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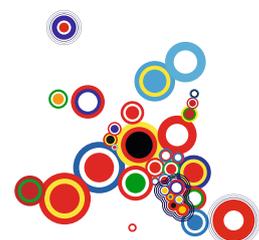


2013 ANNUAL REPORT ON FINANCIAL ASSISTANCE FOR ENLARGEMENT

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

(IPA, PHARE, CARDS, Turkey Pre-accession
Instrument, Transition Facility)

Enlargement



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INTRODUCTION

The overall objective of the enlargement policy is to implement Article 49 of the Treaty on European Union which offers the prospect of EU membership to all European countries that respect the fundamental values of the EU and are committed to promoting them. The current enlargement agenda covers the Western Balkans, Turkey and Iceland. In 2013, the enlargement countries further advanced on their path towards the European Union. There were a number of positive developments in the candidate countries¹ and potential candidates², including progress made on EU-related reforms. Accession negotiations with Iceland were put on hold by the Icelandic government in May 2013

and will only be resumed by the Icelandic side if the government decides to continue on the path towards EU membership.

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

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

IPA is divided into five components:

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

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

As regards pre-accession assistance, IPA allocations amounted to around EUR 11.5 billion over the 2007–13 period, about EUR 1.8 billion being allocated for the year 2013. Implementation of IPA has been ongoing throughout 2013 and the last programmes under IPA were adopted at the end of 2013.

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

This Report briefly refers to the political context in which EU-funded activities took place, as assessed in the Enlargement Package⁴. It then highlights the progress made to improve strategic planning, providing an overview on programme/project implementation, and the on-going programming process and the enhancement of donor coordination. Analysis of past experience, provided also through several evaluations, is used to draw

recommendations for further improving the impact of IPA funds beyond 2014. In line with the EU Enlargement Strategy 2013–2014, particular emphasis is put on the approach of “fundamentals first”.

As of 2014, the new Instrument for Pre-accession Funding (IPA II)⁵ replaces its predecessor. The allocations foreseen for the 2014–2020 period amount to EUR 11.7 billion. Based on lessons learnt from the planning and implementation in the previous financial period, including two IPA interim- and meta-evaluations, pre-accession assistance will be more closely linked to the enlargement policy priorities, and based on a more results-oriented and strategic approach targeting key reforms in the enlargement countries.

¹ | Croatia (until June 2013), Iceland, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey.

² | Albania, Bosnia and Herzegovina, Kosovo*

³ | Regulation 1085/2006 establishing an Instrument for Pre-accession Assistance (IPA)

⁴ | http://ec.europa.eu/enlargement/countries/strategy-and-progress-report/index_en.htm

⁵ | Regulation 231/2014 establishing an Instrument for Pre-accession Assistance II (IPAII)

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

HIGHLIGHTS FROM PROGRAMME IMPLEMENTATION IN 2013



BILATERAL COOPERATION

Croatia

Since 1 July 2013, Croatia is an EU Member State. Croatia's accession is an example of the transformative power and stabilising effect of the enlargement process. Following the signature of the Accession Treaty on 9 December 2011, the country continued throughout 2013 the implementation of measures to further strengthen its capacity to meet the obligations of EU membership.



CROATIA

The EU has assisted Croatia with over EUR 1.27 million to upgrade its customs laboratory and infrastructure. It was essential that Croatia met its customs responsibilities fully, since it is now in charge of the EU's external border with Serbia, Bosnia and Herzegovina, and Montenegro. Together with the Croatian Customs Administration, the project provided specialised equipment and training for the 3,000 customs service staff across the country, and introduced a quality management system with new working methods. Now, Croatia is able to deliver results based on methodologies in line with international practice, with increased efficiency, higher revenue collection, and better detection of customs crime.

The National Programme for component I adopted in 2012 covered two budgetary years, namely the IPA 2012 Transition Assistance and Institution Building allocation, as well as the 6-month allocation for 2013. The total amount of the 2012 and 2013 National Programmes was EUR 46.8 million.

Under Component III, programme implementation continued in 2013. Following the accession, the programmes were revised, though keeping the same priorities, under the Cohesion policy co-funded by European Structural and Investment Funds.

The implementation of EU financial assistance in 2012/2013 provided further support for completing reforms and building up capacity in the crucial areas within the membership perspective, namely judiciary, fundamental rights and justice, freedom and security. It further supported continued efforts of preparing Croatia for the management and implementation of post-accession funds.

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

Montenegro

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

The programming and implementation of pre-accession assistance funds for Montenegro during 2013 took place in the context of the on-going accession negotiations.

The initial budgetary allocation for 2013 had already been programmed by the end of 2012. Similarly, Operational Programmes for 2012–2013 under Component III (EUR 22.24 million) and Component IV (EUR 5.58 million) were adopted at the end of 2012. However, additional funds were allocated to Montenegro in the course of 2013,



MONTENEGRO

Through an inter-municipal development grant scheme, the EU supported the local self-government reform by funding small infrastructure projects in less developed areas in the country. It helped to remedy regional imbalances, and to improve the capacity of local administrations in strategic planning in working with EU funds. The awarded projects range from road construction in the municipalities of Andrijevica and Pluzine, construction of fire stations in Berane and Savnik and parking spaces in Pljevlja and Bijelo Polje, as well as improvement of the solid waste management system in Danilovgrad. The programme resulted in improvements in quality of life for local citizens in a country where infrastructure is rundown after decades of poor maintenance and low investments.

which were programmed in the second half of 2013 and adopted as amendments to the 2012–2013 part I and II National Programmes.

During 2013 Montenegro put significant efforts in the process of conferral of management⁶ for decentralised implementation of IPA funds. Audits were undertaken on IPA Component I and II, in parallel with the ones for Components III and IV.

Preparations for IPA II were launched with the Montenegrin authorities and gained momentum in the second half of 2013, with a focus on the introduction of the sector approach and the start of the preparations for the Montenegro Strategy Paper. The country contributed at the same time, as the other beneficiaries, to the Multi Country Strategy Paper for IPA II, as well as, as the other Western Balkan countries, to the finalisation of the South East Europe 2020 Strategy.

Serbia

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

The IPA 2013 Annual Programme was adopted in December 2013 and active preparations for IPA II (draft Indicative Country Strategy Paper) and “decentralised implementation system”-DIS (conferral of management of IPA components I and II), have taken place throughout the year. Subsequently, the decision was taken in March 2014.

⁶ | *Implementation of financial cooperation can take place either in centralised mode (the EU Delegation being responsible for the preparation and launching of tender dossiers, contracting and payments), or in decentralised way, when management responsibilities are delegated to the beneficiary countries. The conferral of management is the decision by which, under IPA I, the Commission confers these responsibilities to the national authorities.*

In 2013, EUR 89 million were contracted from IPA National programmes, component I, and EUR 1.7 million from component II (CBC). Another EUR 4.4 million were contracted from other budgets (among which: civil society – EUR 1.97 million and the European Instrument for Democracy and Human Rights (EIDHR) – EUR 1 million), thus reaching a total of around EUR 95 million.

The ownership of national bodies responsible for the IPA programming process continued to improve, particularly on donor coordination. The programming exercise benefited from lessons learned when developing the sector approach in 2013.



SERBIA

Thanks to the project “Improvement of Preschool Education in Serbia (IMPRES)”, the number of marginalised children attending preschool activities increased by 14%. The project reached over 1,700 children across 15 municipalities between February 2011 and April 2014. This support aimed to get to socially excluded and vulnerable children from remote and underprivileged areas, especially through improvements in the quality of preschool programmes and development of preschool facilities. The project has contributed to social inclusion and poverty reduction for children from disadvantaged groups. Many of the children that benefitted from the assistance were Roma.

The former Yugoslav Republic of Macedonia

In October 2013, for the fifth year in a row, the Commission recommended the opening of accession negotiations with the former Yugoslav Republic of Macedonia. The Council has not yet decided on the Commission’s proposal. A High-Level Accession Dialogue, launched in March 2012,



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

As part of its efforts to raise police standards and effectiveness, the EU is supporting the Ministry of Interior of the former Yugoslav Republic of Macedonia in establishing a secure digital police radio system (“Terrestrial Trunked Radio” – TETRA) and proper lines of communication between border and inland police. The second phase of TETRA, a project extending and upgrading the network built by the EU, and worth EUR 5 million, ended in 2013. As a result of the project, police services now manage their operational activities more efficiently. The project has improved policing of main highways, green border lines and international border-crossing points, and strengthening the country’s capacity to detect and combat illegal activities.

has continued to guide work on key EU accession related reform priorities, without overriding the standard pre-accession procedures. Given the high level of alignment with the *acquis*, the focus is on implementing already existing strategies and legislation and on improving related administrative capacity.

The management of IPA funds under the Decentralised Implementation System remained challenging for the national authorities throughout 2013 due to understaffing and insufficient managerial capacities in key institutions. Thanks to concerted efforts of the national authorities and the Commission, the loss of funds from Component I was reduced to EUR 3.3 million from a potential loss of around EUR 15 million.

With the finalisation of the programming and revision of all programmes under the different IPA Components in 2012, the year 2013 was dedicated to the preparation of the IPA II Indicative Strategy Paper 2014–2020.

Albania

In 2013, the Commission recommended that candidate status be granted to Albania on the understanding that the country continues to take action in the fight against organised crime and corruption. Candidate status was subsequently granted in June 2014.

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

The emphasis of the Enlargement strategy on the policy areas of judiciary and fundamental rights (chapter 23), and justice, freedom and security (chapter 24) has strengthened the focus of the Albanian Government on improving rule of law in the country through concrete achievements. Indeed, the positive implementation of projects in the area of judiciary and fight against organized crime shows that the country can achieve results in the improvement of the effectiveness of the justice system and in the increase of the operational capacity of the law-enforcement agencies, as long as

these endeavours are backed by a clear political intention to move forward with the reform agenda.

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

Albania has finalised the preparation for decentralised management of IPA funds under Component I. Therefore, part of the IPA 2013 National Programme will be implemented under this new management mode. The Government is expected to ensure stability as regards the positions of civil servants trained for the management



ALBANIA

The “EU advisory mission to consolidate the justice system in Albania – Euralius III” aimed to facilitate the development of a more independent, efficient, and transparent justice system. A law lifting immunities for judges and politicians was developed, which was a crucial step in the improvement of the overall institutional and operational framework in fighting corruption. The mission was recognised as a key policy instrument for developing independent judicial power.

of IPA funds and should further strengthen their skills. Otherwise, the implementation of the IPA 2013 projects may suffer from a lack of expertise on the procurement rules and procedures governing EU funds. The year 2013 was dedicated to the preparation of the IPA II Indicative Strategy Paper 2014–2020.

Bosnia and Herzegovina

As regards Bosnia and Herzegovina (BiH), the Commission came to the conclusion that the country is at a standstill in the European integration process, namely because it had not delivered on two key commitments: the implementation of the European Court of Human Rights judgement on the “Sejdić-Finci case”⁷ and the establishment of an efficient and effective coordination mechanism in order to enable the country to speak with one voice and to interact properly with the EU.

In its 2013 Progress Report⁸, the Commission stated that it is becoming increasingly difficult to justify the provision of pre-accession funds to a country whose political representatives are not willing to reach the consensus necessary to move forward on the pre-accession path. The Commission saw the strong risk that in such a situation pre-accession assistance will not produce the expected results.

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

Consequently, the Commission reduced the budget of the IPA 2013 allocation (amounting to about EUR 109 million according to the last approved MIFF⁹) to EUR 64 million

as well as its scope and concentrated the assistance on projects that directly provide benefits for the citizens, in particular in the justice and home affairs and social sectors.

The absence of an EU coordination mechanism and of countrywide sector strategies in most of the sectors relevant for IPA support also affected the preparation of IPA II. The Commission followed the line not to start the preparation until effective coordination is ensured. The preparations for IPA II did not restart in 2013.



BOSNIA AND HERZEGOVINA

To enhance democracy at local level, an essential for a functional democracy at national level, the EU has contributed EUR 4 million to support public administration reforms in Bosnia and Herzegovina. Local authorities have to demonstrate their commitment to using a transparent methodology when allocating funds and civil society organisations have to compete for local funding. As a result, permanent partnerships are built as both parties become aware of the mutual benefits of closer cooperation. This promotes better targeting and delivery of local services, and strengthens local democracy. So far, this new approach has created more than 200 civil society organisations projects, co-financed by 40 local authorities.

⁷ | According to the judgement Bosnia and Herzegovina should guarantee the right to be elected to the collective presidency and the House of Peoples of the Parliamentary Assembly to all citizens, regardless of their ethnicity.

⁸ | COM(2013) 700

⁹ | COM(2012) 581 final

Kosovo

In June 2013, the Council authorised the opening of negotiations for a Stabilisation and Association Agreement (SAA) with Kosovo, which were officially launched in October 2013.

The implementation of EU assistance exceeded its financial targets, both in terms of contracts and payments in 2013. The 2013 Annual Programme was adopted in January 2013 with an allocation of EUR 65.86 million. Following the first agreement on normalisation of the relations between Serbia and Kosovo on 19 April 2013, an additional allocation was secured for Kosovo with

resources originally allocated to other countries and a specific programme, for an amount of EUR 38.5 million, was prepared and approved in December 2013.

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



KOSOVO

In Kosovo, the EU implemented a EUR 2 million project to install air quality monitoring equipment and stations across the country. This new infrastructure helps to identify major air pollutants and to act promptly by reducing emissions if limit values are exceeded. This resulted in better air quality, improved public health and created a basis for the control of greenhouse gas emissions. Information gathered will develop the government's environment protection strategy. Future plans include improving laboratory analyses and upgrading the monitoring system, which is essential for complying with EU standards.



BOSNIA AND HERZEGOVINA

The project "Support for the Implementation of the National Action plans for Roma inclusion" assisted Roma-NGOs through small grants for broader outreach, information and help on the issues that the Roma population faces. Concrete results of the grants are the improvement of local infrastructure, such as reconstruction of local roads, repair of streetlights, and reconstruction of small premises for over twenty families. Roma coordinators were employed at state and entity levels, becoming accepted representatives of the Roma population for local municipalities, and helping international organisations and other institutions more successfully defend Roma interests in the decision-making processes.

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

Turkey

The Positive Agenda has brought fresh dynamism to EU – Turkey relations. The accession process regained new momentum with the opening of a new chapter (22, on regional policy). In December 2013, the readmission agreement between the EU and Turkey was signed and the visa liberalization dialogue initiated.

Following allegations of corruption at the end of the year 2013 involving a number of high level personalities, including members of the government and their families, the government's harsh response, in the form of massive reassignments in the administration and legislative changes, presented the EU with new counterparts in important areas for financial cooperation such as rule of law.

Despite the political turmoil the impact on the programming process was controlled and work on the new Strategy Paper for the full duration of the multiannual financial framework 2014–2020 proceeded as foreseen, in close cooperation with the Ministry of European Affairs and the Ministry of Development. Regarding the management of the ongoing financial assistance by the Turkish national authorities under decentralised management mode, conferral of management for IPA Component V (agriculture and rural development) was granted to further 22 provinces throughout Turkey, raising to 42 the number of accredited agencies in the country.

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

Iceland

The government of Iceland announced its decision to put accession negotiations on hold on 22 May 2013. By that time substantial progress had been made in the negotiations: 27 chapters had been opened and 11 were provisionally closed. As a consequence, the Commission stopped engaging on new commitments under IPA and started to phase out ongoing IPA projects. In agreement with the government, all preparatory work on IPA II was also suspended.



TURKEY

The EU supports projects strengthening the rule of law in all countries aspiring to EU membership thereby reinforcing safety for the region. Improved investigation techniques are key to judicial reform and ensuring fundamental rights. They also increase transparency and provide additional safeguards for those accused. In Turkey, the EU contributed EUR 2.01 million to a project boosting forensic experts' skills which helped to improve identification of criminals and substantiation of crimes. More than 1,000 Turkish trainees attended seminars, workshops and study visits. The project helped produce a best practice manual in Turkish and established a network between EU experts and Turkish forensic institutions. This coordination helps strengthen EU efforts in the field of justice and security, in particular in the fight against organised crime.



REGIONAL COOPERATION

Regional cooperation has continued within regional fora such as the Energy Community, the European Common Aviation Area, the Central European Free Trade Agreement (CEFTA) and the Regional School of Public Administration (ReSPA).

In accordance with the priorities of the Enlargement Strategy, multi-beneficiary financial assistance throughout 2013 supported progress in the area of rule of law, regional cooperation in criminal justice, public administration reform, statistics and by building networks of civil society organisations.

In the area of regional cooperation and reconciliation, the renewed commitment to the Sarajevo process was confirmed through the launch of the Regional Housing Programme (approved housing projects worth EUR 60 million in 2013, with an overall EU contribution to the fund of EUR 84 million).

To underpin economic recovery in the Western Balkans, new investments in infrastructure and support to private

sector development were approved in the framework of the Western Balkans Investment Framework, as well as projects in the field of competitiveness and human resource development/training.

Whereas the bulk of IPA support to the beneficiaries was delivered through the national programmes, around 9% of available funds were allocated through the multi-beneficiary programmes to complement the nationals and strengthen multi-lateral relations in the Western Balkans and Turkey in areas identified as crucial for European integration and stability in the region.

Areas of intervention were only addressed through multi-beneficiary assistance where there was a clear need for regional cooperation or horizontal action, for instance through tackling cross-border problems or in improving efficiency through the establishment of harmonised approaches, the leveraging of established instruments or the facilitation of networks of experts. In the period 2011–2013, the indicative allocation available for multi-beneficiary assistance was EUR 526 million under component I.

Throughout 2013, **TAIEX, the Technical Assistance and Information Exchange Instrument**, continued to deliver tailor-made assistance. In total 2,118 events and assignments have been organised across all beneficiaries – the highest figure ever recorded. TAIEX (including multi-country events), underwent a significant 15% increase in relation to 2012. The quantitative achievement was matched by a strong alignment of TAIEX with the main thrust of the enlargement policy and assistance priorities. This is demonstrated e.g. by the highest ever number of events for the benefit of Croatia in the run-up to and just after accession (180 events, a 34% increase compared to 2012); the highest

ever number of events in the Justice and Home Affairs sector (556 events, a 17% increase compared to 2012); and the support to Montenegro's screening process and follow-up.

An evaluation of the instrument has been foreseen in the 2013 evaluation plan of DG Enlargement.



MULTI-COUNTRY

To improve economic governance in the Western Balkans and Turkey, annual TAIEX multi-country seminars on applied EU Economic Policy related to European Monetary Union legislation are organised with the European Commission. The events target high-level officials from the enlargement countries. Beneficiaries of IPA-funds and participants from Ministries of Finance and Central banks learn about EU economic policies from the European Commission, the European Central Bank and EU Member States speakers. These are instrumental in raising participants' understanding of European Monetary Union legislation.



SERBIA

Land consolidation, transparent and effective land management and the legal framework of land issues are important for any country. In Serbia, an IPA-funded project aimed to improve Serbia's land management using EU Member States' experience. It started in 2013 with pilot projects for land consolidation and reduction of abandoned land in 7 pilot municipalities in South East Serbia on an area of 1,968 ha, introducing environmental standards and assessments. Acknowledging the benefits of the approach, the beneficiary institutions and 3 municipalities have already extended the area to 5,273 ha. Benefits include increased agricultural production, employment and improved infrastructure.

LESSONS LEARNT FROM PAST ASSISTANCE

Based on the principle of an evidence-based policy making, the Commission is constantly evaluating its assistance in order to collect relevant lessons from past experience which is to be used in future policy making and design of assistance.



Among the evaluations finalised in 2013 two of them were particularly relevant for informing the preparation of future IPA assistance:

a) The thematic evaluation on **Rule of Law, Judicial Reform and Fight against Organised Crime in the Western Balkans**¹⁰ confirmed the importance of focusing on this topic and highlighted that the EU has substantially contributed to improve the fundamental institutional and organisational frameworks in the sector in the whole region. It was also acknowledged that legal and institutional frameworks were put into place as a result of EU assistance.

The restructuring of the broad institutional settings have been the most important and sustainable results. More, and more appropriate, laws have been passed and in some cases the entire philosophy underlying the legal system has changed, being informed by the principle of separation of powers and the acceptance of the importance of independence, effectiveness and quality of the judiciary. Nonetheless, enhanced effectiveness of the programmes depends also on stronger political will, increased ownership of the programmes, and local administrative capacity. The need to assign clear priority and increased funding to this area was also pointed out.

These conclusions have been taken up both within the 2013 enlargement strategy, with a clear focus on the “fundamentals first” and in the programming of IPA II.

b) The overall conclusions from the **second interim evaluation**¹¹ of IPA highlight that the delivery of outputs is generally good, especially in those countries operating under centralised management. However, translating project level outputs into results and impact has not been as good as expected. Assistance has been substantially effective and best performed when driven by adaptation to the EU acquis as this provides a politically accepted institutional structure and motivation.

IPA has been a useful facilitator of change and it was acknowledged that it must be accompanied by a clear political process to generate sustainable results thus ensuring a steady progress in the accession process. Timeliness is a key factor in ensuring ownership and multi-annual programming can do much to further improve it.

With regard to the efficiency, IPA was contracted and implemented overall in line with planned expectations and using appropriate mechanisms. However, according to the evaluation, project implementation is not sufficiently flexible, and greater flexibility in project scaling is needed, especially in providing more rapidly deployed assistance. Beneficiary management capacity takes time to improve after management power has been conferred to national contracting structures, meaning that ownership therefore needs to be improved.

¹⁰ | http://ec.europa.eu/enlargement/pdf/financial_assistance/phare/evaluation/2013_final_main_report_lot_3.pdf

¹¹ | http://ec.europa.eu/enlargement/pdf/financial_assistance/phare/evaluation/2013/ipa_interim_meta_evaluation_report.pdf



FOCUSING ON THE FUNDAMENTALS

Lessons learnt from the past pre-accession assistance and the overall developments in the enlargement process have also been reflected into the enlargement strategy 2013–2014¹².

The enlargement countries are facing a number of challenges in key areas crucial to their success on the path towards EU accession: economic governance and competitiveness; the rule of law; the functioning of institutions guaranteeing democracy; fundamental rights; and, in the case of the Western Balkans, overcoming the legacy of the past. In its Enlargement Strategy 2013–2014¹³, issued in October 2013, the Commission outlined its approach in these areas which aims at focusing on these fundamentals (“fundamentals first”). The five fundamentals, as set out below, are closely linked to the Copenhagen criteria and the conditionalities of the Stabilisation and Association Process.

Rule of law remains a priority for the EU and is at the heart of the accession process, as it constitutes a key pillar of the Copenhagen political criteria. The Commission will continue to implement the new approach to accession negotiations under chapters 23 (Judiciary and fundamental rights) and 24 (Justice, freedom and security), prioritise rule of law through targeted dialogues with the enlargement countries and strengthen support to rule of law-related reforms through IPA II. Sector strategies will be developed with a particular focus on developing independent, efficient and professional judiciaries and supporting the development of a track record of implementation in the fight against organised crime and corruption.

The **stability and proper functioning of democratic institutions** is also part of the Copenhagen political criteria. Enlargement countries are expected to prioritise transparency, accountability and effectiveness of institutions and public administrations. In cooperation with other international organisations, the Commission will support with IPA electoral and parliamentary reform, continue to promote inter-parliamentary cooperation, prioritise public administration reform with a focus on transparency, de-politicisation and meritocratic recruitment processes, and support the development of an active civil society through capacity-building.

In the area of **fundamental rights** the Commission puts particular emphasis on freedom of expression and the protection of minorities (including the Roma population) as well as of LGBTI (Lesbian, Gay, Bisexual, Transgender and Intersex) persons. It addresses these issues in its regular dialogues with the enlargement countries and in the framework of the accession negotiations. Through IPA II, the Commission will develop a long term vision of EU financial assistance on freedom of expression as well as strengthen strategic cooperation with external stakeholders on Roma and LGBTI, also through increased funding, while building on best practice.



CROATIA

An IPA-funded project provided an integrated case management system to selected municipal courts. The overall objective was to support judiciary reform and enhance the administrative and management capacities of the municipal courts to contribute to better and more efficient protection of citizens' rights. A more efficient court administration and case management system was established in 33 selected municipal courts. The project also provided capacity building tools for the use and administration of the integrated case management system. The quality of services improved by developing the knowledge database available to the Ministry of Justice and court employees as well as citizens.

¹² | COM(2013) 700 final

¹³ | COM(2013) 700

The Commission has proposed a new approach to help the enlargement countries meet the Copenhagen **economic criteria**. The countries are invited to enhance economic policy and its governance through the preparation of annual National Economic Reform Programmes and, every two years, of Competitiveness and Growth Programmes. The purpose is to give clearer guidance on the reforms needed for achieving progress in meeting the economic criteria. Through IPA II, the Commission will support the accession process by ensuring reforms in the area of economic governance, competitiveness

and growth. Focus will be on the sectors of transport and energy, which are of key importance to enhance competitiveness.

Reconciliation, good neighbourly relations and regional cooperation are essential for stability in the Western Balkans. Many bilateral problems remain unresolved in the region, including issues relating to minorities and those stemming from the break-up of the former Yugoslavia such as border demarcation. Inter-ethnic and status disputes continue to hinder the functioning of institutions and undermine the reform



ALBANIA

Thanks to a EUR 51 million project financed by EU pre-accession funds, Albania has refurbished 250 kilometres of secondary and local road connections across the country. By improving the local road network, the EU has opened up new employment and public service opportunities to some of the poorest regions in the country. The reconstruction helps business and citizens as better roads will have far reaching benefits. The new roads are already making it faster, easier and cheaper for farmers to reach urban markets and for patients to get to regional hospitals and emergency services. This infrastructure will eventually offer children living in outlying villages more choice in terms of education and employment.



MULTI-COUNTRY

The project "CyberCrime@IPA" on regional cooperation in criminal justice aims to enhance the ability of the Western Balkans and Turkey to prevent and control cybercrime and strengthen the capacities of law enforcement authorities. Thus the project is contributing to an increased number of successful investigations in the region, supported by 24/7 access to points of contact whereby following a cyber related crime, immediate assistance from a designated authority is granted. First concrete results show that following attacks on Government sites, Serbian specialised cybercrime authorities cooperated with the Croatian Ministry of Interior, arresting a Croatian hackers' group.

process. The Commission is encouraging further efforts to resolve bilateral disputes and to overcome the legacy of the past. Under IPA II, the Commission will continue to support regional initiatives, such as the Regional Cooperation Council, and initiatives aimed at addressing war legacy issues – Sarajevo process, war crimes prosecutor network, truth and reconciliation process (RECOM). Cooperation will also be encouraged in the field of education, science, culture, media, youth and sport.



MONTENEGRO

The agriculture sector is a major employer and contributor to Montenegro's economy. Therefore, the EU has contributed EUR 700,000 of assistance to the project "Strengthening the Phytosanitary Directorate". It has supplied training to the national phytosanitary administration, boosted its capacities with additional skills and new instruments for quality control and certification of plants. This IPA-funded project has also contributed to protecting citizens in those EU countries that import goods from Montenegro. The country is now on course for compliance with EU phytosanitary legislation covering plant health, plant protection products, seed and propagating material, plant variety rights and inspections. Proper implementation of legislation in these areas will further protect consumer rights.



KOSOVO

The project implemented two main labour measures: on-the-job training for the unemployed, and entrepreneurship management for young job seekers. Around 3,500 unemployed people benefitted from three to six months of on-the-job training, in which 2,800 businesses and organisations participated. People from disadvantaged groups were targeted, making up 25% of the trainees. Over 800 participants successfully completed the entrepreneurship courses which provided the knowledge and skills for them to establish and manage their own businesses, resulting in 300 new businesses being registered. The project supported the establishment of an association for young entrepreneurs.

TOWARDS A MORE EFFICIENT AND EFFECTIVE DELIVERY OF ASSISTANCE



A NEW INSTRUMENT FOR PRE-ACCESSION FOR 2014–2020

In the course of 2013, the discussions and negotiations with the Parliament and the Council on the proposal for the IPA II Regulation continued. Negotiations were held together with the discussions on four other external instruments and the Common Implementing Regulation. The European Parliament endorsed the political agreement on the six Regulations on 5 December 2013. The IPA II Regulation¹⁴, adopted on 11 March 2014, introduces new elements compared to its predecessor:

- IPA II sets a new framework for providing pre-accession assistance under the 2014–2020 multiannual financial framework. Financial assistance will be available to candidate countries and potential candidates, irrespective of their status.
- It introduces a reinforced link between the financial assistance and the policy agenda, as well as a stronger ownership by the beneficiaries.
- A comprehensive country strategy will cover all areas of assistance for the entire 7-year period, with a mid-term review in 2017, on the following policy areas: reforms in preparation for Union membership and related institution and capacity building, socio-economic and regional development, employment, social policies, education, promotion of gender equality and human resources development, agriculture and rural development, regional and territorial cooperation.
- IPA II introduces a move towards a logic of financing policy strategies instead of individual projects (sector approach), based on relevant national sector strategies prepared by the beneficiaries. There will be a progressive transition to indirect management of the funding by the beneficiaries.

- Pre-accession assistance will be delivered in a more systematic way with a focus on results and monitoring of the assistance. A performance reward is introduced.
- IPA II fosters an enhanced role of civil society both in programmes implemented through government bodies and as direct beneficiaries of EU assistance.

The gradual move towards a sector approach aims at better achieving results, impact and added value in the assistance. These principles have become key for all new external action instruments for the period 2014–2020.



MULTI-COUNTRY

2013 saw the first guarantee agreements signed with banks in Albania, Bosnia and Herzegovina, and Kosovo, allowing improved access and lending to small and medium-sized enterprises. The European Investment Fund (EIF) launched a Call for Expression of Interest in the region which quality banking groups responded to. EIF approved the first three transactions, resulting in the distribution of over 900 loans with an approximate value of EUR 20 million each. In future, available funds could be increased for the region and/or for individual countries to encourage investment opportunities and improve the economic environment in the Western Balkans.

¹⁴ | Regulation 231/2014 establishing an Instrument for Pre-accession Assistance II (IPAII)

This shift is particularly relevant at a time when budget constraints faced by Member States and International Financial Institutions call for an even more efficient and sustainable pre-accession assistance. A strategy-based approach to programming built upon the countries' needs and strengths will contribute to a more effective and results oriented pre-accession process. Moreover, since the

sector approach is based on national strategies, such an approach maximises the potential for complementarity, leverages between different modes of support and helps to rationalise the support through an appropriate division of labour, while ensuring greater ownership of national authorities over the programmes.

Meanwhile, guidelines on the application of a sector approach to pre-accession assistance have been finalised by the Commission in the course of 2013 to serve the programming of IPA II. In the framework of the implementation of sector approach, the Commission has also foreseen the use of sector budget support. This with the perspective of supporting the implementation of those national strategies that include a relevant and agreeable result framework, and to the extent that certain key conditions (the existence of a strategy, a stable macro-economic framework and a suitable public financial management system) are in place. Specific guidelines have also been prepared to this effect.

In parallel, during 2013 the Commission prepared the IPA II Implementing Regulation¹⁵ and the strategic planning documents (Strategy Papers), in view of completing the legal framework for programming and delivering IPA II funds. It has also managed dedicated internal working groups addressing different dimensions of the implementation modalities of the new instrument, including the preparation of internal guidelines on programming and sector budget support.



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

A project carried out by the Skopje Centre for Adult Education and the EU (which provided 88% of the funds) has helped strengthen the Centre's capacities, developing adult-education and literacy programmes, and fulfilling elementary education for excluded groups. Educational pilot programmes have focused on literacy and numeracy, vocational education and training to improve employment prospects. Half of the programmes were designed for socially excluded people – vulnerable groups, individuals who left school early, young offenders, single mothers from Roma communities or long term unemployed. Vocational trainings developed skills in areas lacking expertise – such as textiles, plumbing, construction work, or winery.

¹⁵ | Regulation 231/2014 establishing an Instrument for Pre-accession Assistance II (IPAII)

COOPERATION WITH THE DONOR COMMUNITY ON AID EFFECTIVENESS

In 2013, the Commission continued to pursue the donor coordination agenda including efforts to maximise aid effectiveness and transparency in line with the commitments made at the 4th High Level Forum on Aid Effectiveness in Busan in November 2011, where the Commission agreed on the importance of shared principles such as ownership of priorities, importance of results, transparency and accountability. The Commission has therefore engaged to ensure that these are the key principles on which the assistance provided through IPA II will be built.

In this context and in the course of 2013, the Commission took further steps to ensure alignment of funding under the Instrument for Pre-accession with the international standards on aid transparency, as set by the Organisation for Economic Cooperation and Development (OECD) and by the International Aid Transparency Initiative (IATI). In accordance with the commitments made in Busan, relevant information on Official Development Assistance (ODA) was made available to the public as of September 2013 in a standard machine readable format. Through the publication of datasets with information at the organisation and activity levels as well as on current and future expenditure (the information is available on the Registry website of IATI), the Commission provides timely, comprehensive and forward-looking information on resources provided through financial cooperation. Further progress is expected in 2014, with the objective of being fully compliant to the common standard as of December 2015, as per the Busan commitment. Already in 2013, DG Enlargement improved its ranking in terms of aid transparency, from 43rd in 2012 to 17th (out of 67 agencies having reported).

Internal coordination of the programming processes is in place to make sure that pre-accession assistance is in line with the various initiatives within the Commission, as well as by EU Member States, International Financial Institutions and the wider donor community, to improve donor coordination and aid effectiveness and to ensure achieving expected results. In this regard the Commission

has also ensured that coordination of assistance among international donors and Member States is included into the legal framework of the new financial assistance instrument. A specific study on the political economy of donor intervention in the Western Balkans and Turkey has been launched in 2013.



TURKEY

Small business and entrepreneurs represent new economic opportunities in the EU and in the enlargement countries. Through a EUR 40.5 million project, the EU is expanding a network of European business centres in Turkey, called ABIGEMs, which help start-ups and smaller firms to improve their competitiveness. Business service managers with hands-on professional experience in the private sector and in issues concerning smaller firms provided business consultancy to over 2,800 small and medium enterprises in Turkey. They offered 600 trainings to some 24,000 participants and ran nearly 150 programmes for 3,500 start-up entrepreneurs. This project also helped analyse companies' sales performance, and developed their marketing skills and business strategies.



CONCLUSIONS

2013 witnessed a significant step on the path towards making assistance to the Enlargement countries more strategic and “needs-driven” as an integral part of the Enlargement strategic vision.

Significant highlights towards the accession process, to which the financial assistance has contributed, were:

- the accession of Croatia;
- the agreement between Serbia and Kosovo in April 2013;
- the opening of negotiations with Serbia;
- the launch of the negotiations for a Stabilisation and Association Agreement with Kosovo;
- the opening of a new negotiation chapter after three years and the signature of the Readmission Agreement with Turkey;
- the opening of 6 negotiating chapters with Montenegro during 2013, including the important rule of law related chapters 23 and 24 on the basis of comprehensive Action Plans;
- a smooth electoral process and the proposal by the Commission to award candidate status for Albania.

Meanwhile, the preparation of the Indicative Strategy Papers and the work on the IPA Regulation and its Implementing Regulation represented important steps in the framework of the launch of the new instrument in 2014. Future work will be clearly inspired by lessons learnt and the messages provided by the last Progress Report, with a critical focus on the “fundamentals”, to be also fully reflected in the framework of financial cooperation.

Status of Implementation of IPA financial assistance per country at 31 December 2013 against total funds committed (2007–2013):

The following tables provide the amount of all IPA assistance allocated between 2007 and 2013 in EUR million by beneficiary (candidate countries and potential candidates) and by component.

At 31 December 2013 IPA Component I managed by DG Enlargement (in EUR)

IPA I	Allocated	Contracted	Paid	Percentage Contracted	Percentage Paid
Albania	512,037,790	340,129,252	208,188,304	66.43%	40.66%
Bosnia and Herzegovina	516,518,116	340,463,959	235,929,768	65.92%	45.68%
Croatia	254,165,147	241,139,563	167,873,568	94.88%	66.05%
The former Yugoslav Republic of Macedonia	248,191,651	134,902,876	94,954,199	54.35%	38.26%
Iceland	34,837,163	10,033,958	3,620,572	28.8%	10.39%
Kosovo	644,160,000	488,139,427	364,426,588	75.78%	56.57%
Montenegro	165,170,940	122,489,195	106,817,828	74.16%	64.67%
Serbia	1,207,777,326	851,440,943	655,964,421	70.5%	54.31%
Turkey	1,578,268,393	1,329,654,221	900,975,608	84.25%	57.09%
Total	5,161,126,525	3,858,393,393	2,738,750,858	74.76%	53.06%

At 31 December 2013 IPA Component II managed by DG Enlargement (in EUR)

IPA- ELARG- CBC Programmes	Allocated	Committed	Paid	Percentage committed	Percentage Paid
Albania	24,979,732	11,099,526	7,840,783	44.43%	31.39%
Bosnia and Herzegovina	17,719,302	10,877,769	8,300,350	61.39%	46.84%
Croatia	17,519,302	17,519,302	10,799,612	100%	61.64%
The former Yugoslav Republic of Macedonia	19,874,862	10,614,415	7,352,918	53.41%	37%
Kosovo	6,600,000	346,675	194,733	5.25%	2.95%
Montenegro	21,243,162	13,143,751	9,794,425	61.87%	46.11%
Serbia	21,567,024	13,640,539	11,192,170	63.25%	51.89%
Turkey	6,932,999	6,932,999	3,907,133	100%	56.36%
Total	136,436,383	84,174,976	59,382,124	61.7%	43.52%

At 31 December 2013 IPA Component II, implemented by DG Regional Policy (in EUR)

IPA CBC	Committed	Paid until 31 December 2013	Percentage
Hungary – Serbia	50,112,428	34,956,939.11	71%
Romania – Serbia	53,116,751	25,287,380.29	53%
Bulgaria – Serbia	31,369,936	12,562,968.39	45%
Bulgaria – The former Yugoslav Republic of Macedonia	17,903,682	8,461,906.50	50%
Bulgaria – Turkey	27,272,100	11,061,791.19	45%
Greece – The former Yugoslav Republic of Macedonia	15,054,445	7,933,210.82	53%
Greece – Albania	11,316,585	4,738,738.14	56%
		27,760,361.17	
Hungary – Croatia	• Committed amount before the accession = 52,433,025 • Further to the accession of Croatia to the EU = 54,823,266	(Incl. advance payment because of the accession of Croatia to the EU = 1,142,400)	60%
Slovenia – Croatia	• Committed amount before the accession = 42,703,502 • Further to the accession of Croatia to the EU = 44,774,910	(Incl. advance payment because of the accession of Croatia to the EU = 1,142,400)	60%
Adriatic	207,245,257	64,615,855.81	29.26%



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

Country/Operational programme (OP)	Committed	Paid	% (with advance payment)
Turkey – OP Environment	682.47	219	32%
Turkey – OP Transport	584.72	228.25	39%
Turkey – OP Regional Competitiveness	468.77	157.33	34%
Total Turkey	1,735.95	604.58	35%
The former Yugoslav Republic of Macedonia – OP Regional Development	199.93	50.35	25%
Montenegro – OP Regional Development	22.24	0	0%
Croatia – OP Regional competitiveness	187.78	14.57	21%
Croatia – OP Transport	236.98	28.67	25%
Croatia – OP Environment	281.10	2.33	21.05%
Total Croatia	705.86	45.57	6%

In the case of Croatia, payments were possible until the end of June 2013. In line with the accession Treaty, the payment were interrupted until the favourable opinion of the European Commission regarding the compliance of the management and control system for the three programmes, which occurred in April 2014.

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

Countries	Allocated	Committed	Paid	Percentage committed	Percentage Paid
Croatia	92.41	43.18*	44.74	45.73%	48.4%
The former Yugoslav Republic of Macedonia	54.42	12.87	18.08	23.65%	33.2%
Turkey	473.85	168.56	157.17	31.75%	33.1%
Montenegro	5.58	0	0	0%	0%
Total	626.26	224.61	219.99	35.86%	35.12%

* until June 2013

Status of implementation of IPA financial assistance (Component V) as of 31 December 2013 (in million EUR), implemented by DG Agriculture and Rural Development*

Countries	Allocated	Committed	Paid	Percentage committed	Percentage Paid
Croatia	182.92	144.28	33.33	79%	23%
The former Yugoslav Republic of Macedonia	85.65	60.26	2.44	0.7%	4%
Turkey	854.57	789.63	147.03	0.92%	19%
Total	1,123.14	994.17	182.80	0.89%	18%

* the amounts represent decisions taken by the Commission and transfers made to the authorities of the beneficiary countries

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