Security – Migration/Asylum</i>		9.78
	Establishment of Reception and Removal Centers – phase II	9.78
<i>Environment</i>		5.98
	Alignment in Bathing Water Monitoring	1.43
	Implementation of by-law on Strategic Environmental Assessment	1.04
	Implementation of Persistent Organic Pollutants Regulation	0.90
	Better Air Quality By Transposing The Large Combustion Plant Directive	0/90
	Capacity Building to implement the Flood Directive	1/71
<i>Public health</i>		2/25
	Recruitment of Future Blood Donors	2.25
<i>Customs</i>		0/51
	Modernisation of the Turkish Customs Administration VII	0/51
Priority 3: Promotion of an EU-Turkey Civil Society Dialogue		35.46
	Civil Society Dialogue III	9.63
	Turkey's Participation in Union Programmes and Agencies	67.61
Priority 4: Support Activities		6.71
	Support Activities to Strengthen the European Integration Process	6.71
TOTAL		217.81

9.2.2.2. Component II

On 4 November 2010 the Commission adopted a fourth annual programme on financing the participation of Turkey in the ENPI Black Sea Basin programme⁵⁴, worth EUR 1 million. The multi-annual Black Sea basin programme (2007-2013) aims at supporting stronger and sustainable economic and social development of the regions of the Black Sea basin and enhanced mutual understanding through cross-border partnerships.

9.2.2.3. Components III-V

Component III and Component IV programmes were adopted in 2007 and 2008 covering 7 years programming period.

⁵⁴

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As concern revision of environment, regional competitiveness and transport operational programmes (OPs) under IPA component III, the modifications concerned mainly the financial tables, indicators and increased IPA contribution rate⁵⁵, thus the revisions did not imply changes in the strategy and priorities. In June 2010 all 3 programmes were extended and modified in order to adjust the strategy where necessary and to cover additional budget years within the current financial perspective.⁵⁶ For all 3 programmes the respective modified Financing Agreements were signed on 11 November 2010 and on 14 December 2010.

As concern revision of Human Resources Development (HRD) OP under IPA component IV it was revised in order to include financial allocations for the years 2010 and 2011, increasing the overall total of IPA component IV contribution to EUR 299.7 million for the period 2007 - 2011. The related result and output indicators were adapted accordingly. In addition, the geographic concentration principle is softened to allow for some financial support (up to 20-25% of total HRD OP funding) to be provided to the Turkish regions with a GDP above 75% of the national average. The approach will allow the spread of best practices and the use of Community rules beyond the 12 NUTS II regions in the East of Turkey. The priorities and measures remain the same. A specific donor coordination meeting was organised in June 2010 with the participation of the World Bank, International Labour Organisation and several EU member states.

As regards Component V, the IPA rural development (IPARD) programme for 2007-2013 was modified a third time in 2010. Modifications were required to take account of changes required by the conferral exercise which the Commission is expected to adopt in the first half of 2011, and the modifications were approved by the Sectoral Monitoring Committee. The programme amendments mainly concerned the fine-tuning of the definition of eligibility conditions, beneficiaries, the requirements for the implementation of EU standards as well as the geographic scope. In order to avoid overlap and develop synergies regarding support for rural development related activities under IPA component V, a donor coordination working group has been set up in 2008 with AGRI, the EUD, World Bank, FAO and UNDP as main participants. As a result of this, World Bank has intensified its support for rural development capacity building before conferral of management. Moreover, during 2010 it was agreed that the World Bank would support an assessment of food processing enterprises with regard to upgrading to EU standards to prepare for the related investments under the component V of IPA.

⁵⁵ Pursuant to the amendments introduced by Commission Regulation (EU) No 80/2010 of 28 January 2010⁵⁵ amending Regulation (EC) No 718/2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA)⁵⁵ the co-financing rate in IPA regional development programmes is increased to 85%

⁵⁶ Regional Competitiveness: Decision C(2010)3776 of 23 June 2010; Environment: Decision C(2010)3773 of 23 June 2010; Transport: Decision C(2010)3770 of 22 June 2010

9.3. Implementation of assistance

9.3.1. IPA

9.3.1.1. Success stories

Several twinning projects under IPA fund have been successfully completed and showed to have significant impact, as was described in the IPA Report 2009. The following three projects are currently being under implementation:

EU support for the empowerment of women's NGOs (IPA Component I 2007, EUR 2 million)

The EU has financed several projects related to the protection of women's rights and the empowerment of women's NGOs in Turkey. One of these EU-funded projects was the *Empowerment of Women and Women's NGOs in the Least Developed Regions of Turkey*.

The project is still under implementation phase and aims to upgrade women's social, political and economic status in the least developed regions of Turkey, taking into account the need for reducing regional disparities. The target groups of the project include the GAP Regional Development Administration, women and youth NGOs.

Local Support Centres for Women are focal points of the project. The executive centre of the project is located in Şanlıurfa, but there are also local support centres in Trabzon and Van. 'Social project experts' are employed in local centres in Van and Trabzon as representatives of the GAP Regional Administration.

Women's NGOs that are organised on a local basis meet each other at these centres to discuss problem areas and solutions supported by experts.

EU-Turkey Civil Society Dialogue – Cultural Bridges (IPA Component I 2007, EUR 6.6 million)

The project is currently under implementation and aims to combat prejudices in Turkish and European societies through cultural exchanges and by building lasting dialogue between cultural actors and civil society through partnerships. The programme brings Turkey and the EU closer together through the themes of contemporary arts and culture.

Consisting of four ongoing projects ("On the road", "kaladeiscoeurope", "My city", "Digital Bridges") undertaken by the cultural institutes of the EU Member States in Turkey, the programme brings societies together through hundreds of arts and culture events. 18 countries, including Turkey, participate in the programme's highly visible multi-national and multi-cultural events across various cultural themes. Hundreds of activities are bringing thousands of artists together take place both in Turkey and EU countries. The programme also contributed to the European Capital of Culture 2010 events, which took place over the same period. Cultural Bridges covers all the fields of the contemporary arts (music, performing arts, visual arts) and literature.

Participant testimonials well underline the positive impact of the projects implemented under the "Cultural Bridges" project, describing it as "a courageous and passionate project that goes beyond previous projects, showing its difference through innovation and creativity" and "Culture is a significant dimension in Turkey's EU accession process. The perceptions of both

sides need to be altered by demonstrating the similarities in their cultures. For this reason, the project aims to establish bridges between Europe and Turkey and try to persuade those who don't believe that Turkey is a part of the European family. Against this background, the artists from the many EU countries participating in this project are building intercultural bridges. I believe that future generations will communicate more easily with each other thanks to the project and that we can overcome all barriers through culture.”

Continuation of the Jean Monnet Scholarship Programme for post-graduates in Turkey (IPA 2007 Component I, EUR 6.980 millions)

The Jean Monnet Scholarship Programme was introduced in 1989 to generate solid support for Turkey in its efforts towards accession to the European Union. Since then, the JMSP has been running successfully as one of Turkey's most long established and prestigious scholarships.

Since its inception, roughly EUR 27 million have been spent for the programme enabling approximately 1,112 civil servants, new graduates, as well as private sector employees to acquire new knowledge and skills related to EU accession. It has included two phases through which 931 young people completed their postgraduate studies. The programme is currently running in its third phase having supported 281 scholarship holders between 2007 and 2010.

By offering bright young people an opportunity to carry out post-graduate studies in EU member countries, the programme spearheaded a very significant human resources development in the disciplines related to the EU acquis. It has done so by contributing to the professional and personal development of the scholarship holders in general, and by broadening their perspective and perception of the European integration process in particular. It has also provided opportunities for cultural exchange and networking between promising young Turkish professionals and young professionals in their programs of study from other EU member states. As a result, the first generation of scholars are in decision-making positions. These scholars are leading EU relations in the public sector, conducting research, teaching EU-related subjects in the universities and playing a key role in expanding economic growth in the Turkish private sector. Studies show that even after their return, scholars maintain a network with their friends and colleagues in the EU. In other words, the Jean Monnet Scholarship Programme also contributes to the development of a people-to-people dialogue between Turkey and the European Union. This dialogue is essential to generate mutual knowledge and understanding between civil societies in Turkey and EU Member States, to dispel ignorance, mutual prejudices and fears.

In addition to the effectiveness of the programme in achieving objectives and purpose and its impact on administrative capacity in Turkey, the overall assessment of the scholarship holders of the Programme is very positive.

Under IPA component III and IV a high number of relevant projects have been approved in 2010. Even if their implementation did not start yet, their approval can be considered as a success as a good project pipeline is an important premise for a full absorption of funds and a positive step to reach the purpose to prepare Turkey for the management of the Structural Funds.

An important achievement under the environment operational programme (IPA component III) is an impressive IPA Major Project pipeline put in place by the operational structure (Ministry of Environment and Forestry). At the end of 2010 the Commission in total had

received 29 applications for this programme with an estimated total eligible public expenditure value of over EUR 700 million. In parallel, work continued on the preparation of new IPA projects to further strengthen the pipeline. The existence of a long list of available projects ready to be implemented is the first precondition for the successful implementation of a programme, however real absorption will largely depend on the progress with the tendering and contracting.

Under the regional competitiveness operational programme the *Greater Anatolia Guarantee Facility* (EUR 500 millions) was approved by the Commission in 2010, less than a year after its submission showing the operation's high contribution to the global purpose of this IPA programme. This financial engineering project is an important step for the efficient implementation of IPA funds under component III and has been prepared by Ministry of Trade and Industry with the participation of the European Investment Fund and the Commission. The cooperative spirit of all stakeholders during the preparation phase was an important factor behind the success. The facility will support Turkish Small and Medium size enterprises (SMEs) with micro-loans and loan counter-guarantees in regions where this type of support was never available before. This required the participation of selected banks that currently are finalising their contributions. The initial performance of the project is promising but the impact is yet to be proven.

A couple of examples of selected projects under the IPA component IV call for proposals in the vocational education and training (VET) field that were contracted in 2010, and now are about to start off the ground:

The *Promoting Registered Employment project* (EUR 109.962) aims at establishing an active employment strategy by involving all parties concerned, which will contribute to human resource development in Çorum through promoting integrated vocational training. It will also provide training and other services to meet the local labour demand with a view to increasing transition from unregistered to registered employment under the leadership of social partners. The project is expected to lead to increased awareness about the importance of the problem of unregistered employment in public; to reinforce social dialogue, consolidating cooperation amongst social partners and other relevant institutions; to raise social responsibility awareness of employers regarding unregistered employment.

The *Supply of Qualified Workforce in the Knitting Sector project* (EUR 66.456) aims to provide qualified labour force for the enterprises registered with the Chamber of Craftsmen and Artisans in Bingöl through training activities in line with the current needs of the labour market as well as of the unemployed. Thirty women who are registered to Turkish Employment Organisation in Bingöl are targeted to be trained in textile overlocking, machine sewing, and computer design draughtsmanship.

9.3.1.2. Overview of IPA implementation in 2010

Component I: Transition Assistance and Institution Building

Table 4: Status of implementation of IPA financial assistance (Component I) as at 31st December 2010 (in million EUR) per annual programme

	Committed	Contracted	%Contracted	Paid	% Paid
IPA 2007	256.20	152.79	59.64%	94.76	36.99%
IPA 2008	256.13	118.21	46.15%	83.29	32.52%
IPA 2009	204.55	0	0%	0	0%
IPA 2010	217.81	0	0%	0	0%
TOTAL	934.63	271.00	28.99%	178.05	19.05%

Table 5: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2010 allocations
Political criteria	12,46%
Civil Society dialogue	38,15%
Ability to assume membership obligations	47,38%
Support programmes	2,02%
TOTAL	100%

EU assistance implementation under component I has significantly improved during the year in review and Turkey is positively making up for the back-log created in the initial years of IPA, and contracting of IPA 2007, 2008 and 2009 is ongoing under component I. However the payments of the IPA programmes still remain low. This is due to the fact that they are lagging behind contracting and the final payments are only made on average several months after contracts are fully implemented. As concerns the 2007 programme, more than 90% of National Programme 2007 has been contracted by the end of 2010, excluding the projects for which the contracting deadline has been extended by 6 to 12 months. The 2008 Financing Agreement has been amended in 2010 in order to extend the final contracting deadline by 7 months (October 2011). The 2009 National Programme was split into two parts. Both Financing Agreements have been concluded by the end of 2010.

A first Financing Agreement for the National Programme for Turkey under IPA Component I 2010, covering Turkey's participation in Union Programmes and Agencies, has been signed in December 2010. A second Financing Agreement covers the remaining 30 projects to be implemented through decentralised management.

The Twinning and Taix instruments have successfully been used to develop capacities of Turkish Institutions. Turkey was encouraged to use twinning as standard tool for public sector cooperation, rather than direct grants to international organisations. The 2010 programme included 10 twinning projects for justice sector training, prison reform, witness protection, judiciary-media relations, capacity building for court experts, ICT market surveillance, maritime safety, reducing ship emissions, improving water quality and reducing by EUR 11.79 million the 2007-2009 National Programme. For TAIEX, 234 study visits, experts missions and workshops took place in Turkey in 2010, the biggest number of events in the field of international market (90) and justice and home affairs (54).

Ten twinning contracts for projects under the national programmes 2007 and 2008 were signed in 2010 of a total amount of EUR 11.79 million. These projects is expected to contribute to significant impact in the related fields, such as establishing systems for management of asylum seekers and irregular migration, integrated border management, training of the Turkish police, gender equality and acquis alignment in the environment field.

Component II: Cross-border Cooperation

Tables 6: Status of implementation of IPA financial assistance (Component II) as at 31st December 2010 (in million EUR)⁵⁷

	Committed	Paid	% Paid
IPA 2007-2010	11.11	2.55	22.95%

Out of which, the breakdown for Turkey's participation in the ENPI Black Sea Basin programme is:

	Committed	Contracted	% Contracted	Paid	% Paid
IPA 2007	1.00	0.06	6%	0.04	4%
IPA 2008	1.00	0.00	0%	0.00	0%
IPA 2009	1.00	0.00	0%	0.00	0%
IPA 2010	1.00	0.00	0%	0.00	0%
TOTAL	4.00	0.06	1.5%	0.04	1%

Table 7: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2010 allocations
CBC with Bulgaria	64%
Participation ENPI Black Sea basin programme	36 %
TOTAL	100%

In 2010 the implementation of the ENPI programme for the Black Sea basin was on-going. The first call for proposals that was launched in 2009 materialised in the first grant contracts with Turkish partners being signed by the end of 2010. The second call for proposals is planned to be launched in early 2011.

As concerns the implementation of the Turkey-Bulgaria CBC programme the first call for proposals has been organised and by the end of 2010 the evaluation process was still ongoing.

In 2010, the hand over process as concerns the National Authority in charge of coordinating Turkey's participation in the IPA cross-border programmes has been initiated, i.e. the Turkish Cooperation and Development Agency (TIKA) has been replaced by the Secretariat General for European Union Affairs (EUSG). In practice, this new impetus has changed the face of the cross border programme in a very positive manner and Turkey showed a pro-active attitude. As concerns the Turkey - Bulgaria programme, cooperated went smoothly in 2010 and the delay accumulated during previous years was made up for and implementation is now well underway.

⁵⁷ Figures include the CBC Programmes with Bulgaria

Component III

Table 8: Status of implementation of IPA financial assistance (Component III) as at 31st December 2010 (in million EUR)

	Committed	Paid	% Paid
IPA 2007-2010	762.10	213.32	28.00

Table 9: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2009 allocations
Transport	34,29%
Environment	38,95%
Regional Competitiveness	26,76%
TOTAL	100%

The implementation of the operational programmes (OPs) under component III could start only following the conferral of management powers and signature of the Financing Agreements (autumn 2009) therefore the year 2010 was only the second year of implementation. Project preparations have been ongoing since the adoption of the programmes but although significant progress had been made in the preparation of project pipelines for the three programmes nevertheless at the end of 2009 the preparation and publication of tender documents was still limited, a most critical stage for the implementation of projects and absorption of funds. Accordingly, 2010 was an important year to catch up for the delays occurred in 2008 and 2009.

Under the environment OP Turkey submitted 9 new major project (MP) applications and 10 revised MP applications in 2010. The Commission approved one MP through a formal decision. This OP has a long list of project applications awaiting approval amounting to more than EUR 600 million while the available funds for 2007-2011 are only EUR 416 million. As regards the transport OP one of the four major projects approved in 2009 was suspended in 2010 and two appraised projects (one rail and one port project) were withdrawn by Turkey. One MP was adopted in 2010. For the regional competitiveness OP one MP was appraised by the Commission, however, formal approval was still outstanding at the end of 2010.

Component IV

Table 10: Status of implementation of IPA financial assistance (Component IV) as at 31st December 2010 (in million EUR)

	Committed	Paid	% Paid
IPA 2007-2010	222.10	48.08	21.65

Table 11: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2009 allocations
Employment	46.75%
Social inclusion	14.29%
Human capital and employability	30.86%
Technical assistance	8.10%
TOTAL	100%

The Ministry of Labour and Social Security, appointed as the operating structure for the HRD OP, launched the first operations in 2009. The evaluation of the first five calls for proposals published in 2009 was concluded in 2010. Around 450 project proposals were selected for IPA component IV co-financing. The related contracts were concluded between May and December 2010, amounting to approximately EUR 80 million of IPA contribution. Although progress was achieved in the signature of contracts, it was not possible to avoid the application of the automatic de-commitment rule⁵⁸ by the end of 2010 for the first time. As a consequence an amount of EUR 198,000 had to be de-committed.

Component V

Table 12: Status of implementation of IPA financial assistance (Component V) as at 31st December 2010 (in million EUR)

	Committed	Paid	% Paid
IPA 2007-2010	290.50	0	0

Table 13: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2010 allocations
Axis 1 - Market efficiency and EU standards	71 %
Axis 2 – Preparation for agri-environmental measures and Leader	3 %
Axis 3 - Development of the rural economy	24 %
Technical assistance	2 %
TOTAL	100%

Programme implementation under component V could not start in 2010 due to the delays regarding the finalisation of the legal framework including the preparatory national legislation and the signature and conclusion of the Sectoral Agreement (EU-Turkey agreement laying down the EU rules for decentralised implementation of funds without ex-ante controls) as well as the national accreditation of the Component V implementation system by the Turkish authorities. Delays were mainly due to the lengthy process of setting-up and staffing the IPA rural development (IPARD) entities, drafting and setting-up the legal framework and in relation, the very complex and extensive adoption process of the legislation and the IPARD related regulations. Furthermore, Turkey opted for an ambitious and complex rural development programme featuring not only many measures and sub-measures, but also a wide

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The Human Resources Development Operational Programme for Turkey under IPA Component IV is subject to the application of the n+3 automatic de-commitment rule. This rule foresees that the part of the budget commitment of given year will be automatically de-committed by the end of the third year following the year of its commitment, if it has not been used for the purpose of pre-financing payments or intermediate payments from the Commission to the National Fund

geographical scope leading to a high degree of decentralisation of the IPARD agency's controls to provincial level necessitating in turn a high number of provincial co-ordination units.

However, it has to be noted that during 2010 important progress has been achieved with the signature and conclusion of the Sectoral Agreement which entered into force on 27 July 2010 and thus constitutes the specific legal basis for the implementation of component V in Turkey.

9.3.1.3. Implementation Modalities and Structures

Progress has been made concerning the conditions attached to the conferral of management decisions under IPA **component I**. However, a number of outstanding weaknesses remain in the management and control systems that have been identified via monitoring and audit activities. These concern the national authorising officer (NAO) supervision, monitoring by the national IPA coordinator (NIPAC) and payment related issues. Further critical weaknesses also remain with the current staffing of key decentralized management institutions, such as the Central Finance and Contracts Unit (CFCU), compared to the workload faced by them and in relation to delays in the implementation of the transition strategy. The issues have been discussed at the monitoring committees to identify corrective actions and national authorities have started to work on an action plan to address these weaknesses. In the same time, significant steps have been made to improve the staffing levels and capacity improvement of the IPA institutions (in 2008, 161 people; in 2010, 296 people). However, further efforts need to be made in this respect to address the existing gaps and to create adequate capacity to absorb funds in a speedy manner.

For **Component II** the management and control system for the Black Sea Basin programme is now in place with few weaknesses remaining, mainly related to the set-up of the monitoring system. Open issues also remain in the process of setting up the management and control structures for the cross-border cooperation programme with Bulgaria.

For the accreditation of the operating structures under **component III and IV**, the Commission requested Turkey to meet a number of specific criteria before the assigned Operating Structures⁵⁹ would be allowed to take over the responsibility as contracting authorities for their respective programmes. These criteria concern the establishment of the legal base; developing staff planning, recruitment, training and appraisal management; define procedures for procurement and grant calls and setting up internal audit functions.

During a transition period, planned to run from 2007 to 2010, the operating structures for implementing the operational programme under Component III and IV delegated certain functions related to the tendering and contracting of projects to the CFCU to give them time to prepare for these tasks. However, in 2010, some delays occurred, mainly due to the Ministries' slow acquisition of know how. As a consequence, the transition period had to be extended into 2011, which has stretched the capacity of the system in terms of staffing in tendering and monitoring, which is an important reason behind the delays experienced in implementation.

⁵⁹ Ministry of Environment and Forestry for the Environment Operational programme; Ministry of Industry and Trade for Regional Competitiveness; Ministry of Transport for Transport Operational programme and Ministry of Labour and Social Security for the Human Resources Development Operational programme.

Regarding Component III, on 11 October 2010 the NAO notified the Commission about the accreditation of the Ministry of Environment and Forestry (MoEF) for the tendering, contracting and financial management functions to the environment programme as established criteria were met. Following a Commission audit in the end of 2010, a new conferral of management Commission decision was adopted on 20 January 2011 transferring the functions of the contracting authority for the environment OP from the CFCU to the MoEF.

The same process is expected to be followed for the transport, regional competitiveness and human resources development OPs in the course of 2011.

Concerning IPA **component V**, the accreditation package with the request for conferral of management was submitted to the Commission in July 2010, thus starting the formal conferral of management preparation process. Following the submission, Turkey was asked to prepare an action plan to remedy the major organisational and procedural deficiencies and gaps identified either by the pre-accession external auditors or by the Commission auditors. During the first Commission conferral mission carried out in December 2010, it was noted that the working arrangements were still undergoing significant corrections for all IPARD entities. The de-commitment risk remained very high under IPA component V due to the delays in the conferral of management process.

Turkey officially submitted the first version of the roadmaps for decentralised management without the ex-ante controls for IPA component I-IV at the end of 2009/beginning of 2010. The Commission provided comments and updated roadmaps are expected in 2011.

As a summary; in 2010 the NAO, the National Fund and the CFCU all made limited progress in establishing adequate procedures and organisational structures as part of an improved supervision under the decentralised management system. However, some weaknesses in the management and control systems remained in 2010, in particular the level of staffing at the CFCU.

9.3.1.4. Monitoring

Overall monitoring by the Turkish institutions remained weak in 2010. The practical exercise of the NAO's supervision functions and the use of the available tools indicate that there was a scope for improvement. Apart from some signs of increased leadership, efforts were required especially to strengthen of overall monitoring functions of the Secretariat General for EU Affairs (EUSG), CFCU and Senior Programme Officers (SPO). The institutional capacity of the EUSG were strengthened with the recruitment of 91 junior staff with 22 persons being allocated to the Financial Cooperation Directorate, including the Director, 11 of which were designated with monitoring and evaluation function. In addition, a contract for results oriented monitoring (ROM) was signed at the end of December 2010 after considerable delays in the tendering process. With the activities focusing of on the job training opportunities for the junior staff members, the ROM contract was considered to provide important assistance to the EUSG's monitoring functions.

Turkey's institutions rely mainly on CFCU's functions for ensuring the proper management of project implementation and project monitoring. The CFCU considerably strengthened its capacity in monitoring of grant schemes and this was reflected in the workload assessment provided to the Commission auditors in January 2010 whereas their monitoring capacity concerning other types of procurement was not considered sufficient.

The IPA Monitoring Committee for all five components took place on 29 June 2010 in Ankara discussing progress and challenges in implementation. The main concern raised was the insufficient capacity of the Turkish authorities to efficiently and effectively manage the IPA funds currently under implementation in the 5 components. Following delays and remaining weaknesses in all stages of the project management cycle, a significant backlog in implementation exists. The Commission proposed a comprehensive set of measures in order to avoid loss of funds in 2011. These measures specifically address the need to improve forecasting, procurement planning and contracting performance; to enhance monitoring through the increase of staff capacity and the involvement of a higher level of participation of all stakeholders; addressing the remaining weakness in the management and control system. Other concerns were raised over frequent turn over of staff in the operating structures, the need to provide an update transition strategy and updated roadmaps on further decentralisation, to improve the irregularity reporting and follow up audit findings in a systematic way.

Two transition assistance and institutional building (TAIB) sectoral monitoring committees were held on 7 February and on 29 June 2010 combined with the meetings concerning the programme financing Turkey's participation in the ENPI Black Sea basin programme under Component II. The June Committee agreed that measures (as concerns system weakness, improve procurement planning, budget execution) to improve the management of funds should be taken as soon as possible in order to avoid loss of funds. The Commission requested the Turkish authorities to review the existing monitoring system and to make a clear definition of the roles and responsibilities in monitoring of each institution. Weaknesses needed to be addressed at system, programme and project level, including the harmonisation of Management Information System (MIS) and reporting systems.

No IPA Joint Monitoring Committee on Bulgaria-Turkey IPA CBC Programme under Component II was held in 2010.

Regarding the ENPI Black Sea Basin programme, Turkey participated in two Joint Monitoring Committees organised by the Joint Managing Authority (Romania) on the 28 June and the 3-4 November 2010. On these occasions the guidance and the evaluation process of the first call for proposals were discussed in detail.

In 2010 two rounds of sectoral monitoring committees for all three operational programmes under IPA component III and one annual technical meeting took place. The issues discussed concerned the programme modification and increase of the co-financing ratio to 85 %, accreditation of the Ministry of Environment and Forestry for the tendering, contracting and financial management functions for environment programme, cooperation with the CFCU and preparation for accreditation of the operating structures for the transport and regional competitiveness programmes, project pipelines and implementation progress for each of the programmes, including assessments of progress with tendering.

The human resource development (component IV) sectoral monitoring committees for Turkey were held on 24 June 2010 in Van and on 29 November 2010 in Hatay. Among other things the Committee was informed about the revision of the operational programme and implementation issues, and activities regarding the mid-term evaluation. It was also informed about the state of implementation of ongoing operations, the identification of new operations implementing the programme and the future actions to take place in 2011. In addition, information was provided on the accreditation preparations for the conferral of finance and contracting responsibilities from the CFCU to the Ministry of Labour and Social Security.

Rural development sectoral committees (component V) were held on 6 May and 9 December 2010. The May Committee approved a number of important programme modifications relating to eligible beneficiaries, general eligibility conditions as well as the geographic scope of the programme. A number of actions to improve access to rural credits and to better involve banks to ensure availability of sufficient co-financing for IPA rural development funds were also discussed and approved. In the December meeting additional programme amendments were adopted and the communication and publicity action plan for 2011 as well as the technical assistance action plan in 2011 were debated and approved.

9.3.2. Turkish Pre-Accession Instrument (TPA)

9.3.2.1. Sectors with positive results/ Success stories

When considering the value of EU funding to Turkey under the TPA, the introduction of the decentralised implementation system (DIS) in Turkey was an important milestone in the EU accession preparations. This allowed Turkey to be well placed to prepare for the conferral of management under IPA. Starting in 2002, the DIS was subject to close monitoring by the Commission and regular improvements were agreed with the Turkish authorities inter alia based on audits and discussions at the biannual Joint Monitoring Committees. Staffing levels and expertise in newly established institutions which are key for management of EU funds, such as the Central Finance and Contracting Unit and the Secretariat General for EU Affairs, were increasing over time. This was only possible through the adoption of a number of legal amendments and with the help of technical assistance, guidance by the EU Delegation to Turkey and the practical experience gained through implementing EU projects in a wide range of areas. The professionalism that was built up during the learning period under the Turkish Pre-Accession instrument was one of the key reasons why the more rigorous accreditation of the decentralised management system under IPA subsequently could be completed in 2008. The existence of the CFCU allowed also to immediately manage IPA component III and IV under decentralised management during a transition period. In summary, the management of the TPA provided a crucial learning period for Turkey on the way to the setting up of adequate management and control systems for IPA.

Some selected examples of successful projects funded under the Turkish Pre-Accession Instrument:

Employment support from the EU (TPA 2006 EUR 20 million)

The ‘Active Labour Market Measures II Project’, implemented with the EU’s financial support, promoted the participation of unemployed women and young people in the labour market by providing them with vocational training opportunities. The main purpose was to improve the existing capacity to design, develop and implement policies and programmes in order to contribute to human resource development aligned with the European Employment Strategy in Turkey. The project was finalised in April 2010.

To this end the project assisted İŞKUR in delivering more efficient employment services by improving its institutional capacity, and increased employability of people through 101 grant-projects carried out in 25 different cities. These projects reached approximately 11 000 unemployed women and young people. The participants received vocational training aimed at increased participation in employment, plus advisory services helping them find quality jobs corresponding to their skills and professional background.

Small Enterprise Loan Program II (SELP II) (TPA 2005 EUR 62.8 million)

Small and Medium size enterprises (SMEs) represent more than 99% of all enterprises in Turkey, and are the backbone of the economy with their flexible and dynamic structure; the employment they generate; and the contribution they make to competition and growth. However, the most crucial obstacle to the development of SMEs is access to financing. Small enterprises in particular, i.e. those with less than 50 employees, find it difficult to access long-term financing as commercial banks consider the risks too high. Existing loan facilities for small enterprises struggle to meet demand.

In order to contribute to the solution of this problem and to improve the financial environment for SMEs in Turkey, the European Union has been supporting numerous initiatives since 2002; one of them being the Small Enterprise Loan Programme (SELP). As the first loan programme for small enterprises in Turkey, it fills an important gap by providing enterprises' access to financing in addition to improving the lending services of banks to small enterprises. In the first phase of the programme in 2002-2008 which covered an EU support of EUR 20 million, loans of more than EUR 36 million were made available to small enterprises. Following the successful completion of the first phase, SELP-II (funded under the TPA programme in 2005) was launched in 2008 and will run until November 2012.

SELP II encompasses all of the 49 provinces falling under the scope of Code No: 5084 on promotion of investments and employment, and has created a funding opportunity of nearly 5-fold of the first phase with a sum of EUR 90 million. The programme offers working capital of up to EUR 30 000 and an investment loan of up to EUR 50 000 to small enterprises. Applications can be made via Akbank, Garanti Bank, T.İş Bank and Şekerbank in the 49 provinces. Since the start of lending activities in January 2009, a total of 12,632 loans worth EUR 127,339,807 have been provided to small enterprises in Turkey. According to the statistical data gathered from the on-lending banks, 11,291 new jobs were created and 34,346 jobs were secured as result of the SELP loans by the end of 2010.

Thanks to SELP-II loans, many small enterprises have developed innovative project ideas. One of them is *Tokgün Ticaret* which operates in Kars. The company partners noticed that the agricultural machines they imported and sold were not suitable for the land conditions of the region, and those that were convenient were too costly for small land owners. They made use of a SELP-II loan to conduct Research and Development with the objective of developing machines suited to the terrain in the region. The company partners report that sales and turnover have increased significantly and are encouraging other enterprises to apply for loans.

Expansion of the European Turkish Business Centers Network (ABİGEM) Project (TPA 2006, EUR 50 million)

The pioneering of the Union of Chambers & Commodity Exchanges of Turkey (TOBB) in cooperation with the related Chambers of Commerce and/or industry has resulted in the establishment of EU Turkish business centers (ABİGEM) in 15 provinces all around Turkey since the year 2002. During the four-year period between 2002 and 2006, the first ABİGEMs, which were established thanks to EU's financial support in an effort to provide services to SMEs, started operating in Gaziantep, İzmir and Kocaeli.

ABİGEMs provide professional training, consultancy and information services in the regions where they are established in order to help SMEs improve their competitiveness within the national and international markets and increase SMEs' contribution to both local and national

economies. The business centers also provide their regions with services and products resulting from their “windows project” equipments. These lasts, determined according to the specific needs of the region with the contribution of major local stakeholders, include food laboratories, 3D design centers, CNC milling machinery, cheese and apricot packaging vehicles, environment and hybrid seed laboratories and non-destructive testing equipment.

Following the success of the first project, it was agreed to expand the ABİGEM network to 15 by establishing a further 12 business centers throughout Turkey. “The Expansion of the European Turkish Business Centers Network” project funded under the 2006 programme to develop Business Centers in Adana, Denizli, Eskişehir, Kayseri, Konya, Trabzon, Afyonkarahisar, Çorum, Erzurum, Malatya, Trakya and Uşak. An ABİGEM coordination unit within TOBB was also established. Due to the outstanding success of the first two phases of the project, it has been decided that four more Business Centers are to be established in the near future in Antakya, Batman, Sivas and Van.

One of the main results of the project is to develop an efficiently working local consultants and experts pool in Turkey in order to improve the match between demand and supply. Although similar consultancy and business development structures exist in the world, this is the first time that such business centers have succeeded in achieving self-sustainability without receiving any state support. In order to prevent the ABİGEM experts becoming public officers and let them preserve their consultant and entrepreneur spirit, ABİGEMs are established as non-profit joint stock companies that are only supported during the project duration and that are expected to ensure their continuity. Nevertheless the support of TOBB and the Chambers of Trade and/or industry together with other stakeholders of importance in the region considerably facilitates the realization of the social and economical tasks of the ABİGEMs

Support to the Solution of Economic and Social Integration Problems in Diyarbakir, Sanliurfa, Gaziantep and Erzurum as Major In-Migrant Destinations (IGEP) (TPA 2006, EUR 12.9 million)

The project focused on the enhancement of the institutional capacity of four metropolitan municipalities to mitigate problems arising from migration, as well as to assist with the rehabilitation and reintegration of street children. The project was implemented between December 2008 and May 2010. The project aimed to minimise urban disparities by improving social and cultural facilities, building on the experience from a previously EY funded project: *Economic and Social Integration Project in Major In-Migrant Destinations*, implemented in Diyarbakir, Sanliurfa, Gaziantep and Erzurum Municipalities.

The IGEP project had two main components: capacity building and social services. Under the capacity building component, needs analysis reports were prepared based on replies to 2300 surveys at district level and face-to-face interviews with more than 250 institutions in four cities. Based on these reports and with the support of more than 20 working groups, the municipalities prepared social mappings for identifying the needs of each region. Strategic action plans and relevant operational programmes were developed on the basis of all these practices.

The project responded to an urgency to ensure the participation of the migrated population into urban life, and to reveal its links with serious challenges such as alienation and discrimination. In the context of this multidimensional struggle, an unprecedented coordination and cooperation model was developed with the participation of civil society organizations, public institutions, governorships, local administrations which ensured

cooperation between the local authorities. Consequently the project developed an efficient model in the field of social policy and provided the municipalities with the capacity of managing their social responsibilities through a systematic approach. Within a relatively short period of 18 months, various activities were conducted in an exhaustive and sustainable manner. In this way, not only the objectives of the project were attained, but also the positive impacts of the centres on children's and young people's behaviour and expectations were seen to improve greatly. This impact became the most important element of motivation for the municipalities in continuing their activities after the completion of the project.

9.3.2.2. *Lessons learned*

Please refer to section "2.1 Multi-annual Indicative Planning Document" above as the experience from the Turkish Pre-Accession has been critical in the Commission's own assessment of past performance and in improving IPA based on lessons learned.

9.3.2.3. *Management performance*

2010 was mainly about finalising the formal procedures related to the 2005 and 2006 projects funded under TPA; 446 decentralised contracts were closed and the Commission completed 74 recoveries of a total amount of EUR 2.38 million.

Table 14: Status of financial assistance at the end of December 2010 (in million EUR) – TPA annual programmes

	Allocated	Contracted	% Contracted	Paid	% Paid
TPA 2002	126.0	112.2	89.05%	105	83.33%
TPA 2003	144.0	122.0	84.72%	117	81.25%
TPA 2004	235.6	194.4	82.51%	186	78.95%
TPA 2005	277.7	232.6	83.76%	223	80.30%
TPA 2006	450.0	388.9	86.42%	348	77.33%
Total	1233.3	1050.1	85.15%	979	79.38%

9.3.2.4. *Institutional building highlights*

Prepared in order to assist Turkey with its efforts in preventing corruption, the EU-financed project *Ethics for the Prevention of Corruption in Turkey* (TPA 2006, EUR 1.5 million) promoted democracy and the rule of law by strengthening and improving ethics in preventing corruption in Turkey, in accordance with European and international standards. The project was implemented by the Council of Europe and consisted of activities in order to support the implementation of the Regulation on Principles of Ethical Behaviour across the public administration in line with GRECO recommendations, develop principles of ethical behaviour for other categories of officials or holders of public office, create systems to monitor the effectiveness of anti-corruption measures, ensure coordination of anti-corruption measures.

Under the project the staff of the Council for Ethics in Public Service was trained on various areas such as investigation of complaints and application of principles of ethical behaviour. Thanks to the preparation of a training, 110 officers from public administration received training on ethics and subsequently becoming trainers themselves. Moreover, 10 academic studies on topics such as "public bidding and ethics", "the shadow economy and ethics", "ethics and the customs services" were carried out. For instance the studies determined

corruption risks related to unethical behaviour and contributed to the development of new strategies on combating corruption by filling the gap on the issue. Subsequently the Council of Ethics presented the results of the studies followed by public debates.

Effective measures have been carried out to encourage the adoption of a code of conduct in line with EU standards, such as the legislative ethics and judicial ethics workshops on the needs and possibilities of developing codes of conduct for elected office holders and the judiciary. The effectiveness of codes of conduct and anti-corruption legislation in Turkey (criminal law measures, Public Information Act, Regulation on the Principles of Ethical Behaviour etc.) was evaluated, specific anti-corruption measures were proposed, national conferences on the prevention of corruption were organised, and recommendations for future anti-corruption measures to promote ethics were provided.

The Chair of the Council for Ethics In Public Service) commented on the outcome of the project: "one of the most important aspects of our council's work covers developing and extending ethical culture in the public sphere. The project, which serves this objective, is unique in Turkey in terms of its objectives and activities. The academic studies, ethics leadership seminars, conferences on ethics and combating corruption, and other efficient activities of the project, beyond reaching the objectives, form a strong basis for future projects"

9.3.2.5. Joint Monitoring Committees/Sector Monitoring Sub-Committees

During the year two Joint Monitoring Committee (JMC) meetings were organised in combination with IPA Transition Assistance and Institution Building Monitoring Committees on 7th of February and on 29th June 2010. The implementation and programming of the financial assistance has been discussed in detail, including specific risky projects, and how to sustain the impact of projects in a more general way. Problems of sustainability persisted and need to be addressed during programming, implementation and ultimately also after project completion. The National Aid Coordinator, the Ministry for EU Affairs, undertook to organise meetings to discuss how sustainability can be underpinned and checked through ex-post monitoring.

10. MULTI-BENEFICIARY

10.1. Summary

Regional cooperation in South East Europe has made important progress in recent years, in particular in the areas of trade, energy and transport and cooperation in public administration reform. However, more efforts are needed to improve the efficiency of regional structures and initiatives and to overcome bilateral disputes and disagreements which hinder the effective functioning of regional organisations.

Multiple challenges still lie ahead for the Western Balkans to achieve the overall goal of membership. In particular, political instability, the lack of progress in the fight against organised crime and corruption as well as continuing investment shortfalls, mainly in transport and energy infrastructure, remain major challenges.

In this light, during programming IPA assistance for 2011- 2013 particular attention has been given to projects that support the beneficiaries to **overcome the economic and financial crisis and prepare for sound recovery** by frontloading financial support for priority investments in infrastructure, in close coordination with International Financial Institutions (IFIs), also by supporting regional initiatives. Furthermore, the areas of **public administration, human rights and minorities, the rule of law and the fight against organised crime and corruption** as well as education and environment have been selected as priorities for the next years.

10.2. Strategic planning and programming

10.2.1. Multi-annual Indicative Planning Document

The purpose of the Multi-Annual Indicative Planning Document (MIPD) 2011-2013, prepared during 2010, is to set out the EU's priorities for multi-beneficiary assistance in the candidate countries and potential candidates. Multi-beneficiary assistance is provided through component I of IPA and is delivered through regional and horizontal projects.

Areas of intervention will only be addressed through multi-beneficiary assistance where there is a clear need for regional cooperation or horizontal action, for instance through tackling cross-border problems or in obtaining efficiencies through establishing harmonised approaches, leveraging established instruments or facilitating networks of experts. In the period 2011-2013, funds available for this will total around EUR 521 million for component I.

The strategic priorities of the MIPD draw from needs identified in the European/ Accession Partnerships, as well as the latest progress reports, included in the Enlargement Package. The beneficiaries, local stakeholders such as the Regional Cooperation Council (RCC), civil society organisations, EU Member States, other donors and international financial institutions, as well as other Commission Services responsible for specific sector policies have been consulted in the design of the MIPD.

The priorities selected for support under the 2011- 2013 multi-beneficiary MIPD are addressed under the following sectors:

1. *Justice and Home Affairs, including fundamental rights and vulnerable groups*: focuses on the rule of law and the fight against organised crime and corruption, respect of human rights and protection of minorities.
2. *Public Administration Reform*: the overall objective in this area is to contribute towards upgrading the operational capacities and professionalism of public administrations at central, regional and down to local level, in the Western Balkans and Turkey, as well as to promote regional cooperation through knowledge transfer, networking and exchange of experience, by using existing instruments, in particular SIGMA and ReSPA. The sector also includes support to statistics with the aim to upgrade and strengthen the statistical systems of the Beneficiaries.
3. *Support to Civil Society*: here assistance mainly supports the Civil Society Facility. Media freedom and freedom of expression are also mentioned in this context.
4. *Private Sector Development*: support aims to raise regional competitiveness, increase competence of human capital, attract investment and provide financing to SME as well as help to establish a business climate conducive to the development of SMEs and to facilitate trade.
5. *Transport and Energy Infrastructure, including Nuclear Safety*: assistance in this sector will increase the access to finance for investments in priority infrastructure projects, including investments in energy efficiency and renewable energy which has emerged as a potential key driver of recovery from the economic crisis and sustainable growth.
6. *Environment and Climate Change*: assistance in this sector will focus on strengthening regional cooperation, mainly through the Regional Environmental Network for Accession (RENA), in strategic planning for environmental policy and investments, aligning with the EU *acquis* and developing capacities in the area of disaster risk reduction and adaptation to climate change.
7. *Social Development*: includes the programmes of Erasmus Mundus and Youth in Action as well as Tempus. In addition, support will be provided to regional cooperation in cultural heritage and reappraisal of history as a means of dialogue and reconciliation in the Western Balkans.

The MIPD builds upon experience from previous and existing EU financial assistance. Regarding the programming process, experience has shown that **regular and timely communication** to facilitate the involvement of beneficiaries and improve ownership of the programmes is of paramount importance. Consequently, detailed programme plans, including timelines and draft documents for comments, have been distributed to IPA beneficiaries. Multi-beneficiary coordination meetings take place regularly throughout the year and allow for discussion on the status of current and future programming as well as project implementation.

Table 1: MIFF⁶⁰ allocations per component, in million EUR

Component	2010	2011	2012	2010-2012
I – Transition Assistance and Institution Building	138.97	173.46	168.86	481.29
II – Cross-border co-operation	4.92	5.29	5.67	15.88
TOTAL	143.89	178.75	174.53	497.17

⁶⁰ Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', COM(2009) 543 of 14.10.2009.

10.2.2. Programming exercise

10.2.2.1. Component I

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

MULTI-BENEFICIARY	2010
I. Transition Assistance and Institution Building	162.70⁶¹
Of which:	
Multi-beneficiary Programme 1	81.02
Multi-beneficiary Programme 2	6.48
Amendments to MBP 1 and 2 2009	6.50
Support to the operational budget of the Office of the High Representative (OHR) in Bosnia and Herzegovina	5.30
Support to the Interim Civilian Office Kosovo	7.00
Tempus	13.80
Nuclear safety and radiation protection	7.07
Contribution to the Energy Community Secretariat	3.19
TAIEX	17.00
Information and Communication	10.00
ERDF	1.34
Evaluation, Monitoring and Audit	4.00
TOTAL	162.70

The objective of the pre-accession assistance provided under the 2010 multi-beneficiary programmes was to address the three priority areas identified in the MIPD 2009-2011, namely: political and economic criteria as well as the ability to assume the obligations of membership and approximation to European standards.

An assessment of the multi-beneficiary MIPD 2009-2011 was carried out at the beginning of 2010 with the objective to check its validity in light of developments in the region and main challenges ahead. It was concluded that the scope, overall objectives and strategic choices of the 2009-2011 MIPD remained valid also for 2010. All stakeholders, including the donors' community were informed about the process and conclusions of this assessment and agreed that a revision of the MIPD was not required at this stage.

The assessment of the 2009-2011 multi-beneficiary MIPD constituted a stepping stone toward an in-depth and comprehensive revision of the strategy in the 2011-2013 multi-beneficiary MIPD. A number of Working Groups were set up to provide a framework for discussions with beneficiaries, donors, civil society and other stakeholders, analysing in particular the needs for regional cooperation.

Discussions in those Working Groups provided valuable contributions to the development of specific sector plans that in turn fed into the draft MIPD for 2011-2013. This process allowed

⁶¹ This amount includes national funds for Tempus and Nuclear safety and radiation protection, amounts in other budget lines for actions specified in the multi-beneficiary MIPD, as well as the use of carried over assigned revenues.

better tailoring of the new multi-beneficiary strategy according to the needs of the beneficiaries in the region while at the same time enhancing ownership of the programme and complementarity of regional and horizontal programmes with national strategies.

Two multi-beneficiary donor coordination meetings have been organised in 2010 with EU Member States, International Financial Institutions (IFI), the Regional Cooperation Council and other stakeholders. IPA multi-beneficiary coordination meetings with beneficiaries are held approximately three times a year and regular updates on the outcomes of each step in the programming cycle are transmitted to stakeholders. Such involvement affords beneficiaries the opportunity to judge their absorption capacity for each project as well as to evaluate how each project would fit into the national plans.

The 2011 programming exercise was initiated by mid 2010 while drawing on the planning framework provided in the various sector working groups and aligning with the priorities identified in the 2011 – 2013 MIPD.

Table 3: Indicative financial allocations for the year 2010 under the multi-beneficiary Programmes, per priority axis and per project, in million EUR

Priority Axis / Projects		Budget
Political Criteria		56.78
	Support to the operational budget of the Office of the High Representative (OHR) in Bosnia-Herzegovina	5.30
	Support to the Interim Civilian Office Kosovo	7.00
	Support for Improvement in Governance and Management (SIGMA)	10.00
	Improving Public Financial Management in the Western Balkans	1.00
	Cross-Border Institution Building Phase II	1.50
	Regional Initiative for Roma Integration	3.00
	Fight against organised crime and corruption: Strengthening the Prosecutors' Network	5.00
	Regional Co-operation in Criminal Justice: Strengthening capacities in the fight against cybercrime	2.50
	Civil Society Facility (CSF)	12.00
	INSPIRATION - Spatial Data Infrastructure in the Western Balkans	1.50
	Support to the operating expenditures of the RCC Secretariat and Strengthening the RCC Secretariat	3.20
	Support to the Ljubljana Process II – Rehabilitating our Common Heritage	1.50
	Support to the South East Europe Investment Committee – implementation by the RCC Secretariat	0.80
	Strengthening the Southeast European Joint History Project as a strong tool for reconciliation in Southeast Europe	0.98
	Amendment MBP 1 2009 – Refugee return	1.50
Economic Criteria		58.56
	Implementation and follow-up of the Small Business Act in the Western Balkans	0.30
	Infrastructure Project Facility – Technical Assistance Window	15.12
	Erasmus Mundus Action 1: Western Balkans - Turkey Windows	8.00

	Erasmus Mundus – Action 2: Partnerships, Lot - Western Balkans	12.00
	Youth in Action Programme – Western Balkans Window	1.50
	Western Balkans Regional Strategy on Research and Development for Innovation	1.50
	EEF (Green for Growth Fund)	5.00
	Tempus	13.80
	ERDF	1.34
Ability to assume the obligations of membership		29.56
	Systematic Electronic Exchange of Data (SEED)	1.30
	Statistical Cooperation	1.00
	Nuclear Safety	7.07
	Energy Community	3.19
	TAIEX	17.00
Information and Communication		10.00
	Information and Communication	10.00
Supporting programmes		7.80
	Strengthening European Integration	3.80
	Evaluation, Monitoring and Audit	4.00
TOTAL		162.70

The table above reflects consistency in the distribution of the multi-beneficiary assistance by the different areas of intervention as indicated in the multi-beneficiary MIPD 2009-2011, where strong emphasis was given to the area of “*addressing the economic criteria*” in view of helping beneficiaries to tackle the effects of the financial crisis. In accordance with the 2009 Enlargement paper's strategic orientations, regional co-operation, the fight against organised crime and corruption, good governance as well as support to civil society have been addressed under the political criteria in the 2010 multi-beneficiary programmes.

10.3. Implementation of assistance

10.3.1. IPA

10.3.1.1. Success stories

The Regional School of Public Administration: The formal opening of the Regional School of Public Administration, ReSPA, on 11 November in Danilovgrad, Montenegro by Commissioner Füle and Milo Djukanovic, Prime Minister of Montenegro marked an important deliverable of the Multi-beneficiary IPA assistance. The school's aim is to reinforce regional co-operation and strengthen administrative capacity in the Western Balkans. It follows the principles of the 'European Administrative Space' in which public servants in European countries meet to exchange views and best practices on the implementation of EU legislation. The EU has provided more than EUR 7 million in technical assistance and equipment and is planning to finance another EUR 7 million adding to the foreseen contributions of national authorities.

Some of the main activities of the ReSPA project include seminars, conferences and training for public administration professionals, as well as publications, training material and the creation of an electronic library.

European Fund for Southeast Europe (EFSE): EFSE is a Public - Private Partnership with the aim of attracting private sector capital and thereby leveraging the public donor funds for the development of the private sector (SMEs and households) in the region. EFSE is extending loans to partner lending institutions such as local commercial banks and micro finance institutions. EFSE invests in one of the world's growing emerging markets, namely fourteen countries of the region of Southeast Europe, including the European Eastern Neighbourhood Region. Currently, EFSE has provided approximately 270,000 sub-borrowers with a total amount of EUR 1.50 billion. It has thereby created 280,000 new jobs, a remarkable social impact. The maximum loan size is EUR 100,000 but the average loan size is EUR 4 700.

EFSE was awarded first prize at the G-20 summit in Seoul, receiving by far most votes in the competition 'SME Finance Challenge'. With this award, the innovative, crisis-resistant fund model for financing SMEs has received one of the highest credentials possible. Since 2005, the European Commission has contributed with a total amount of EUR 70 million to the Fund. The assets, represented via European Investment Fund (EIF) were worth, at end 2010, approximately EUR 100 million.

The Western Balkans Investment Framework (WBIF): In its first year of existence the implementation of the WBIF has made substantial progress, demonstrating that it is a useful and efficient mechanism of financing important investment projects in the Western Balkans. The Joint Grant Facility (JGF) has been very active in meeting its main objective which is pooling stakeholders' resources (grants and loans) and expertise together to finance projects, as well as strengthening coordination among donors and beneficiaries.

In 2010, a total of 81 projects were approved and grants of a total value of EUR 139.20 million were handed out under the framework. It was decided to provide technical assistance to 69 projects and 12 projects will receive investment co-financing under the Infrastructure Project Facility Municipal Window, altogether corresponding to investments of an estimated total value of EUR 6.80 billion. There is a relatively balanced distribution of grants by sector, with environment accounting for 49%, followed by transport with 26%, energy with 16% and the social sector with 9%.

The JGF Project Financier's Group (PFG) met four times during the year in order to monitor the implementation of the WBIF and discuss submitted projects. The third Steering Committee (SC) of the WBIF took place in London on 16th December 2010. The meetings gathered more than 70 participants representing the donors to the European Western Balkans Joint Fund (EWBJF), the beneficiaries (NIPACs), the IFIs, the Commission and regional organisations.

During the meeting, the annual report 2010 of the WBIF was presented, the new website of the WBIF was formally launched (www.wbif.eu) and the work underway to update and upgrade the database on investment flows from the EU, IFIs and bilateral donors to the region was previewed. The resources and proposed work programme for 2011 as well as the next call for project submissions were presented. The SC meeting also provided an opportunity to enhance further the coordination between donors, the Commission and beneficiaries in the area of policy and strategy.

Bilateral donors have pledged new funding of EUR 10.00 million for the WBIF and the European Commission announced that EUR 70.00 million of the IPA multi-beneficiary assistance will be channelled into the WBIF in 2011.

Erasmus Mundus (Action 1 and Action 2):

Apart from scholarships offered to students from third countries, as from 2009 additional scholarships for students from Western Balkans and Turkey have been made available under the so called "Western Balkans and Turkey Window" of **Erasmus Mundus Action 1**. This programme supports degree-seeking mobility in the form of joint courses. In 2010 under this window a total of 188 students from the Western Balkans and Turkey were selected for the academic year 2010/2011.

Under **Erasmus Mundus Action 2** (aiming at promoting institutional co-operation and mobility activities) three projects were selected for the Western Balkans Lot in 2010. One is coordinated by the Karl-Franzens University of Graz (also managing the mobility of 202 individuals from the Western Balkans), one by the University of Ghent (also managing the mobility of 230 individuals from the Western Balkans) and one by the City University London also managing the mobility of 184 individuals from the Western Balkans).

In 2010, EUR 8 million were allocated for Action 1 and EUR 12 million for Action 2 respectively with activities starting in the academic year 2011/2012. It is foreseen that under Action 1 approximately 141 scholarships will be financed altogether, out of which those for participation in Joint Master Courses amount to 117 and respectively to 24 in Joint Doctorate Programmes.

10.3.1.2. Overview of IPA implementation in 2010

Component I: Transition Assistance and Institution Building

Table 4: Status of implementation of IPA financial assistance (Component I) as at 31st December 2010 (in million EUR) per annual programme⁶²

	Committed	Contracted	% Contracted	Paid	% Paid
IPA 2007	153.42	120.07	78.26%	108.60	70.79%
IPA 2008	196.54	169.61	86.30%	90.89	46.25%
IPA 2009	247.92	192.52	77.66%	116.66	47.06%
IPA 2010	162.70	55.93	34.38%	29.86	18.35%
TOTAL	760.58	538.13	70.75%	346.01	45.49%

⁶² For contracted and paid amounts, only programmes managed centrally by DG ELARG were taken into account (i.e. no Erasmus Mundus, Youth, Tempus, contribution to the Energy Community Secretariat and ERDF). Therefore the actual percentages of contracted and paid amounts are higher.

Table 5: Distribution of total committed funds (2007-2010 allocations) by priority axes

Priority Axes	% of 2007-2010 allocations
Political criteria	6.61%
Civil Society	5.26%
Support to interim civilian administration	6.83%
Economic criteria	31.79%
Ability to assume membership obligations	7.00%
Regional support programmes	2.89%
TAIEX / SIGMA	9.03%
TEMPUS/Education/Youth	18.09%
Communication	4.38%
Nuclear safety	4.03%
Technical Support, monitoring, audit and evaluation	4.09%
TOTAL	100%

All Beneficiaries can participate in (formerly Community) EU Programmes, Agencies and Committees on a case-by-case basis and the ticket to participate in those is financed through the National Programmes. As was the case with previous Enlargements however, the EU supports the Agencies to prepare their counterparts in the Beneficiaries for participation in the activities of the EU Agencies either, if permitted, prior to accession or following accession to the EU. Multi-Beneficiary assistance continued in 2010 to be provided to the following Agencies:

- CPVO (Community Plant Variety Office) – EUR 400 000
- EASA (European Aviation Safety Agency) – EUR 700 000
- ECDC (European Centre for Disease Prevention and Control) – EUR 400 000
- ECHA (European Chemicals Agency) – EUR 200 000
- EEA (European Environment Agency) – EUR 1 200 000
- EFSA (European Food Safety Authority) - EUR 1 000 000
- EMCDDA (European Monitoring Centre for Drugs and Drug Addiction) – EUR 900 000
- EMSA (European Maritime Safety Agency) – EUR 300 000
- ERA (European Railway Agency) – EUR 200 000
- EU-OSHA (European Agency for Safety and Health at Work) – EUR 900 000
- EUROFOUND (European Foundation for the Improvement of Living and Working Conditions) – EUR 700 000
- EMEA (European Medicines Agency) – EUR 900 000

A new programme is expected to be adopted in 2011 as to continue the work with these Agencies and with the new agency: European Institute for Gender Equality.

10.3.1.3. Implementation Modalities and Structures

Multi-beneficiary programmes are implemented by direct centralised management, by indirect centralised management, by joint management with an International Organisation based on Article 53a and d of the Financial Regulation, or by decentralised management (for some projects under the Nuclear Safety and Radiation Protection programmes). In some specific cases crossed sub-delegation to other Commission services for the implementation of projects under centralised management is also foreseen.

10.3.1.4. Monitoring

The successive introduction of monitoring maps for each project has helped to better demonstrate progress in implementation and, if necessary, decide on additional checks or corrective actions whenever required. The monitoring of Multi-beneficiary projects comprises also on the spot verifications by Project Managers, participation in Project Steering Committees, implementation reports as well as the Results Oriented Monitoring (ROM).

Through a consistent approach, with standardised outputs, ROM highlights strengths and weaknesses in the implementation of EU external assistance projects, by assessing each project's relevance, quality of design, efficiency, potential impact and sustainability. The general principle and aim is to monitor ongoing projects of at least EUR 1.00 million EU contribution and a minimum duration of 12 months. The total number of regional/horizontal projects monitored during 2010 reached 26. No reports flagged serious problems in the project implementation.

A total number of 68 regional/horizontal projects were monitored during the whole three-year period from end November 2007 to end November 2010 by the ROM contractor ICCS-NTUA and a total of 440 sets of ROM outputs produced. The projects to be monitored are chosen on the basis of the general principles but are still subject to discussion by the Unit with the contractor. A new contract was signed with PARTICIP GMBH for a period of two years as from December 2010.

10.3.2. CARDS (and PHARE for HR) or TPA

10.3.2.1. Sectors with positive results/ Success stories

Under Phare, the implementation of horizontal programmes has offered wide possibilities of co-operation with the European Investment Bank (EIB) and International Financial Institutions (IFIs) such as the European Bank for Reconstruction and Development (EBRD) and the Council of Europe Development Bank (CEB) in association with Kreditanstalt für Wiederaufbau (KfW) by allowing the blending of IFI loans with EU grants. These horizontal programmes have complemented the investment projects financed by national programmes.

Four types of programmes have been developed as follows.

The *SME Finance Facility* (SMEFF) has been set up to strengthen the capacities of financial intermediaries (i.e. banks, leasing companies) in beneficiary countries to expand and sustain their financing operations to SMEs. The SMEFF projects include the provision of loans, loan

guarantees, and leases for local financial intermediaries in combination with non-reimbursable financial incentives. In turn, financial intermediaries on-lend or lease to individual micro-enterprises or SMEs. Since 2005, the only eligible countries have been Bulgaria, Croatia, Romania and Turkey. At the end of December 2010, the total amount of EU incentives earmarked for projects increased, in particular in the newly introduced energy efficiency area and reached about EUR 320 million.

Under the *Municipal Finance Facility* (MFF) local financial intermediaries are supported to extend loans to the municipalities. The mechanism of the programme is similar to this one of the SMEFF. In 2010, the pace of development and signature of new projects steadily accelerated, mainly due to the conclusion of amendments to the Contribution Agreements extending the sub-programme deadlines. However, the overall progress remained relatively slow due to high administrative costs, delays in regulatory reforms in some countries, and the inexperience of the municipalities to prepare credit files. At the end of December 2010, the total amount of EU incentives committed into projects was over EUR 81 million.

The objective of the *Municipal Infrastructure Facility* (MIF) is to contribute towards the social and economic development of border regions of the EU-15 Member States. To this end, the MIF combines loans from EIB resources with non-reimbursable Phare support to accelerate the completion of small local infrastructure investments. By the end of 2010, about EUR 40 million was disbursed.

The *Energy Efficiency Finance Facility* (EEFF) was launched in 2006 to stimulate energy efficiency investments in all types of building and in the industry sector by making appropriate financing available to the end-borrowers. The overall results of the programme will be savings in energy and a significant reduction of CO₂ emissions.

The EEFF combines IFI credit lines extended to financial intermediaries with incentives to improve the cost effectiveness of equipment and make the energy investment more attractive, and fees to the benefit of local financial intermediaries to encourage them to onward-lending. By the end of 2010, large amounts were contracted (EUR 53 million in three Contribution Agreements) and an increased number of new projects for a total amount of EUR 35 million approved.

At the end of 2010, four Commission decisions of 2005 and 2006 establishing a Phare Multi-beneficiary programme on the SME Finance Facility, Municipal Finance Facility and Energy Efficiency Finance Facility with the CEB in cooperation with KfW were amended to extend the end date for the conclusion of the Project Agreements to allow for proper implementation and full utilisation of Phare resources by making them available to the Green for Growth Fund (GGF) and the European Fund for South East Europe (EFSE). Five other amendments to Commission decisions regarding the 2006 Facilities with the EIB and the EBRD allowing for energy efficiency investments and extension of the end date for the conclusion of the Project Agreements were under preparation. In addition, the Commission continued the reshaping process of the Facilities, focusing in particular on energy efficiency measures.

Under the CARDS Regional Action Programme 2005, the project "*International Law Enforcement Co-ordination Units ILECUS*" has contributed to officially open an ILECU, i.e. national platforms for international police co-operation in all the beneficiaries.

The project "*Assessment of Corruption in the Western Balkans*" under CARDS 2006 produced a survey on Corruption in the Western Balkans: Bribery as experienced by the

population. It captures the actual experience of ordinary citizens and how bribery affects their dealings with the public administration. The survey will help in the development of effective anti-corruption policies. It also provides a benchmark to assess future progress.

The project "*Support to the Prosecutors' Network*" under the CARDS Regional Action Programme 2006 ended in July 2010. In all beneficiaries the project contributed directly to establishing and developing co-operation between the Prosecutor's Offices in the Western Balkans. The most significant effect, both in terms of quality and quantity, was produced at the level of strengthening the human capacities of the prosecution services, ministries of justice and other authorities targeted by the project activity. All the beneficiaries indicated that the work on the preparation and conclusion of bilateral agreements regulating either specific forms of mutual assistance or direct co-operation between the prosecutors intensified in the recent years. Moreover, the revised Memorandum of Understanding provides a solid basis to sustain the project impact over the next years, provided that authorities are committed to undertake the necessary steps to achieve the goals set out in this document. Contact points for the Prosecutors' Network from all the beneficiaries recognised that the project was essential for maintaining the Network.

10.3.2.2. Institution Building highlights

Under the CARDS regional Action Programme 2006, Technical Assistance has been provided to beneficiaries to support them in the implementation of the European Common Civil Aviation Area Agreement. The project has been successfully completed during 2010 and the national administrations had received comprehensive training and capacity building through assignments of long and short term experts, workshops, seminars and study visits in the fields of aviation legislation, economic regulation, aviation safety, air traffic management, aviation security and airport regulation.

Under the Phare 2006 Programme on Statistical cooperation for Bulgaria, Croatia, Romania and Turkey, Eurostat completed its training activities to upgrade and strengthen the statistical systems in the beneficiaries by improving the availability, quality, comparability and timeliness of statistical data in particular in macro-economic, price, external trade, agricultural, demographic, social and business statistics. A number of experts from the National Statistical Institute of Bulgaria, the Central bureau of Statistics of Croatia, the National Institute for Statistics of Romania and the Turkish Statistical Institute attended workshops or seminars and participated in technical meetings organised by Eurostat and other Commission services.

PART II: FINANCIAL ASSISTANCE TO FORMER CANDIDATE COUNTRIES

1. Summary

Following the end of implementation of the Transition Facility 2006 programme at the end of 2009 in the 10 Member States that joined the EU in 2004 (hereinafter, the EU 10), the national authorities concentrated in 2010 mainly on monitoring and evaluation of results, payments to the beneficiaries and tasks related to the proper closing and phasing out of Phare and Transition Facility programmes, including some institutional changes.

For Bulgaria and Romania the pre-accession assistance has been completed and closed down in terms of operational implementation in 2010 with the expiry of the deadline for execution of contracts under Phare 2006 and under the Transition Facility. The project results and objectives have been successfully achieved and no major problems in the project implementation have been reported.

2. Implementation of PHARE and Transition Facility assistance in 2010

2.1. Taking stock of pre-accession and post-accession assistance

Bulgaria

In 2010, thirteen thematic evaluations have been carried out in Bulgaria concerning Phare and Transition Facility projects by external experts contracted under TF 2007. Together with the results of two national interim evaluations, the reports reveal the main strengths and weaknesses in the management of EU assistance and provide useful advice for the future assistance under Operational Programmes:

1) The EU assistance has proven to be particularly effective in certain sectors, such as civil society development and community-based services for vulnerable members of society. Thus, the main achievements of the financial assistance consisted in strengthening the capacity of the NGOs in Bulgaria to participate in the accession process; development of partnerships with public bodies and business; improving the access of vulnerable groups and minorities to social services and labour market; enhancing transparency and prevention of corruption. The assistance also significantly contributed to the upgrading of human capital and enhancing the administrative capacity and competences of the implementing organisations.

On the other side, road construction projects under Phare were assessed as less effective, as they suffered from significant delays and exceeded the budget. According to the evaluator's conclusions Phare interventions in this sector have been affected by insufficient project design and planning, difficult and time consuming procedures for land acquisition, insufficient performance of some works contractors and insufficient capacity of the managing authorities.

2) As regards the grant schemes the evaluators recommend to establish a clear link between objectives and results and the indicators to measure their achievement and include target values and baseline data. Moreover, the evaluation on the grant schemes has drawn the conclusion that complex grant schemes with several parallel objectives were difficult to

manage and led to insufficient results. The lessons learnt as regards the large grant schemes concern the need for more careful planning of interventions by defining clear and limited number of objectives and taking into account the capacity of the beneficiaries, the risk of failure of more complex projects and the need of partnerships.

3) In the thematic report on twinning the main conclusion is that twinning has been a preferred instrument for institution building under Phare in Bulgaria and has been used two times more often than Technical Assistance. The reason for the success of twinning is the fact that it is much more flexible and hence its project activities could be timely adjusted to the current needs of the beneficiary organisation.

Success Stories

Civil Society Development Phase 1 (BG 2004/016-711.01.01) and Phase 2 (BG 2005/017-353.01.01) – Grant Schemes

The objective of this multi-annual project was to support the civil society and its role in strengthening the rule of law and democratisation; increase the capacity of the NGO sector by enhancing its participation in the accession process; promote partnerships with public bodies and ensure access of minority groups to the public services and the labour market.

With a budget of EUR 1.48 million of Phare funds for phase 1 and EUR 2.65 million for phase 2, more than 1,300 events were organized, including workshops, conferences and seminars, round tables, cultural events and information services delivered in areas such as equal opportunities, human rights and protection of minorities, regional development, environmental protection and youth to the benefit of a large number of citizens (about 20,000). Youth and children, and representatives of vulnerable groups comprised the biggest share of direct beneficiaries, thus the individual grant contracts contributed to enhancing social integration and inclusion.

The assistance contributed to enhancing the capacity and competences of the NGO sector in three directions: project implementation; management, monitoring, evaluation of EU funded projects; and work with target groups. Local authorities also gained experience in both project implementation and resolving issues of local/social importance. The partnerships developed, including public private partnerships, and the networks created were also valuable. Another important result was the increased awareness and tolerance of the community about the specific problems of minorities and vulnerable groups.

Success Story 2

Deinstitutionalisation through provision of community based services for risk groups Phase 1 (BG 2004/016-711.01.02); phase 2 (BG 2005/017-353.01.02) and 3 (BG 2006/018-343.01.01) – Grant Schemes

The objective of this multi-annual project was to support the development and delivery of community-based services for vulnerable members of society, including orphans and handicapped children, elderly people and mentally and/or physically handicapped adults. In addition to Phare funds, national co-financing was provided as follows: budget of EUR 3.84 million Phare funds and EUR 1.28 million national co-financing under Phase 1; EUR 5.00 million Phare funds and EUR 1.67 million national co-financing under Phase 2; and EUR 6.4 million and EUR 2.14 million respectively under Phase 3.

The project was successful in achieving its specific objectives for the creation and development of a network of community-based social and mental health services. Assistance developed and supported 208 social and mental health services. Individual grants supported nearly 6,000 children and 3,000 families at risk; 2,900 adults with disabilities or elderly people and 1,500 people with psychiatric disorders/mental health problems. They also contributed to the restructuring of 25 childcare institutions and 10 institutions for adults with disabilities or elderly people.

The assistance made a tangible contribution to the development of community-based services for vulnerable people in Bulgaria. It created about two-thirds of all Community Support Centres and the transitional homes for children; more than 40% of the day care centres for elderly people; about 30% of the day care centres for adults with disabilities and the family-type centres for accommodation of children; one forth of sheltered homes and about one fifth of all day care centres for children with disabilities in the country.

Access to community-based services, as an alternative to institutionalisation, was improved in 97 out of 264 Bulgarian municipalities, of which 83% did not have any similar services before the start of the project.

The assistance also significantly contributed to the upgrading of human capital and enhancing the capacity of the implementing organisations in working with the target groups as most of the grant contracts included training of staff and experts, exchange of experience and transfer of knowledge on new approaches.

Romania

Altogether ten sectoral evaluations and two thematic evaluations were carried out by external experts contracted under TF 2007 in the period February 2010 to December 2010. The ratings for the 2010 sectoral interim evaluation reports show an improvement compared to the 2007 and 2008 ratings with the overall rating per sector shown as *satisfactory* with minor differences between sectors (i.e. *productive sector* and *environment sector* show lower ratings for one or both of these indicators: *efficiency* and *sustainability*)

The general conclusions drawn following the aforementioned evaluations are fairly positive:

1. The Phare and Transition Facility assistance is a final round of interventions that built on many years of effort. The management structures and the PIUs were more mature and experienced. Implementation efficiency was generally good where many Phare 2006 projects needed to be completed in a shortened implementation period. Progress is made in disbursements despite the problems faced by contractors and twinning partners in meeting the extensive documentation requirements.
2. The effectiveness of the assistance continued to be strong in terms of the delivery of outputs. Major supplies of equipment were achieved in several sectors. The feedback on the quality of training provided is generally satisfactory. The visible perception of wider impact is affected by the slow progress in absorbing the structural and cohesion funds and the continuation of the Co-operation and Verification Mechanism. Many of the institutional results are already sustained and the remaining uncertainties opposing sustainability have reduced in comparison with earlier years.

Overall lessons learned:

1. In terms of the management of a significant development programme, the Phare and Transition Facility interventions established the importance of a strategic approach and the use of a logical framework for prioritising the implementation programmes. The need for a large group of actors to oversee the proper management of the programme was appreciated as a pre-requisite to achieving (and measuring) the results. The substantial investment in training people conveyed a fundamental principle held in the EU of the value and necessity of training for achieving a modern and efficient administration.
2. A lesson specific to the Phare programme is the appropriateness of the different implementation instruments (technical assistance, twinning, supply and grant schemes) in different circumstances and the need for a variety of instruments to secure impact in a large and wide-ranging development programme. This was apparent from the significant final use of twinning and twinning light interventions in the Transition Facility. Also, the ability of the Phare programme to achieve results in Romania at the level of the individual citizen and in the smallest and most remote communities will be one of its most enduring legacies.
3. A final horizontal lesson that emerged from the Phare programme is the recognition of the importance of training and development of public officials to achieve development results. In all sectors, the capacity for sustainable training was generously supported by the programme resulting in a basic competence, often through the train-the-trainer approach, and is extending the benefits of the Phare interventions. The national co-ordination of this training resource is not well established and it would be worthwhile to invest in further consolidation of this horizontal capacity.

Evaluation of EU pre-accession assistance to CBC programmes in Bulgaria and Romania

A retrospective evaluation of EU pre-accession assistance to CBC programmes in Bulgaria and Romania was also carried out at the end of 2010. The main conclusion was that the relevance and intervention logic of CBC programmes have been satisfactory. However, in terms of efficiency and effectiveness CBC has been rated as only partially satisfactory, as the project implementation has been hampered by the following problems: insufficient cooperation between National Aid Coordinators' services; insufficient resources to manage large grants; uncertainties regarding transition from EU procurement rules to national procurement rules, problems with delegation of responsibilities; disproportionate burden in terms of documents to be submitted, etc.

Programme and project monitoring has only been partially adequate. Indicators defined at programme level have not in all cases been adequate and consistent with those defined at project level, and a formal monitoring has not been carried out at programme level, but only at project level. The overall monitoring system and its reports have focused on the implementation of the programme (input), with limited focus on results/impacts.

The evaluators recommend an increase of the level of publicity, improvement of evaluation grids; differentiation of the grants' implementation period; increased involvement of local authorities in the programming stage; submission of an annual report of implementation and clear definition of territorial criteria.

Success Stories

Social Sector - Grant scheme for Life Skills (RO2007/19343.03.03): Integration of youth from minorities and disadvantaged groups into the Romanian society

The objective of the grant scheme was to enable NGOs to provide appropriate services for children and youth, especially minorities and disadvantaged groups, to increase their involvement in the society; to reduce the vulnerability of children and youth and to promote equal opportunities for education, professional orientation and social inclusion. The overall budget was EUR 2.98 million, all funded through the Transition Facility. The technical assistance budget for the administration of the grants was EUR 0.43 million, managed by the Civil Society Development Foundation. The scheme was launched on 27 July 2009. All grants had been awarded by 15 December 2009 and implemented by 15 December 2010.

The use of grant schemes by the Phare instrument was an efficient way to address multiple objectives and to make Phare funds available to strengthen the capacity of the recipient organizations such as NGOs as well as micro-enterprises and individual citizens. The scheme has influenced and continues to influence government policy in an area of acute social need. The most visible aspect of the success of the scheme is the strong partnership relationships that emerged between the NGO implementers, the schools and local community (commune) centres and the teachers, parents and guardians of the children that were reached by the scheme. This partnership owes much to the leadership and experience of the CSDF and the careful planning and preparation that was made in advance of the implementation of the individual projects.

National Customs Authority - New Computerised Transit System (NCTS) (RO2007/19343.05.01): Development and implementation of the NCTS security and safety aspects and of the NCT5/TIR at the level of NCTS customs offices

The project objective was to support the National Customs Authority for the implementation of the "Electronic-Customs" strategy of DG TAXUD through implementation of NCTS/TIR and NCTS systems. The project budget was EUR 0.69 million. The project started in November 2008 and was completed in January 2010. The project's results significantly affect the daily work of trade and commerce in Romania. The project has both EU-wide and national strategic importance.

The contributing factors to the project success were the well established track record of the beneficiary in managing information systems projects and the availability at the NCA of a competent IT unit to manage the project.

2.2. Implementation of PHARE and the Transition Facility

i) PHARE 2005 – finalisation of payments (EU 2 only)

By the end of 2010 (also the end of the disbursement period), the disbursement rate by the Bulgarian authorities under PHARE 2005 reached 98.48%. For Romania the disbursement rate was 90.28%.

ii) PHARE 2006 – finalisation of payments (EU 2 only)

For PHARE 2006 the disbursement was 61.86% of the committed amounts as per Financing Agreement in Bulgaria and 85.30% for Romania at the end of 2010. The low rate of disbursement for Bulgaria is the consequence of the withdrawal of EDIS accreditation for two Implementing Agencies, which affected the level of contracting of 2006 Phare appropriations.

iii) Transition facility 2005 (EU 10 only)

The disbursement rates for the 10 Member States under Transition Facility 2005 by the end of 2010 are indicated in the table below:

In million EUR

Member State	FM committed	Contracted	Paid	% of disbursed of FM committed
Cyprus	6.29	6.17	6.17	98.06%
Czech Republic	10.21	9.72	9.72	95.15%
Estonia	4.48	4.21	4.21	94.03%
Hungary	9.55	9.20	9.20	96.30%
Lithuania	8.47	7.79	7.79	92.00%
Latvia	8.07	7.27	7.27	90.06%
Malta	5.15	4.98	4.98	96.62%
Poland	35.15	32.07	32.07	91.23%
Slovenia	4.08	3.81	3.81	93.48%
Slovakia	8.86	8.24	8.24	92.94%

**Information from Global Perseus*

iv) Transition facility 2006 (EU 10 only)

The disbursement rates for the 10 Member States under Transition Facility 2006 by the end of 2010 are indicated in the table below:

In million EUR

Member state	FM committed	Contracted	Paid	% of disbursed of FM committed
Cyprus	2.81	2.81	2.81	99.78%
Czech Republic	6.45	6.15	6.15	95.41%
Estonia	3.49	3.21	3.21	91.97%
Hungary	5.41	5.41	5.28	97.68%
Lithuania	3.98	3.58	3.58	89.97%
Latvia	4.00	3.75	3.75	93.82%
Malta	3.11	2.97	2.97	95.54%
Poland	16.93	15.57	15.57	91.93%
Slovenia	2.61	2.34	2.34	89.43%
Slovakia	4.65	4.57	4.57	98.17%

**Information from Global Perseus*

v) Transition Facility 2007 (EU 2 only)

The implementation of Transition Facility has been completed successfully by 15 December 2010 and the envisaged project results have been broadly achieved.

Bulgaria

The Transition Facility in Bulgaria had a budget amounting to EUR 31.49 million, out of which only 68.8% have been contracted by the contracting deadline 15 December 2009. The low contracting rate is due to the withdrawn accreditation of the CFCU resulting in failure to contract 13 technical assistance contracts, 9 supplies and 2 Grant Schemes. Thus, only 22 twinning and 31 twinning light contracts have been contracted and implemented under the Transition Facility programme in the sectors justice and home affairs, environment, agriculture and public finance.

The disbursed funds under TF amounted to EUR 17.33 million by the end of 2010 representing 80 % of the EU contracted amount. The disbursement deadline of the programme expires on 15 December 2011.

Romania

Out of a total allocation of EUR 46.5 million only EUR 31.6 million or 67.92% have been contracted by the deadline (15 December 2009). This is due mainly to late contracting, difficulties in finding twinning partners (with no offers received after fiches had been circulated up to three times in some cases) and/or poor quality of project proposals (especially under the Unallocated Envelope component). By the end of 2010, some EUR 26.25 million or 83.11% of the total contracted have been disbursed. The disbursement period expires on 15 December 2011.

2.3 Institution Building highlights

In the pre-accession and post-accession period the national administrations successfully used the twinning instrument under Phare and Transition Facility programmes to further strengthen their capacities to adopt and enforce EU legislation. The twinning and twinning light projects implemented under the Transition Facility covered a significant number of priority areas such as justice and home affairs, agriculture, environment, public finance and economic development. The successful completion of the twinning and twinning light contracts under TF contributed to the establishment of sustainable partnerships with counterparts from Member States and supported the national institutions in fulfilling their post-accession obligations. Twinning projects proved to be particularly effective in staff trainings, development of procedures and documents, establishment and/or development of administrative structures and legislative harmonization.

2.4 Joint Monitoring Committees / Sector Monitoring Sub-Committees

EU 10

For the 10 new Member States the final Joint Monitoring Committee meetings were conducted under written procedure in January/February 2010 (except for Lithuania and Latvia, which had the final JMC meetings at the end of 2009). The correspondence related to the JMC addressed the outstanding horizontal and project related issues under Transition Facility programmes. The Implementation Status Reports were of good quality, including sufficiently detailed information regarding projects implementation and the achievement of their intended results.

In 2010 the JMC continued to supervise progress of PHARE and TF assistance in Bulgaria and Romania and provided recommendations on the management of the programmes.

Bulgaria

Two JMC took place, in March (meeting) and July (via written procedure), addressing issues such as further improvement of project management and, mainly, monitoring and follow-up of the irregularities as well as reporting to the Commission.

Romania

Following the JMC meeting in February 2010, it was agreed to continue the JMC by written procedure with the next exercise taking place in July. Main issues for follow-up were: submission of final declarations, irregularities (reported by national authorities⁶³) and the findings of an audit on twinning projects under the Extended Decentralized Implementation System (EDIS) sub-system.

By the end of 2010, 493 suspected and reported irregularities⁶⁴ were open in Bulgaria (233) and Romania (260), of which most are likely to be subject to recovery. These figures include all cases reported by the national authorities as well as irregularities identified through the DG's internal and external on the spot monitoring, press news, audit findings, etc.

Out of the total above, 124 new irregularities reported in the period (for a value of EUR 3.5 million) have been reported by the Bulgarian authorities. This can be seen as an indication that the implementation of the action plans agreed with the Bulgarian authorities as a condition for lifting the suspension of the payments in 2009 has led to more accurate reporting of irregularities. Nevertheless, the high value of new irregularities reported (roughly 5% of financial agreements running in Bulgaria) confirms that the DG's reservations on the management of EU funds under EDIS raised in 2007 were justified.

Romania also shows a high number of new irregularities (35 by number, for a value of EUR 4.9 million). However, this represents less than 1% of the financing memoranda running in the period. No major frauds have been reported to the Commission; most irregularities concern small contracts and incorrect expenditure, especially regarding grants at the local level. The Romanian authorities, in particular the Anti-Fraud Service (DNA), continue to be proactive in tackling all irregularities regardless of the amount involved.

Concerning Bulgaria, there were 16 OLAF cases in various stages of investigation which compares to 30 cases in the previous year. In Romania there were 47 OLAF cases in various stages of investigation as opposed to 64 cases in the previous year.

⁶³ Source: AAR2010

⁶⁴ Which may concern contracts from any programme year

PART III - FINANCIAL DATA

1. 2010 ALLOCATIONS BY BENEFICIARY AND BY COMPONENT (IN MILLION EUR)

IPA BENEFICIARIES/ COMPONENTS	I	II	III	IV	V	TOTAL
Albania	84.20	10.48				94.68
Bosnia and Herzegovina	100.69	4.70				105.39
Croatia	39.48	15.60	56.80	15.70	26.00	153.58
former Yugoslav Republic of Macedonia	36.91	4.47	29.40	8.40	12.50	91.68
Iceland	0.00					0.00
Kosovo	66.10	1.20				67.30
Montenegro	29.84	4.84				34.68
Serbia	186.80	12.20				199.00
Turkey	217.81	3.09	238.10	63.40	131.30	653.70
Multi-beneficiary	143.04*					143.04
TOTAL	904.87	56.58	324.30	87.50	169.80	1543.08

* This figure excludes amounts for the Tempus and Nuclear Safety Programmes already included under the separate national allocations

2. Breakdown of IPA commitments in 2010 in million EUR

2.1. Component I – Transition Assistance and Institution Building Programmes

COUNTRY ALLOCATIONS (IN MILLION EUR)

COUNTRY	ANNUAL PROGRAMME	NUCLEAR SAFETY	TEMPUS	TOTAL
Albania	83.20	-	1.00	84.20
Bosnia and Herzegovina	98.29	-	2.40	100.69
Croatia	38.62	0.86	-	39.48
former Yugoslav Republic of Macedonia	36.91	-	-	36.91
Iceland	0.00	-	0.00	0.00
Kosovo	63.90	-	2.20	66.10
Montenegro	28.64	-	1.20	29.84
Serbia	174.80	5.00	7.00	186.80
Turkey	217.81	-	-	217.81
TOTAL	742.17	5.86	13.80	761.83

MULTI-BENEFICIARY ALLOCATIONS (IN MILLION EUR)

Programme	Total*
Multi-beneficiary Programme I	81.02
Multi-beneficiary Programme II	6.48
Amendments to Multi-beneficiary Programme I and II	6.50
Support to the operational budget of the Office of the High Representative (OHR) in Bosnia and Herzegovina	5.30
Support to the Interim Civilian Office in Kosovo	7.00
Contribution to the Energy Community budget	3.19
TAIEX	17.00
Information and Communication	10.00
Monitoring, Evaluation and Audit	4.00
TOTAL	140.49

*Excluding Nuclear Safety, Tempus and ERDF, which are presented under the country allocations table

2.2. Component II – Cross Border Cooperation Programmes

CROSS COUNTRY COOPERATION PROGRAMMES WITH MEMBER STATES (IN MILLION EUR)

COUNTRY	Bulgaria	Greece	Hungary	Romania	Slovenia	Adriatic Programme	TOTAL
Albania		1.66				6.01	7.67
Bosnia and Herzegovina						2.50	2.50
Croatia			2.67		3.27	7.46	13.40
former Yugoslav Republic of Macedonia	1.37	1.50					2.87
Kosovo							0
Montenegro						1.38	1.38
Serbia	2.40		2.50	3.0		0.60	8.50
Turkey	2.09						2.09
TOTAL	5.86	3.16	5.17	3.0	3.27	17.95	38.41

CROSS COUNTRY COOPERATION PROGRAMMES BETWEEN IPA BENEFICIARY COUNTRIES AND PARTICIPATION IN TRANSNATIONAL PROGRAMMES

Country	Albania	Bosnia and Herzegovina	Croatia	former Yugoslav Republic of Macedonia	Montenegro	Kosovo	Serbia	ERDF SE Europe / Med	ENPI Black Sea	Total
Albania				0.85	0.85	0.60		0.51		2.81
Bosnia and Herzegovina			1.00		0.50		0.70			2.20
Croatia		1.00			0.40		0.80			2.20
former Yugoslav Republic of Macedonia	1.00					0.6				1.60
Kosovo	0.60			0.60						1.20
Montenegro	0.60	0.60	0.50				0.60	1.16		3.46
Serbia		1.00	1.00		0.60			1.10		3.70
Turkey									1.00	1.00
TOTAL	2.30	2.60	2.50	1.45	2.95	1.20	1.50	2.28	1.00	17.78

2.3. Component III – Regional Development Programmes

COUNTRY	REGIONAL COMPETITIVENESS	TRANSPORT	ENVIRONMENT	TECHNICAL ASSISTANCE	TOTAL
Croatia	14.20	21.30	21.30	-	56.80
former Yugoslav Republic of Macedonia	-	19.61	8.51	1.26	29.40
Turkey	71.43	71.43	95.24	-	238.10
TOTAL	86.63	112.34	125.05	1.26	324.3

2.4. Component IV – Human Resources Development Programmes

COUNTRY	REDUCING UNEMPLOYMENT	SOCIAL INCLUSION	EDUCATION AND TRAINING / HUMAN CAPITAL INVESTMENT	TECHNICAL ASSISTANCE / ADMINISTRATIVE CAPACITY	TOTAL
Croatia	3.93	4.79	5.48	1.50	15.70
former Yugoslav Republic of Macedonia	3.36	2.10	2.44	0.50	8.40
Turkey	34.00	8.19	12.75	8.46	63.40
TOTAL	41.29	15.08	20.67	10.46	87.50

2.5. Component V – Rural Development Programmes

COUNTRY	IMPROVING MARKET EFFICIENCY AND UPGRADING TO EU STANDARDS	PREPARATORY ACTIONS FOR AGRI-ENVIRONMENTAL MEASURES AND LEADER	DEVELOPMENT OF RURAL ECONOMY	TECHNICAL ASSISTANCE	TOTAL
Croatia	16.38	1.30	7.80	0.52	26.00
former Yugoslav Republic of Macedonia	9.05	0.90	2.10	0.45	12.50
Turkey	91.25	8.53	28.89	2.63	131.30
TOTAL	116.68	10.73	38.79	3.60	169.80

3. Global overview of IPA 2007-2010 amounts committed, contracted and paid as at 31 December 2010 per beneficiary, in million EUR

COMPONENT I (ANNUAL PROGRAMMES)

IPA BENEFICIARIES	COMMITTED	CONTRACTED	%CONTRACTED	PAID	%PAID
Albania	266.37	104.97	39.41%	52.07	19.55%
Bosnia and Herzegovina	295.95	125.95	42.65%	66.69	22.59%
Croatia	167.50	55.39	33.07%	33.16	19.80%
former Yugoslav Republic of Macedonia	145.11	49.84	34.35%	24.99	17.22%
Kosovo	412.20	251.26	60.96%	128.77	31.24%
Montenegro	107.74	63.83	59.24%	34.70	32.21%
Serbia	678.84	350.43	51.62%	225.76	33.26%
Turkey	934.63	271.00	28.99%	178.05	19.05%
Multi-beneficiary	760.58	538.13	70.75%	346.01	45.49%

COMPONENT II

IPA BENEFICIARIES	COMMITTED	PAID	%PAID
Albania	14.60	1.82	5.19%
Bosnia and Herzegovina	18.82	1.59	8.45%
Croatia	55.92	9.72	17.38%
former Yugoslav Republic of Macedonia	17.09	1.87	10.94%
Kosovo	-	-	-
Montenegro	17.91	2.13	11.89%
Serbia	43.96	6.24	14.19%
Turkey	11.11	2.55	22.95%

COMPONENT III

IPA BENEFICIARIES	COMMITTED	PAID	%PAID
Croatia	199.40	47.10	23.62%
former Yugoslav Republic of Macedonia	69.90	12.15	17.38%
Turkey	762.10	213.32	27.99%

Component IV

IPA BENEFICIARIES	COMMITTED	PAID	%PAID
Croatia	53.90	15.00	27.82%
former Yugoslav Republic of Macedonia	24.70	4.89	19.80%
Turkey	222.10	48.08	21.65%

Component V

IPA beneficiaries	Committed	Paid	%Paid
Croatia	102.90	11.53	11.21%
former Yugoslav Republic of Macedonia	31.50	2.85	9.05%
Turkey	290.50	0.00	0.00%

4. PHARE, CARDS, Turkey Pre-Accession and Transition Facility - Financial data at 31st December 2010

4.1. PHARE, Turkey Pre-Accession and Transition Facility funds implementation by country at the end of 2010

Total commitments, contracts and payments, in million EUR⁶⁵

Partner Country	Commitments	Contracts	Payments
Bulgaria	2,359.63	1,862.27	1,852.42
Czech republic	917.24	835.47	835.44
Croatia	144.60	118.32	111.70
Cyprus(*)	338.01	297.38	181.32
Czechoslovakia	230.49	231.82	228.88
East Germany	34.49	28.86	28.86
Estonia	346.84	311.62	311.51
Hungary	1,480.06	1,363.33	1,363.40
Latvia	423.61	382.31	382.28
Lithuania	810.27	752.20	751.88
Malta	57.11	48.61	48.61
Multi-country programmes	3,357.05	2,853.73	2,747.90
Poland	3,995.99	3,617.83	3,617.50
Romania	3,670.00	3,200.00	3,100.00
Slovakia	717.59	653.12	652.88
Slovenia	360.33	333.26	332.75
Turkey	1,861.95	1,457.76	1,423.00
Total	21,105.26	18,347.21	17,970.15

(*) Including assistance to the Turkish Cypriot community

⁶⁵ Instances of contracted amounts being slightly above allocations are due to interest accruing assigned to the programmes. Instances of decreasing contracted and paid amounts when compared to last year are explained by closures and de-commitments by the local authorities and by the Commission. Payments can also decrease due to some local contracts being excluded from the final declarations.

4.2. CARDS funds implementation by country at the end of 2010

Total commitments, contracts and payments, in million EUR⁶⁶

Partner Country	Commitments	Contracts⁶⁷	Payments
Albania	310.03	279.01	253.53
Bosnia & Herzegovina	467.14	428.47	425.77
Croatia	276.84	254.86	254.80
Former Yugoslav Republic of Macedonia	307.87	295.40	294.36
Kosovo	727.18	712.45	711.14
Montenegro	127.40	125.21	125.17
Serbia ⁶⁸	1 396.63	1,311.90	1,290.94
Regional Programme ⁶⁹	583.36	558.46	549.81
Total	4 196.45	3 965.75	3905.52

⁶⁶ The difference with the figures available in Part I (Country Section) is explained by the fact that those figures include only Annual Action Programmes from 2001, while not including other programmes managed centrally, such as Customs and Taxation. Amounts allocated to support the running costs of the European Agency for Reconstruction and of the Office of the High Representative in Bosnia and Herzegovina may also be excluded from tables in Part I, as well as amounts allocated to support the operating costs of the EU pillar of UNMIK in Kosovo

⁶⁷ Increased contracting for CARDS in 2009 is explained by the use of N+3 as contracting deadline ("N" being the commitment year)

⁶⁸ Includes Montenegro in 2000-2001; includes assistance from the Regional Programme for Integrated Border Management destined for the whole of FRY/Serbia and Montenegro for 2002-2003 (in 2004, this is included in the regional programme); includes EUR 8 million commitments for the Serbia and Montenegro State Union (2005)

⁶⁹ Includes EUR 215.8 million commitments for interim civilian administrations