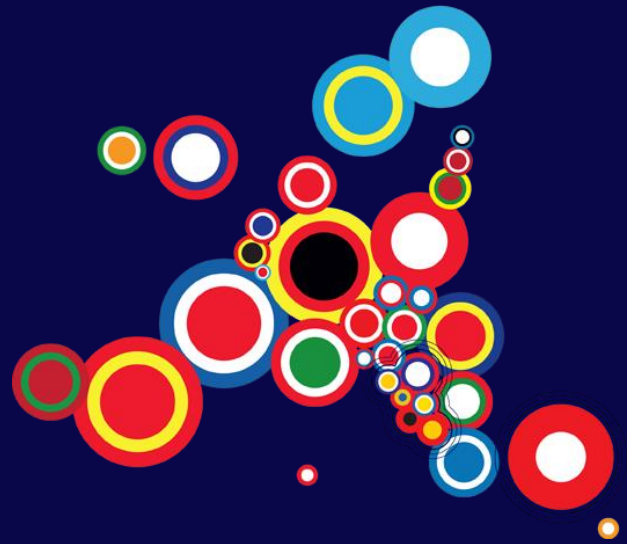




INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA EU Integration Facility



Action summary

The purpose of this action is to replenish the EU Integration facility (EUIF), which is a flexible funding mechanism, providing funds for smaller-scale project interventions of democratic institutions and public administration bodies, aimed at 1) strengthening the capacities of the democratic institutions, 2) further aligning with the EU standards and legislation in all negotiation chapters, political and economic criteria for accession, and 3) improving the management of the EU funds and the sector approach.

| Action Identification | |
|---|--|
| Action Programme Title | Annual Action Programme for the former Yugoslav Republic of Macedonia for the year 2017 |
| Action Title | EU Integration Facility |
| Action ID | IPA 2017/040-200/01.02/MK/EUIF |
| Sector Information | |
| IPA II Sector | 1. Democracy and governance |
| DAC Sector | 998 |
| Budget | |
| Total cost | EUR 2,450,000 |
| EU contribution | EUR 2,450,000 |
| Budget line(s) | Include here the number of budget lines |
| Management and Implementation | |
| Method of implementation | Direct management |
| <i>Direct management:</i> EU Delegation | EU Delegation to the former Yugoslav Republic of Macedonia |
| Implementation responsibilities | EU Delegation to the former Yugoslav Republic of Macedonia |
| Location | |
| Zone benefiting from the action | The former Yugoslav Republic of Macedonia - Nationwide activities |
| Specific implementation area(s) | The former Yugoslav Republic of Macedonia - Nationwide activities |
| Timeline | |
| Final date for concluding Financing Agreement(s) with IPA II beneficiary | At the latest by 31 December 2018 |
| Final date for concluding delegation agreements under indirect management | NA |
| Final date for concluding procurement and grant contracts | 3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 189(2) of the Financial Regulation |
| Final date for operational implementation | 6 years following the conclusion of the Financing Agreement |
| Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed) | 12 years following the conclusion of the Financing Agreement |

| Policy objectives / Markers (DAC form) | | | |
|---|--------------------------|------------------------------|--------------------------|
| General policy objective | Not targeted | Significant objective | Main objective |
| Participation development/good governance | <input type="checkbox"/> | <input type="checkbox"/> | x |
| Aid to environment | <input type="checkbox"/> | x | <input type="checkbox"/> |
| Gender equality (including Women In Development) | <input type="checkbox"/> | x | <input type="checkbox"/> |
| Trade Development | x | <input type="checkbox"/> | <input type="checkbox"/> |
| Reproductive, Maternal, New born and child health | x | <input type="checkbox"/> | <input type="checkbox"/> |
| RIO Convention markers | Not targeted | Significant objective | Main objective |
| Biological diversity | x | <input type="checkbox"/> | <input type="checkbox"/> |
| Combat desertification | x | <input type="checkbox"/> | <input type="checkbox"/> |
| Climate change mitigation | x | <input type="checkbox"/> | <input type="checkbox"/> |
| Climate change adaptation | x | <input type="checkbox"/> | <input type="checkbox"/> |

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

The former Yugoslav Republic of Macedonia was the first Western Balkans country to sign a Stabilisation and Association Agreement (SAA) and obtained candidate status in late 2005. Yet, accession negotiations have not yet been launched, pending unresolved issues with neighbouring EU member states and the severe political crisis of 2014-2016 which had a destructive effect on all democratic systems and institutions and amplifying the societal and political gaps.

To open, and progress in the accession negotiations, the country must achieve stability of democratic institutions, meet the Copenhagen criteria and advance in the Stabilisation and Association process. The EU assists the national administration and the other key actors in the country (local administration, non-state actors, business) to strategically and effectively plan, manage and support the EU integration process, mitigate risks jeopardising the EU future of the country and ensure proper utilisation of the available accession assistance.

The Instrument for Pre-accession Assistance (IPA II) is the main EU financial instrument to support the country in implementing reforms with a view to EU membership. IPA II is expected to provide around EUR 664 million to boost the reforms in the following sectors:

1. Democracy and Governance
2. Rule of law and Fundamental Rights
3. Environment and Climate action
4. Transport
5. Competitiveness and Innovation, Agriculture and Rural Development
6. Education, employment and Social Policy
7. Regional and Territorial Cooperation

The systemic targeted EU support in these sectors is provided through the adoption of annual and multi-annual programmes or sector support interventions, developed after thorough analyses of the needs and capacities in the relevant sectors and enhanced coordination with donors and civil society.

The experience of IPA I demonstrated however that strategic planning and programming needs to be coupled with a more flexible funding tool able to mobilise resources quickly for addressing particular issues in particular circumstances. This need has also been outlined by the European Court of Auditors (ECA) in its Special Report on "Strengthening administrative capacity in the former Yugoslav Republic of Macedonia: limited progress in a difficult context"¹, underlining that the EU assistance was not sufficiently responsive, flexible and targeted.

In order to address this need, the EUIF was established under the 2014 national IPA Programme (EUR 8 million) and replenished further through the 2015 annual IPA programme (EUR4 million). The EUIF is designed as a funding tool able to mobilise resources quickly in order to address issues as they arose. It allows the Commission to employ funds at short notice to support urgent and sensitive policy priorities. In addition, it aims to provide small-scale support for institutions and policy areas which are not covered with the relevant annual and multi-annual sector support programmes, despite the relevance of such support to the general IPA objectives and the priorities described in the Country Indicative Strategy Paper 2014-2020.

In order to facilitate and regulate the use of the EUIF funds, in 2016 EUIF Guidelines were adopted by the EU Delegation and the NIPAC office – the two bodies responsible for the management of the funds. The selection of projects respects the EU principle of sound financial management and is done in a transparent and accountable manner, described in the Guidelines.

The first call for proposals was launched in 2016. It resulted into 28 proposals of primarily state institutions amounting to about EUR 8,6 million. The Selection committee assessed the proposals and established a list of 13 priority projects, amounting to a bit over EUR 3.1 million. The beneficiaries of these projects are at present preparing the needed tendering documents to launch the relevant public procurement.

¹ http://www.eca.europa.eu/Lists/ECADocuments/SR16_11/SR16_11_EN.pdf

The current action aims to further replenish the EUIF extending further the capacity of the Commission to offer targeted, fast-track input to support ad-hoc or specific policy needs.

In terms of objectives, the EUIF is focused at:

- **Strengthening the capacity of the democratic institutions and public administration** to assume the obligations stemming from the democratic process and the EU accession process.

With the EU agenda high on the strategic priority list of the Government, there is a need to overcome the deep divisions on the political scene, continue political dialogue and demonstrate the need for coherent national policies in the interest of the country and its citizens. Over the past year, there have been serious concerns about increasing politicisation of state institutions and government control over media. The 2016 Progress reports states that "Democracy and rule of law have been constantly challenged, in particular due to state capture affecting the functioning of democratic institutions and key areas of society. The country suffers from a divisive political culture and a lack of capacity for compromise". With the perspective of establishing a new Parliament and a new government, the need of targeted and effective EU support for the democratic systems increases. Strengthening the independent functioning of the executive, legislative and judiciary powers, enhancing the role and operational capacities of the democratic institutions, including, inter alia, Parliament, Ombudsman, independent regulative bodies, Judicial council, is a key area for support under the EUIF. It is necessary to support the national institutions in restoring checks and balances and finding back the political stability. The Facility will address the issues, outlined in the EU Progress Report, the Urgent Reform Priorities and SAA, ensuring complementarity between actions and avoiding any overlap of assistance. The Commission urged the authorities to take decisive action to address concerns about increased politicisation and growing shortcomings with regard to the independence of the judiciary and freedom of expression. Given events and revelations during 2015 and the following political crisis, which is still not overcome, this is all the more relevant.

- **Aligning the national legislation with the EU acquis and legal enforcement**

The accession process is demanding and requires excellent EU expertise on the ground, a well prepared public administration and civil society and intensive exchange of know-how with EU Member States to transpose the acquis, to strengthen the administrative structures and management systems and ensure the implementation of the law in practically all spheres of life. Even though the EU provides continued financial support, the gap between the aspirations and the current administrative capacity and institutional framework, still exists and systemic efforts are needed to reduce it. Annual and multi-annual programmes are designed by the Commission and the national authorities to push ahead the reforms in fundamental sectors such as PFM and economic governance, Justice, PAR, etc. However, numerous other sub-sectors and sub-systems need also to develop in parallel, not necessarily with huge financial support. The EUIF is therefore designed to address the ad hoc needs of these systems and administrations at central and local level. It will contribute to building competences and capacities where and when needed. Particular focus will be put on improving relevant strategies and documents linked with *acquis* alignment, on developing methodologies and capacities to assess fiscal and regulatory impact of the legal harmonisation, as well as on translation and training of stakeholders. Thus, the EUIF would be the tool to facilitate such ad hoc, yet strategic support, not covered under various sector support programmes.

- **Improving the management of the EU funds and strengthening of the sector approach.**

The sector approach introduced with IPA II needs reinforcing of the existing national systems to cope with this new challenge in the management of the funds. EUIF will be used to build a stronger strategic planning capacity and ensure more inclusive and participatory planning process, thus creating an intensive societal support for the reforms funded by the EU.

The EUIF is also intended to provide small ad hoc support to the national authorities involved in management of the EU pre-accession funds. The country has established financial management and control systems ensuring, as per the audit reports, the sound financial management of the EU funds. In addition, IPA II promotes a more balanced share of responsibility in the management of the EU funds with increased role of the EU Delegation as a contracting authority. Despite this, some small

ad hoc support will be very useful to cope with specific and unexpected needs, which can emerge in the course of procurement preparation or at the end of an implementation period i.e. preparation of mature projects pipeline, specific ex-ante assessments, etc. It also proved important to have the opportunity to quickly mobilise funds for contract evaluations or on-the-spot audits which ensure high quality standards in programme implementation. Some limited support is expected to help spreading out of the good examples for sound financial management practices across the public administration. EUIF also is designed to support the functioning of the national monitoring and evaluation system to allow for critical analysis of the results and further improvements of the programming process based on feedback from the implementation process. Special attention should be paid to a correct definition of results, indicators and targets.

OUTLINE OF IPA II ASSISTANCE

The action replenishes the EU Integration facility (EUIF), established as a long-term on-going funding mechanism, providing ad hoc support for smaller-scale project interventions of democratic institutions, civil society and public administration bodies. Its objective is to 1) strengthen the capacities of the democratic institutions, 2) enhance the harmonisation with the EU standards and legislation in all negotiation chapters, political and economic criteria for accession, and 3) improve the management of the EU funds and the sector approach.

The EUIF finances most of all capacity building interventions addressing specific or newly emerging needs linked to the EU accession process and the management of the EU funds. It complements the regular annual and multi-annual programmes allowing urgent or specific actions to be funded out of the regular programming cycle, thus bringing the needed element of flexibility in the management of the EU funds in the country.

The EUIF is managed jointly by the EU Delegation to Skopje and the NIPAC office following adopted rules and procedures, stipulated in the published in 2016 EUIF Guidelines.

RELEVANCE TO THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

The proposed action is relevant to the priorities, identified in the following key documents:

- **Indicative Strategy Paper** states, under the sector democracy and governance, that the EU accession-related assistance will support further transposition, alignment and implementation of the EU *acquis* in all accession areas. Support will also be extended to institutions and independent agencies, including democratic institutions, particularly the parliament. The improvement of the administrative capacity of institutions involved in the planning, preparation and implementation of EU assistance is also targeted.
- **The Stabilisation and Association Agreement (SAA)** states that the overall objectives of the EU assistance in the form of institution-building and investment shall contribute to democratic, economic and institutional reforms. In this respect, financial assistance under this programme under the EUIF will cover all areas of harmonisation of legislation and cooperation policies of the SAA, if justified properly and in line with the needs assessment.
- **The National Programme for the Adoption of the *acquis* (NPAA)** identifies a series of measures, on short and medium term, to be taken as regards the political, economic and policy criteria for membership of the European Union. The implementation of the EU accession agenda by the Government is reflected in the NPAA where all legislative amendments, short and mid-term measures for institutional strengthening are identified per *acquis* chapters. Capacity strengthening of the administration is stated as a priority in the NPAA in order to be able to efficiently, effectively and correctly implement the *acquis* and meet the obligations of EU membership. In particular, the NPAA identified public governance, the rule of law and fundamental rights, economic development, agriculture, transport, environment and employment and social policy as major areas of intervention.
- **The 2016 Progress Report** underlines the need to restore the political dialogue, improve the political culture, re-establish the trust in public institutions as key priorities. It outlines the need of

advancing the reforms in the justice, public administration sector and the fight against corruption. EUIF is able to address these needs through fast-track targeted support.

- The EUIF will also support the **Economic Reform Programme (ERP)**, which provides measures for fulfilment of the economic criteria. Smart, Sustainable and Inclusive Growth are the three priorities of the EU and SEE 2020 Agenda. As this EUIF would enable the administration to manage the EU integration process better and implement the EU assistance properly, it is expected to contribute to the implementation of EU 2020 and SEE 2020.

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

The implementation of IPA so far brought to the formulation of the following lessons:

- Recent political crises in the country have uncovered the weaknesses of state institutions and the vulnerability of the state set-up. The increasing politicisation of state institutions and party control over media, civil society and business compromise the democratic process. The EU needs to continue assisting the country to address systemic issues in the area of rule of law, to re-establish dialogue and normal functioning of democratic institutions. The EU democratic principles and practices need to be promoted and integrated into the national environment thus building a new perspective for enhanced policy dialogue. Ad hoc financial assistance is required to allow exchange with the democratic institutions of the EU member states and provision of specific know-how. This does not necessarily require huge investments but rather a very flexible and well-targeted support available at short notice. The EUIF is designed to respond to this need.
- The aligning with the EU acquis is a resource- and time intensive process, more as regards the implementation of the acquis rather than the adoption of the legal acts itself. Often effective implementation of newly transposed rules is hampered by legal incompliance with already existing regulations (particularly at secondary and third-layer legal level, where legal compliance checks at the stage of adoption are superficial), lack of capacity to implement new laws or simple lack of understanding of the spirit of the new acts. In such cases, small targeted assistance, as the one provided by the EUIF, is very efficient to enhance legal compliance and support implementation.
- It has become increasingly evident that whereas EU assistance can contribute to building capacities in one particular sector, it does not always contribute to strengthen the overall functioning of public administration. In fact, the past EU assistance has sometimes contributed to creation of sectoral isolated 'islands of excellence', which are rarely sustainable in the overall administrative environment. This has notably been criticised by the Court of Auditors (e.g. Meta Audit on IPA assistance). Therefore, assistance envisaged under this Action will take the overall horizontal public administration reform efforts into consideration and will align with the key principles of public administration and the 'Better Regulation' approach.
- The introduction of the sector approach has turned to be a challenge, particularly as regards the introduction of the results based management, development of performance framework and establishing strong national monitoring and evaluation systems able to assess the outcomes and impacts of the sector policies and reforms. It requires constant efforts and significant support at policy and operational level for strengthening the strategic planning capacities of the national authorities and promotion of results-oriented culture. Where necessary, the EUIF will support addressing this challenge as well by funding capacity-building activities focused on improving the strategic planning and monitoring of sector reforms.

2. INTERVENTION LOGIC

LOGICAL FRAMEWORK MATRIX

| OVERALL OBJECTIVE | OBJECTIVELY VERIFIABLE INDICATORS | SOURCES OF VERIFICATION | |
|--|--|---|---|
| To contribute to a more effective EU integration process | <ul style="list-style-type: none"> – Progress made towards meeting accession criteria, EU key principles and standards (European Commission) | <ul style="list-style-type: none"> - Progress Report (Commission) | |
| SPECIFIC OBJECTIVE | OBJECTIVELY VERIFIABLE INDICATORS | SOURCES OF VERIFICATION | ASSUMPTIONS |
| <p>To strengthen the capacity of democratic institutions and administration to assume the obligations stemming from the democratic process and the EU accession process.</p> <p>To enhance the alignment with the EU acquis and enforce the adopted laws</p> <p>To improve the management of the EU funds and strengthen the sector approach</p> | <ul style="list-style-type: none"> - Number of Urgent Reform Priorities addressed - Implementation rate of the supported Sector/sub-sector Strategies (by measure and/or priority) - Number of legislative acts adopted in an inclusive and evidence-based way and in compliance with the acquis - No of Sector approach criteria met - Level of absorption of EU funds improved significantly (contracting and disbursement rate) - Financial management and control systems operate smoothly indicated by number of major audit findings and audit error rate) - Degree of public recognition of the EU support | <ul style="list-style-type: none"> - Progress Report (Commission) - HLAD benchmarking (Commission) - NPAA (Government) - Annual IPA Implementation Report (NIPAC Office)/JMC reports/SMC report NPAA - Government - Annual IPA Implementation Report – NIPAC Office/JMC reports/SMC reports - Sector approach assessment and self-assessments - Opinion poll | <ul style="list-style-type: none"> - EU integration remains a government priority. - Macroeconomic and political stability is maintained - Key reforms (such as PFM, PAR, Judiciary) are launched and well progressing |
| RESULTS | OBJECTIVELY VERIFIABLE INDICATORS | SOURCES OF VERIFICATION | ASSUMPTIONS |
| <p>1. Targeted EU support is provided to public administration and democratic institutions to address specific ad hoc needs in very short time and cut red tape</p> <p>2. Capacity of the administration to address ad hoc challenges is improved</p> <p>3. Specific challenges of the democratic process and country's accession are addressed quickly and effectively.</p> | <ul style="list-style-type: none"> - Number of project proposals submitted under the EUIF / Number of proposals approved for funding - Number of institutions involved in submission of proposals / Number of institutions involved in project implementation - Average length of project launch (duration from submission of project proposal until contract signature) - EUIF Funds implementation rate (EUIF Contracting and disbursement rate) - Percentage of projects completed successfully/ results delivered - Number of documents adopted, Number of people trained, No of IT tools put in use etc - Number of people benefiting from the funded projects (data segregated by gender, ethnicity, vulnerability). | <ul style="list-style-type: none"> EUIF implementation reports Steering Committee Reports Project reports | <ul style="list-style-type: none"> Sufficient interest on behalf of the public bodies and democratic institutions to develop and implement projects |

DESCRIPTION OF ACTIVITIES

The EUIF functions as a pot of funds available to provide financing to smaller-scale projects following calls for project ideas or on a continuous basis if an ad hoc need arises. Strategic projects can and will be foreseen by the EU Delegation, and additionally by the NIPAC Office. All submitted projects must respond to clear and well identified needs corresponding to the priorities identified in the relevant strategic documents (NPAA, EC's Progress Report, SSPPs, ERP, Government programme, CSP, Sector Strategies, Sector Road Maps, etc.).

The intended end beneficiaries of this EUIF are the public administration at central and local level, and other national public institutions, as well as civil society organisations in highly exceptional and duly justified cases. Consideration would be also given to institutions whose needs were not addressed through annual and multi-annual sector programmes, although relevant to the sector and EUIF objectives.

Project proposals will be approved based on available funds in the EUIF and keeping always in place an emergency reserve for urgent needs at 3% of the overall allocation for the EUIF.

The scope of the projects to be financed will vary according to the needs, availability of funds and potential impact. Various activities can be funded such as:

- Research, analysis and assessment of particular needs, challenges or processes linked to the democratic system and raising the awareness of the political elites on key democracy-related concepts i.e. responsible political participation, representation, transparency and accountability;
- Building national capacity for political analysis;
- Supporting free and fair electoral process;
- Enhancing participation of women and minorities in democratic processes and institutions;
- Support for improving the general legislative processes and legislative transparency including strengthening the legislative research, analysis, and drafting capabilities, enhancing legislators' professionalism and strengthening the monitoring of the law enforcement;
- Support to national authorities for revision and implementation of the National Programme for the Adoption of the Acquis, as well as in transposition and implementation of particular laws depending on the needs of the country;
- Support for the accession process including assessment of the systems and state of preparation and organisation of the negotiations process;
- Assessment of the country's needs in the various sectors and support for crafting of effective sector policies, strategies, programmes and measures including assistance with strategic planning and programming of the EU funds, introduction of the sector approach and increasing the effectiveness of sector coordination;
- Support for improving the effectiveness of the governance and strengthening of results-based approach;
- Support in establishment of national monitoring and evaluation systems at sector, policy and programme level and promotion of evidence-based decision-making;
- Technical support for preparing project pipelines, handling procurement process, managing contracts, ensuring on-going monitoring, audits and evaluations as well as support for strengthening the established national financial management and control systems for the EU funds;
- Building the necessary capacities and systems allowing further training and information dissemination of the national stakeholders;
- Ensuring visibility of the EU support to the country and raising the awareness of the large public on the EU.

RISKS

- The main risk relates to the political crisis in the country, which focuses the attention of all stakeholders and slows down the reform process in all areas. Prolonged political instability will impact not only the interest of the institutions and bodies to benefit of the EUIF and submit proposals, but also the implementation of the already approved projects if necessary commitments and administrative resources are not available in time. The mitigation measures combine an enhanced high-level political dialogue with the decision-makers with enlarging the spectrum of institutions supported by EU along with reinforcing the public administration and civil society and strengthening their role in the reform process.

CONDITIONS FOR IMPLEMENTATION

- Governmental commitment to the EU accession process translated into allocation of sufficient resources for the sector reforms, high-level support for the reforms and active participation in the sector policy dialogue
- Governmental commitment on public administration reform which is necessary to build horizontal capacities for policy and legislative development and implementation
- Advancement in the sector approach as per the developed roadmaps

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

The EUIF will be managed under direct management, by the EU Delegation in Skopje, in close cooperation with the NIPAC office, and following the adopted EUIF Guidelines.

The programming of EUIF is the responsibility of the EU Delegation and the NIPAC office programming unit. Monitoring of the implementation would be the responsibility of both the EU Delegation and the NIPAC office – monitoring and evaluation unit.

IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

The action will be implemented through calls for proposals. The beneficiaries of the selected proposals will then develop the specific tender documentation depending on the type of assistance requested. The selected projects may be implemented through technical assistance (Services/Framework Contract), grants (twinning, twinning light projects, exceptionally direct grants) and in exceptional cases investments (supplies/works), in accordance with the European Commission's PRAG rules. 100% financing by the EU is envisaged for technical assistance and twinning, while co-financing will be required for investments (standard 85% or 100% in duly justified cases) and grants (on a case-by-case basis and up to 100% in exceptional cases) (FR Art. 192 / RAP Art. 183). The EUD will be acting as a Contracting authority for all EUIF projects.

4. PERFORMANCE MEASUREMENT

METHODOLOGY FOR MONITORING (AND EVALUATION)

The implementation of all projects supported by the EUIF will be monitored by the EU Delegation with the support of the NIPAC office. The monitoring indicators, to serve as a basis for tracing success, have been included in this action document and will be used throughout the EUIF implementation cycle. An evaluation of the EUIF is planned at the end of the financial framework. The Commission may however decide to undertake mid-term evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations. In

addition, the Action might be subject to external monitoring in line with the EU rules and procedures set in the Financing Agreement.

Action monitoring and evaluation will be based on periodic assessment on the delivery of specific results and towards achievement of the specific and general objectives of the EUIF.

All actions may be audited by the Commission and the Court of Auditors, in line with the European Commission procedures.

INDICATOR MEASUREMENT

| Indicator | Baseline (value + 2016) (2) | Target 2020 (3) | Final Target (2024) (4) | Source of information |
|---|--------------------------------|----------------------------------|---|---|
| ISP indicator (impact) | | | | |
| Progress made towards meeting accession criteria, EU key principles and standards (European Commission) | negotiations not open | Negotiations opened | Progress in negotiations (gradual increase in the number of chapters opened and closed) | Council resolution Commission Progress Report Screening report SAA Reports |
| Outcome indicators | | | | |
| Number of Urgent Reform Priorities addressed | 2 measures | 25 measures | 40 measures | Commission Progress Report Judiciary sector performance framework Justice Strategy implementation reforms |
| Implementation rate of the supported Sector/sub-sector Strategies (by measure and/or priority) | 10% | 60% | 80% | Strategy implementation reports Sector Performance Framework |
| Number of legislative acts adopted in an inclusive and evidence-based way and in compliance with the EU acquis | 0 | 20 | 30 | NPAA, project reports |
| Number of Sector approach criteria met | 0 criteria met | 5 criteria met | 5 criteria met | Sector roadmaps |
| Level of absorption of EU funds improved significantly (IPA II contracting - % of funds contracted out of the allocated and disbursement rate - % of funds paid out of the contracted) while sound financial management ensured | 5% | At least 70% | 95% | Accounting systems, Annual reports (EUD/ NIPAC/NAO). |
| | 1% | At least 35% | At least 80% | |
| Financial management and control systems operate smoothly indicated by number of major audit findings and audit error rate | 15 key/major findings 5% | 5 major findings Less than 2% | Not more than 5 Less than 2% | Audit reports (internal and external – ECA, AA) |

| | | | | |
|--|--|--|--|---|
| Degree of public recognition of the EU support | 61% | 70% | 75% | AOSD Report on visibility/ Bi-annual survey /Opinion poll |
| Output indicators | | | | |
| - Number of project proposals submitted under the EUIF /Number of proposals approved for funding | 28 submitted/13 approved under EUIF 2014 | 30 submitted /8-10 approved | 30 submitted /8-10 approved | EUIF Steering Committee reports |
| - Number of institutions involved in submission of proposals / Number of institutions involved in project implementation | 1 | 30 | 120 | EUIF Steering Committee reports |
| - Average length of project launch (duration from submission of project proposal until contract signature) | 12 months | 3-8 months (depending on the type of contract) | 3-8 months (depending on the type of contract) | EUIF Steering Committee reports |
| - EUIF Funds implementation rate (EUIF Contracting and disbursement rate) | 0.17% | 80% | 100% | Accounting systems (CRIS/ABAC/MIS) |
| - Percentage of projects completed successfully and results delivered (Number of documents adopted, Number of people trained, No of IT tools put in use etc) | 1 project (100%) (IT equipment) | 70% | 100% | EUIF reports/ project reports |
| - No of people that benefit from the funded actions (segregated data by gender, ethnicity, vulnerability – where possible) | 5 (3 women, 2 men, no vulnerable groups covered) | At least 120 | 200 | Project reports |

5. SECTOR APPROACH ASSESSMENT

IPA II introduces a strategic approach towards programming of the EU financial assistance, which entails a long-term vision, coherent and comprehensive way of planning of the EU funds according to the key priorities. The strategic approach entails:

- Strategic long-term programming based on a **sector policy and strategy**, outlining government objectives for the specific sectors and used to develop annual plans based on agreed priorities. This has to be complemented with a performance framework containing the indicators, baseline and target data that would allow assess the progress in achieving the objectives.

The EUIF is proposed under Sector 1: Democracy and Governance, which is the broadest and most diverse of all 7 sectors and comprises of fundamental priorities such as democratic process and institutions, public administration reform, public financial management, statistics, civil society, union programmes, accession process etc. Having one single policy and overarching strategy for the sector is neither necessary nor realistic due to the sector's internal diversity and numerous actors. Yet, the EU financial assistance in this sector is designed to support the sector the overall objective – advanced accession process. The EUIF is well integrated into this framework, contributing to sector priorities as spelled out in the ISP. Moreover, the EUIF itself is also intended to drive further the sector approach by supporting NIPAC and the national authorities in developing clear sector/sub-sector policies and programming actions in line with the sector objectives. A major dedicated project under EUIF 2014 will facilitate the sector approach uptake by supporting the sector working groups in developing sector performance frameworks and ensuring ongoing monitoring and assessment of the progress in the sector reforms. Sector approach is thus expected to be achieved by the country by 2019.

- Close link between the programming of the IPA and of the national funds, which entails a **sector budget and medium-term expenditure perspective**. The national budget should reflect the sector policy and strategy and be developed within a medium-term perspective. This should ideally be linked to the national expenditure planning process. Further on, a good **Public Financial Management (PFM)** is a key factor determining the efficiency and effectiveness of budget resources to achieve the objectives of sector policy.

While reforms are ongoing in various PFM sub-systems a comprehensive PFM Reform Programme is still to be adopted. A draft PFM Reform Programme was developed with the aim to extend further the ongoing PFM reform beyond regulative framework to practices, process and standards, which reflects the country needs and context. The PFM programme is genuinely integrated into the overall reform process in the country and complies with country's strategic objective to become an EU member state. Further on, it is relevant to the international commitment that the country undertook with the ratification of the IPA Framework agreement to develop a policy dialogue on PFM with the European commission. However, the credibility of the PFM draft programme is still not ensured due to the political crisis, which impeded the policy dialogue on the PFM and weakened the commitment of the key institutions (Ministry of Finance, Government, Parliament, State audit institution) to the PFM reform. On the other hand, providing an overriding vision about the PFM in the country, the PFM Programme integrates priorities already spelled out in various other strategies and policy documents which are at present being addressed by the national authorities with EU and other funds. In addition, the country supported the critical analysis of the PFM systems, recognised the existing weaknesses, and formulated clear priorities. This approach provides some assurance that the country will continue to deliver improvements in the PFM systems. In addition, an important part of the already ongoing efforts are focused on improving the strategic planning and the annual budget process, which is expected to be completed by 2019 thus providing the much needed stability in planning and implementing sector strategies.

- **A sector coordination framework and institutional capacity:** there should be a formalised government-led process for aid coordination and dialogue at the sector level. This should involve a broad consultation mechanism that involves all significant stakeholders. In addition, the needed administrative resources and capacities need to be present to ensure

The country has advanced significantly in this area in 2016. A sector coordination framework was adopted in the summer of 2016 creating the institutional architecture for planning and monitoring the sector reforms. Further on, sector working groups were established in all sectors involving all stakeholders, rules of procedures were adopted and the operational functioning was ensured. The SWG focused their efforts on developing the sector roadmaps, a very ambitious exercise completed by the end of 2016 and updating the Sector planning documents, providing a vision for the use of the EU funds until 2020. While a lot was done, more efforts are still needed to optimise the sector dialogue and make it more effective.

6. CROSS-CUTTING ISSUES

GENDER MAINSTREAMING

Gender equality constitutes a basic principle of international and regional human rights instruments that the country has signed and ratified. While no evidence has been collected for different treatment of staff on the ground of the sex, this action will still address this cross-cutting issue in promoting equal opportunities for men- and women through all actions supported under the EUIF. In addition, where possible, gender-sensitive indicators for measuring the success of the projects will be addressed i.e. Number of women and Number of men, benefiting from the action (absolute No and % of all final beneficiaries).

EQUAL OPPORTUNITIES

Equal opportunities would be mainstreamed in the EUIF promotion, project preparation, training participation and publicity materials. The different project beneficiaries will ensure the observance of the principles of equal opportunities and non-discrimination.

MINORITIES AND VULNERABLE GROUPS

Accelerated approximation of the national legislation with EU *acquis*, along with the obligation for full harmonisation of the time of accession, will further improve the legislative framework, strengthen the role of administrative and judicial authorities, full and correct implementation of the Ohrid Framework Agreement and improve the *acquis* adoption, implementation and enforcement data, indirectly leading to overall improved stability, respect of minorities, vulnerable groups and good governance. In an EU context, reference is made to the “Race Directive” of 2000 (2000/43/EC of 29 June), which has an important impact on employment (incl. vocational training, working conditions, social protection etc.) and is also a crucial aspect of the *acquis*. The beneficiaries will be assisted to improve its internal performance vis-à-vis minorities or other vulnerable groups. Activities under the EUIF would help shaping a well-functioning and stable public administration built on an efficient, all-inclusive and impartial civil service.

ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)

Regular consultation and communication with the civil society organisations has already been introduced in the country through various platforms and mechanisms including the IPA consultation platform, the sector working groups, the IPA Sector monitoring committee, etc. However, more efforts will be needed to optimise the functioning of these instruments and insure involvement of civil society in decision making and monitoring of reforms at sector level. The EUIF will encourage this process not only by further support for the strengthening of the sector approach but also by stimulating the transparency of the public administration and enhancing the rule of law.

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

The European Union has a longstanding commitment to address environmental concerns in its assistance programmes as part of the wider commitment to sustainable development and climate change mitigation process. Environmental aspects are always considered in providing EU support and the EUIF is no exception. The Facility will fund projects to support the ad hoc transposition and the implementation of the acquis in various areas, including environment-related acquis. Supporting the country in finding back political stability and enhancing the democratic process, the EUIF will contribute to refocusing the attention to the key challenges of nowadays such as the climate change, protection of environment and sustainable development. Enhancing reforms in key areas such as PAR, PFM and Justice also mean more relevant growth policies, greater inclusiveness and transparency in decision making and use of public resources and stronger compliance with the law. Strengthened rule of law and management capability of the public administration along with enhanced coordination and interaction of stakeholders means better response to the environmental challenge and more environmental democracy.

7. SUSTAINABILITY

The main factors of sustainability are the investment in the management capacity across the public administration and the involvement of all stakeholders in the decision making process concerning the sector strategies. The action focuses on enhancing key processes in the administrative environment that would guarantee in future the ability of the public administration to make decisions and manage processes linked to allocation of national and donor resources. At the same time, the improved transparency through involving the civil society, business, media and other non-state actors, is a long-term asset of every administrative system. Finally, the action will have a positive impact on the national public finance systems through improving the management and the transparency aspects.

The short-term assistance activities supported through this EUI Facility will produce results on the short run since all relevant structures are in place and the support provided would increase the capacities to meet the challenges ahead of the administration. Financial sustainability will be ensured with the national co-financing and additional budget allocations to support the planned increase of institutional and human capacities in order to implement IPA II Programmes.

As indicated in Article 18 of Regulation (EC) No. 236/2014 of 11 March 2014 laying down the Common rules and procedures for Implementation of the Union's Instruments for financing external action and in order to enhance partner countries' ownership of their development processes and the sustainability of external aid, and in line with international aid effectiveness commitments entered into by the Union and partner countries, the Union should promote, where appropriate in light of the nature of the action concerned, the use of partner countries' own institutions, systems and procedures. Thus, before implementing the unallocated envelope for reinforcement of the administrative capacity, there would be a thorough pre-assessment of the received project proposals, ensuring proper coordination with all relevant stakeholders, following the EUIF Guide.

Finally, the integration of the key principles of public administration and the 'Better Regulation' approach into envisaged assistance will also contribute to sustainability of results. In particular, any support on acquis alignment will be done in an inclusive and evidence-based manner; any training, capacity-building and human resources development activities will be coordinated with the institution that is centrally responsible for human resources management and professional development of civil servants; any activity supporting the development of IT tools will ensure consistency with the interoperability standards in each country and, where these don't exist, they will promote consultations with the Ministries in charge of information society related matters, any support to reorganisation of public institutions, if absolutely necessary, shall be accompanied with a commitment by the national authorities to grant the sufficient legal powers, resources and staffing necessary to discharge their mandate; whenever written procedural manuals or guidelines are developed, they shall be simple enough to be regularly updated and changed by the staff of the respective organisations without external support. Any guidelines or procedures developed shall not contradict with any legal provision of the country.

8. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the Action, starting from promotion of the opportunity for obtaining EU funds for small ad hoc projects up to the promotion of the project results achieved with the EU support.

The EU Delegation and the NIPAC office will develop a Communication plan for the EUIF as a flexible fast-track funding instrument. Further on, following the contractual obligations, all contractors (and the relevant beneficiaries) will be obliged to implement the Visibility Guidelines developed by the Commission (DG NEAR). They will have to develop a communication plan, which will be approved by the EU Delegation. It is the responsibility of the beneficiaries to keep the EU Delegation and the Commission fully informed of the planning and implementation of the specific visibility and communication activities. The beneficiary shall also report on the visibility and communication actions in the relevant reports, while NIPAC office will provide summarised information on the visibility and communication activities undertaken under this Action in the regular annual IPA report. The implementation of all communication activities shall be funded from the amounts allocated to the Action.

The Visibility and communication plans shall comprise of a limited number of visibility measures but having a high communication potential. Out-of the-box communication solution will be highly encouraged and supported. The objective of this communication line will be to attract media attention and create "media events", which would encourage media reflect the EU projects in a "non-administrative" style, thus ensuring greater general public awareness and support of interventions financed and the objectives pursued. The objective of this approach is to make sure that the added value and impact of the EU's interventions are understood by the general public but also to promote transparency and accountability on the use of public funds in general.