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INSTRUMENT FOR PRE-ACCESSION AND ITS PARLIAMENTARY OVERSIGHT

TOOLKIT FOR MEMBERS OF PARLIAMENT
AND PARLIAMENTARY STAFF

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This designation is without prejudice to position on status, and is in line with UNSCR 1244 and ICJ Advisory opinion on the Kosovo declaration of independence.

List of abbreviations:

| | |
|----------------|--|
| CAO | Accrediting Officer |
| CARDS | EU Assistance Programme for Reconstruction Development and Stabilisation in the Western Balkans |
| CEA/CEI | Committee for European Affairs/Committee on European integration |
| CEAOEF | Committee on European Affairs and Oversight of EU Funds |
| CSP | Country Strategy Paper |
| DEU | Delegation of the European Union |
| DIS | Decentralised Implementation System |
| EC | European Commission |
| ERDF | European Regional Development Fund |
| ESF | European Social Fund |
| EU | European Union |
| GDP | Gross Domestic Product |
| IPA | Instrument for Pre-Accession Assistance (2007-2013) |
| IPA II | Instrument for Pre-Accession Assistance (2014-2020) |
| MA | Management Authorities |
| MCSP | Multi-Country Strategy Paper |
| MIPD | Multi-Annual Indicative Programming Document |
| MP | Member(s) of Parliament |
| NAO | National Authorising Officer |
| NCEI | National Council for Euro-integration |
| NDP | National Development Plan |
| NF | National Fund |
| NIPAC | National IPA Coordinator |
| NPAA | National Programme for the Adoption of the Acquis |
| PA | Paying Authorities |
| PAO | Programme Authorising Officer |
| PEP | Pre-Accession Economic Programme |
| PHARE | Action plan for coordinated aid to Poland and Hungary (subsequently extended to the remainder of the Central and East European countries). It comprises programmes financed by the EU since 1990 to assist with economic restructuring in the Central and East European countries. |
| SCO | Strategic Coordinator |
| SEA | Secretariat for European Affairs |

Purpose of the Toolkit

The purpose of this toolkit is to assist Members of Parliaments and parliamentary staff in understanding the concept of the Instrument of Pre-Accession Assistance (IPA) and facilitate their involvement in the performance of the Parliament's oversight role over IPA.

The first part of the toolkit provides up-to-date information on the current status of IPA by its beneficiaries, the progress made within the last year and finally the overview of status of the countries in the region regarding IPA. Furthermore, it grasps the novelties introduced by the new IPA regulation 2014-2020.

The second part of the document focuses on parliamentary control of EU/IPA funds by the parliaments in the region of Western Balkans. Even though not explicitly stated as a controlling mechanism by the IPA regulation, the parliamentary control over the use of IPA funds (as part of the control over the overall spending of public funds) has gained greater relevance with the entry into force of the Lisbon Treaty in 2009 and the adoption of the Programme Europe 2020. Thus, in light of Lisbon, the current trend in the EU's Member States is to increase the role of the parliament in the overall control over the executive in EU affairs, including the spending of EU funds.

Albania, Bosnian and Herzegovina, Kosovo*, Macedonia, Montenegro and Serbia, as part of the Stabilisation and Association process and part of the Thessaloniki Agenda 2003, have been subject of EU financial assistance since the mid 90's. With the introduction of IPA, EU aid was redesigned and structured to assist the candidate and the potential candidate countries for EU membership in enabling national structures capable of implementing Structural and Cohesion Funds once members of the EU. The logic and philosophy of the assistance is to help the countries to fulfil the required criteria for EU membership, thus demanding high convergence between accession and national reform priorities.

The national parliaments, through their Committees on European Integration/Affairs, have been engaged in the European agendas of their own countries; however, the level of efficient scrutiny over the use of IPA/EU funds is unsatisfactory, limited or even non-existent.

This toolkit includes an overview of the EU's best practices regarding parliamentary control, by examining developments within three countries which share similarities with the countries of Western Balkans – Slovenia, Bulgaria and Croatia. Furthermore, lessons learned and experiences are determined and presented as useful information for parliaments from the region. Additionally, Republic of Macedonia was chosen as a case-study in this toolkit. The country was granted access to all five IPA components since 2007 and experienced the process of establishing the decentralized implementation system. In terms of parliamentary scrutiny over the use of EU funds, the Macedonian Parliament recently introduced several mechanisms which might be considered as useful for other parliaments. Finally, recommendations for enhancing parliamentary control of IPA are presented, which we hope that Members of Parliament and parliamentary staff will find useful.

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On IPA

The Instrument for Pre-Accession (IPA) is the EU instrument for financial and technical support for enlargement countries, launched in 2006.

Previous EU financing instruments for the region included PHARE, CARDS, SAPARD and ISPA. CARDS was the first specific instrument to cover the region of the Western Balkans and it was primarily established to respond to reconstruction and related institution building needs. IPA was a response to the EU integration agenda of the region and was tailored to address integration/acccession requirements.

The financial instrument covers a period of seven years, as it is a part of the Union's Budget - the Multi-Annual Financial Framework. Thus, IPA I covered 2007-2013, IPA II will cover 2014-2020.

The proclaimed objective of the European Union in this process is to provide constant and effective support in building solid democratic institutions able to cope with the economic and social transformation required for a deeper integration with the European Union.

IPA I

IPA I has **five components**:



These five components are available to candidate countries, whereas only the first two components are available for potential candidates.

IPA Component I: Transition Assistance and Institution Building (all IPA beneficiaries are qualified for Component I)

Priorities:

- Political criteria requirements: EC assistance is used to support a stable, modern, democratic, multi-ethnic and open society based on the rule of law. Special impetus is given to Public Administration and Judiciary Reform;
- Socio-economic requirements: EC assistance is used to support the development of the socio-economic environment; and
- European standards: EC assistance supports the country in implementation of its European integration plan (legal approximation, administration needs and requirements for Decentralized Implementation System - DIS).

¹ Albania became eligible for PHARE in 1992, Macedonia in 1996. Croatia became eligible also for IPSA and SAPARD as it gained candidate status in 2004.

IPA Component II: Cross-Border Co-operation (all IPA beneficiaries are qualified for Component II)

This component applies to border regions between beneficiaries from member states, candidate states and countries in pre-accession phase.

Priorities:

- Promoting cross-border cooperation, sustainable development of the environment, market development – economic development, improving cohabitation on the EU external borders, improving living standards in border regions, strengthening the capacities of local/regional/national institutions for the implementation of EU programmes.

IPA Component III: Regional Development

- Supports infrastructural projects in the environment and transport sectors and programmes which promote regional competitiveness and development;
- Serves as a predecessor to the European Regional Development Fund (ERDF) and the Cohesion fund upon EU membership.
- Aims at providing the beneficiaries in the fulfilment of Copenhagen Economic Criteria for membership.

IPA Component IV: Human Resources

- Supports projects aimed at promoting employment, education/training and social inclusion;
- Serves as a predecessor to the European Social Fund (ESF);
- Serves as an instrument for improvement for enhancement of human capital as a pre-condition for further implementation of Copenhagen criteria for EU membership.

IPA V: Rural Development

- Emulates post-accession Rural Development programmes by financing rural development type measures, similar in nature to these programmes, though smaller in scale.

Potential candidate countries, and candidate countries not yet accredited to manage funds in a Decentralised Implementation System (DIS), are eligible, under IPA Component I, for measures and actions similar to those under Components III, IV and V.

Components III, IV and V can only be implemented in a decentralised management system.

Programming

EC requires the beneficiaries of IPA to adopt two major strategic documents: National Development Plan and Pre-accession Economic Programme, which serve as bases for determining the priorities for development of the countries.

The programming framework consists of a Multiannual indicative planning document, which is revised annually and operational programmes per component (strategic coherent framework for components 3 and 4). The main legislative documents are the IPA Regulation and the IPA Implementing Regulation; in addition the EU Financial Regulation is applicable. The *acquis* in this area does not need to be transposed, as it consists of Regulations and decisions; however, countries in the region usually need to set out a legislative framework, as a basis for the institutional IPA set-up.

IPA beneficiaries are required:

- To enable national institutions for decentralized implementation of IPA according to IPA regulation
- To develop the principle of ownership
- To increase commitment by national authorities with the principle of co-financing
- To increase convergence between national and European agenda priorities

IPA II

The Proposal for the Regulation IPA II (covering the period 2014-2020) is still under procedure.

The main differences with IPA II are the following:

- No components - policy areas instead;
- No differentiation among countries - all countries are eligible;
- More focus on multi-annual planning.
- Sectoral approach (process aiming at broadening government and national ownership over public sector policy and resource allocation decisions within the sector, increasing the coherence between policy, spending and results).
 - Shift from stand alone projects to contribution to the development and implementation of a coherent, nationally owned programme in a given area/sector.

According to the Proposal of the IPA II Regulation, the changes are aimed at simplification, flexibility, coherence and efficiency. Moreover, it introduces reinforced link between financial assistance and the policy agenda for accession.

The **policy areas** defined under the new Regulation are the following:

- Transition process towards membership and capacity building (former IPA Component I)
- Regional development (former IPA Component III)
- Employment, social policy and human resources development (former IPA Component IV)
- Agriculture and rural development (former IPA Component V)
- Regional and territorial cooperation (former IPA Component II)

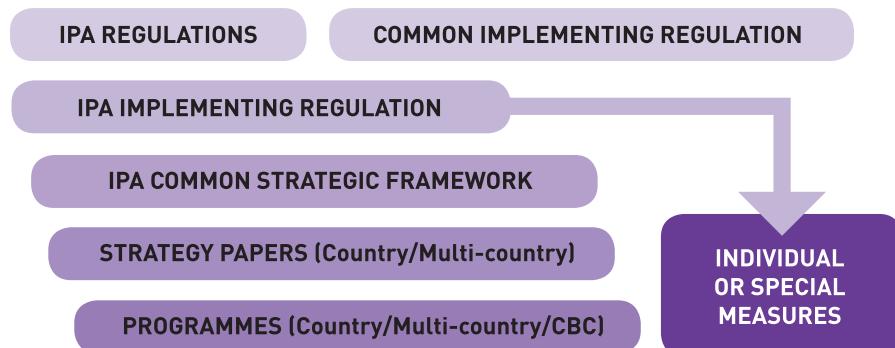
The new IPA II regulation particularly underlines that the progress will be assessed through previously determined indicators, and on the basis of the progress. The EC will have the authorisation to reallocate financial assistance between different programmes, as well as between IPA beneficiaries. Furthermore, the new regulation insists on greater ownership and commitment by the beneficiaries. Similarly to IPA, IPA II core themes remain focused on good governance and capacity building.

The Common Strategic Framework will be the EU strategic programming document for the instrument as a whole. The Country strategy papers (CSPs) are being drafted as key multi-annual

documents describing in broad terms how beneficiary countries will use financial assistance to address the political priorities of the enlargement strategy. Following the adoption of the CSP, the programmes will be developed. Similarly, a Multi-Country Strategy Paper (MCSP) will define priorities and conditions for achievement at regional level for multi-beneficiary programmes and for territorial cooperation programmes.

The Country Strategy Papers will be articulated around sectors, normally grouped in policy areas, for which the necessary administrative, political and economic reforms should be supported.

Structure of documents



Source: DG Enlargement, EC (2013)

Financial Portfolio

IPA I for all beneficiaries (in thousands EUR)²

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2007-2013 |
|----------|----------|----------|----------|----------|----------|----------|-----------|
| 1263.200 | 1501.406 | 1541.588 | 1591.328 | 1796.793 | 1875.994 | 1956.343 | 11526.652 |

Per capita average: 23 EUR

The detailed breakdown of IPA I per country and per component is attached. IPA I includes **Albania, Bosnia and Herzegovina, Croatia, Iceland, Kosovo*, Macedonia, Montenegro, Serbia and Turkey.**

IPA II - Financial construction (in thousands EUR)³

| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2014-2020 |
|--------|--------|--------|--------|--------|--------|--------|-----------|
| 1898.0 | 1935.9 | 1974.6 | 2014.1 | 2054.4 | 2095.5 | 2137.4 | 14110.1 |

IPA II will include Albania, Bosnia and Herzegovina, Kosovo*, Macedonia, Montenegro, Serbia and Turkey.

² Revised Multi-Annual Indicative Financial Framework, 2012-2013

³ Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the Instrument for Pre-accession Assistance (IPA II), COM (2011) 838 final, 7.12.2011

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Absorption IPA 2007-2013 by country and component (31.12.2011)

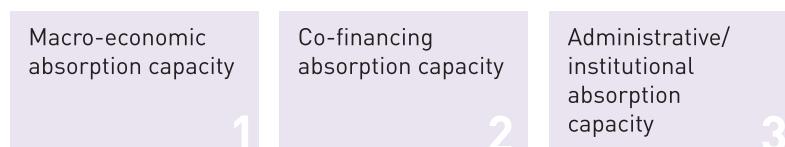
| | Comp. I | Comp.II | Comp.III | Comp. IV | Comp V | Total absorption of IPA |
|-------------------------------|---------|---------|----------|----------|--------|-------------------------|
| Albania | 29.41% | 11,5% | / | / | / | 28,49% |
| Bosnia and Herzegovina | 26,49% | 24,9% | / | / | / | 30,7% |
| Croatia | 34.5% | 16.7% | 30.3% | 31.7% | 19.9% | 47.69% |
| Kosovo* | 44,51% | 1,00% | / | / | / | 47,69% |
| Macedonia | 27,89% | 6,7% | 24,7% | 28,7% | 21,% | 26,54 % |
| Montenegro | 45.46% | 24,2% | / | / | / | 43% |
| Serbia | 44,34% | 28,3% | / | / | / | 44,32% |
| Turkey | 36,5% | 7% | 31,6% | 21,5% | 17,5% | 36.33% |

Source: DG Enlargement – 2011 Annual Report on Financial Assistance for Enlargement 31.12.2011

Understanding absorption capacity

Absorption capacity is defined as the extent to which a member state or a candidate country is capable of spending allocated financial resources from the EU budget; above that, this should also be done in a way that would generate considerable results (i.e. in an effective and efficient manner).

The absorption capacity of a country for utilization of EU funds has three main parts:



Macro-economic absorption capacity: is defined and measured in terms of GDP. Experiences show that EU member states have a limited macro-economic capacity to absorb external investment support effectively and efficiently. Therefore, during the existing medium-term financial perspective of the EU (2007-2013), the upper limit for EU cohesion purposes was set at 4 per cent of the GDP of the respective country. For candidate countries, the percentage is much lower. E.g. for Macedonia the IPA allocations for the years 2007-2012 ranged from 0,97% to 1,46% GDP.

Financial absorption capacity: the ability to co-finance EU supported programmes and projects, to plan and guarantee these national contributions in multi-annual budgets, and to collect these contributions from the partners interested in a programme or project. The standard national co-financing rate is around 25 per cent.

Administrative/institutional capacity: is defined as the ability and skill of central and local authorities to prepare suitable plans, programmes and projects in due time, to decide on programmes and projects, to arrange the co-ordination among principal partners, to cope with the administrative and reporting requirements and to finance and supervise implementation properly, avoiding irregularities as far as possible.

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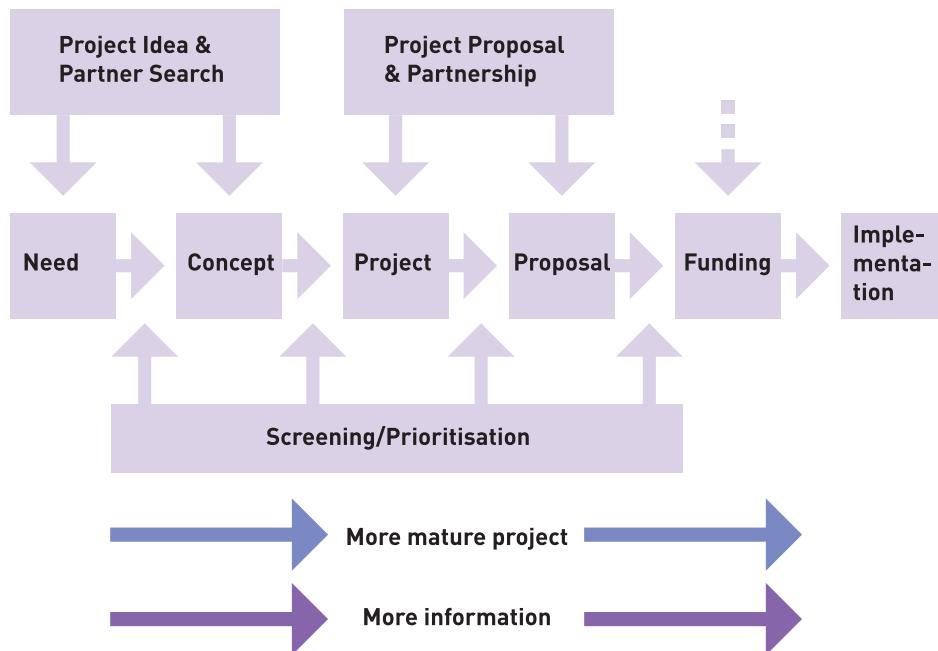
Administrative/institutional capacity

Demand side

Relates to the capacity of the country to generate mature high quality projects. The scale of this challenge varies according to the size and the type of projects.

Large projects typically require several years of preparation before project proposals can reach the point where they can be approved for EU assistance.

Smaller and less complex projects, on the other hand, can be prepared in shorter periods of time. There are also significant differences in project preparation for different types of projects. The attached picture shows the overall project pipeline process with its components.



The supply side

The supply side of the EU-candidate countries' administrative absorption capacity is presented through the five phases of a policy life cycle: (i) management; (ii) programming; (iii) implementation; (iv) evaluation and monitoring; (iv) financial management and control.

(1) Management is a key issue when assessing the administrative capacity of a country for absorption of EU funds. Experience shows that there is no standard model for Management Authorities (MAs) in the EU member states. Consequently, the decision on the organizational location of MA's depends on the specific circumstances in the country concerned, reflecting existing administrative structures, planning traditions, the distribution of power between different elements of the governance structures and the size of the country. The responsibilities of the MAs are in the fields of programming, implementation, monitoring and evaluation, as well as financial management and control.

(2) Programming: EU funds are channelled on the basis of multi-annual programmes, as a conceptual framework for the financial interventions. According to appropriate regulation adopted for each medium-term financial perspective, such a programme should typically contain: (i) a statement of the strategy and priorities for joint Community and national action; (ii) a summary of the measures for the implementation of priorities, an indicative financing plan, and provisions for implementation. The programming process is a demanding exercise. In addition to inter-ministerial cooperation, the principle of partnership is essential – to include regions, sectors, social partners, the civil society at large. It is important to involve the politicians at an early phase of the programming process. The financial and more specifically the budgetary aspects of programming need to be introduced into the process at a very early stage.

(3) The key issues in the phase of **implementation** involve the establishment of bodies – implementation agencies – that are responsible for implementation of the programmes. The administrative structure of the country involved is largely significant in deciding how to implement the programmes. In some countries, a centralized model has been applied, which concentrates as many measures as possible into a limited number of key agencies. In other countries, a more dispersed approach has been used. Challenges include the lack of clear definition of the delegation of tasks and the reporting lines between the MAs and the implementing agencies, as well as procurement processes.

(4) The monitoring and evaluation phase includes all the structures, human resources and tools that are required for the financial and physical monitoring of programmes. This phase of the cycle typically deals with (i) the organizational structure, mainly the monitoring committees (MCs); (ii) the financial and physical reporting requirements from project beneficiaries; (iii) the system of evaluation.

(5) The importance of **financial management and control** has increased significantly during recent years. The establishment of separate paying authorities (PAs) is one of the manifestations of this development. The functioning of PAs across the Member states is very similar and typically includes the following tasks: (i) managing the payment of Funds; (ii) submitting certified payment applications to the Commission; (iii) ensuring that final beneficiaries receive EU funds quickly; (iv) making available detailed records of payments.

Timeframe for implementation

| SIGNATURE OF FINANCING AGREEMENT | DEADLINE FOR | | | |
|--|--|--|---|-------------|
| | CONTRACTING (C) | EXECUTION OF CONTRACTS (EXEC) | DISBURSEMENT | |
| YEAR N | Centralized without Financial Agreement YEAR N+1 | Centralized or decentralized, with Financial Agreement YEAR+2 (N+3 for works) | YEAR C+2 (Execution depends on duration of the project) | YEAR EXEC+1 |

Due to the complexity of the instrument and the technical requirements for IPA implementation, the “**n+**” principle applies for implementation. This principle takes into account the time spent on the tendering procedures, public procurement and other technical preparatory details.

Following the rules established in the above table, the final date for **contracting is usually 2 years after signing of the Financing Agreement between the country and EC, following the “n+2” principle** (n+3 for work contracts). It is important to note that the contracting deadline is the final date for the signature of contracts and grants. Terms for execution depends on the project itself, while for disbursement, 1 additional year is allowed following execution.

All funds that have not been contracted by the final date must be returned to the European Commission.

This means that the funds allocated for a certain year can be spent in several subsequent years by applying the n+ principle.

This has to be taken into account when interpreting the data on efficiency of EU funds, since reports indicate the percentage of funds spent until the date of reporting. Total spent funds can only be precisely indicated when the terms for disbursement of funds have expired. However, the reports during programme implementation certainly indicate the dynamics of expenditure and the efficiency of Programme implementation.

IPA Management modes and structures

EU financed programmes can be implemented under **centralised, shared, decentralised or joint Management**.⁴

Centralised management: programmes are administered directly by the EC, either by Brussels, through EU Delegations in the beneficiaries or by a specially established EU Agency for that purpose.

Shared, decentralised and joint management: EC delegates administration of programmes to, respectively, bodies in Member States, bodies in non-Member States or international organisations.

- IPA Components I can be implemented in centralised and decentralised manner.
- IPA component II can be implemented under centralised, decentralised and shared management.
- IPA Components III, IV and V can only be implemented under decentralised management.

Transition from centralised to decentralised management is a complex process that leads to conferral of management by the EC to the national authorities. In this process the EC ensures that the legislative framework, the institutional structures and procedures are established and functional, including allocation of adequate resources.

The required institutional set-up demands clear management structures for IPA. Here are the key institutions involved in the process⁵:

National IPA Coordinator (NIPAC): Responsible for the overall coordination and monitoring of EU assistance under all IPA Components, both centralised and decentralised management. Acts as a liaison office with other line ministries, including the national Parliament

Accrediting Officer (CAO) is responsible for issuing, monitoring and suspending or withdrawing the accreditation of all management and control systems implementing IPA components or IPA financed programmes.

The National Authorising Officer (NAO), under decentralised management bears overall responsibility for the financial management of all IPA Components (except Component II) in a beneficiary country and is responsible for the functioning of the management and control systems.

The National Fund (NF) is the sole channel through which Community pre-accession funds flow and is responsible for the establishment of an efficient and transparent EU funds financial management system, which is consistent with the existing EU systems.

⁴According to the Financial Regulation

⁵According to the IPA Implementing Regulation

Strategic Coordinator (SCO): Only relevant to Components III and IV, the SCO is responsible for the coordination of these two Components, in particular for drafting the Strategic Coherence Framework. SCO is subordinate to the NIPAC.

Audit Authority (AA): is a body designated by the beneficiary country, functionally independent from all actors in the management and control system and with the necessary expertise, responsible for verifying the effective and sound functioning of the management and control systems.

Operating Structure

The Operating Structure is composed of:

- One or several Implementing Agencies (including any CFCU) - each one headed by a Programme Authorising Officer (PAO);
- All relevant Line Ministries or bodies ('Implementing Authorities' or 'Programme Implementation Units' (PIUs);
- All relevant internal audit services, and
- The NIPAC office.

Programme Authorising Officer (PAO) is only relevant to IPA Components I and II when under decentralised management. PAO is the head of an Implementing Agency (i.e. of the Contracting Authority) and an integral part of the relevant Operating Structures for these Components.

In all the countries of the region NIPAC is from the Ministry/Agency in charge of EU integration. Below is the overview of current status of management and NIPACs.

| Country | Management | NIPAC |
|-------------------------------|--|--|
| Albania | EU Delegation; preparations for decentralised management started | Minister of EU integration |
| Bosnia and Herzegovina | EU Delegation | Director of the Directorate for EU integration |
| Kosovo* | EU Office in Kosovo* | Secretary General, Ministry of EU integration |
| Macedonia | Decentralized Implementation system for 4 components, centralised for Component II | Deputy Prime Minister in charge of EU |
| Montenegro | EU delegation; Instalment of DIS in progress | State Secretary for EU in the Ministry of Foreign Affairs and EU integration |
| Serbia | EU Delegation; Instalment of DIS in progress | Director of the EU Integration Office |

IPA beneficiaries from Western Balkans have followed similar models. The institution responsible for programming of Component I is the institution in charge of EU affairs (Secretariat, Ministry, Directorate). In countries preparing for DIS, CAO is the Minister of Finance; NAO is an official from the Ministry of Finance.

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Countries of Western Balkans: Overview

Albania



Albania as a potential candidate country for EU membership is a beneficiary country under IPA only for Component I and II. At the beginning of 2012, Albania adopted the Decision establishing decentralised implementation system; however, actual implementation is slow followed by major structural issues⁶.

EC Report 2012, Chapter 22 Regional policy and Structural Instruments

There has been “some progress” in the areas of regional policy and coordination of structural instruments. Regarding necessary institutional and administrative capacity at central and local levels and to development of a pipeline of mature and quality projects, considerable efforts are needed. **Overall, preparations in this area are still at an early stage.**

Role of Parliament

The parliamentary body responsible for oversight of the EU accession process is the Committee for European Integration. The legal framework of the Republic of Albania lacks a specific law that obliges public institutions, including the Parliament, to organise public hearings and consulting sessions with interest groups.

Regarding the control of public finances and other funds (including EU assistance), the committees of the Parliament have the legal grounds to organise public hearing sessions involving national institutions, experts⁷, or interest groups on the draft-law on State Budget and financial draft laws that are directly related to it. However, when analyzing the Rules of Procedure of the parliament it is noted that hearings with interest groups remain under the discretion of the chair of the committee or on that of one third of its members, which constitutes an impediment to the oversight of EU funds. The use of this instrument is quite limited.

The parliamentary control over the use of EU/IPA funds in Albania has not been established yet. The role of the parliament is limited to adoption of IPA related legislation. By analyzing the parliamentary mechanisms in place, the Albanian Parliament has instruments at its disposal; however their use is limited to the political will of the chair-person and the members of the committee.

Since introduction of IPA, no public hearings were conducted to scrutinise the use of funds in Albania.

⁶ Council of Ministers of Republic of Albania, No. 23 from 12.01.2011

⁷ Unë votoj report, monitoring of the activity of the Parliament of Albania for the Period November 1-December 24 2011, http://www.unevotoj.org/zgjedhjet09/subindex.php?faqe=pagecontent/show_all_raportet

Bosnia and Herzegovina



Bosnia and Herzegovina (BiH), as a potential candidate country has access to Component I and Component II.

The overall IPA assistance has been managed by the EU Delegation in BiH. The appointed National IPA Coordinator in the country is the Directorate for European Integration (Sector for coordination of EU assistance), which is responsible for ensuring communication with the EU Delegation regarding coordination of assistance, planning and programming, monitoring and ex-post evaluation. However, the failure to adopt the legal bases for the operating structure and the failure of stakeholders to agree on national priorities to be financed by IPA seriously undermine the efficiency and efficacy of EU funds implementation.

EC Report 2012, Chapter 22 Regional policy and Structural Instruments

The relevant institutions and coordination mechanisms to establish cooperation in the field of financial assistance have been put in place. There is also an increased level of expertise to define the assistance needs¹. **All developments are in early stages.**

Role of Parliament

The parliamentary assemblies in all entities and at the level of BiH have established special committees for EU Integration. However, a structured and regular monitoring mechanism of the EU integration process is lacking in all parliaments (federal and on entities level), despite the commendable efforts of the specialised EU-committees. Efforts are invested in improving oversight mechanisms in general, especially at the Parliamentary Assembly of BiH, concerning oversight of the budget and deliberation on audit reports, which could contribute to improving scrutiny of IPA funds.

The parliaments of Bosnia and Herzegovina play a limited role in the EU accession process of the country and strongly rely on the respective governments in deliberating and making decisions on EU-related issues. The capacity of parliamentary administrations is underdeveloped in terms of providing adequate support to MPs, parliamentary committees and the chambers on EU-related issues. Nevertheless, capacities differ in the different parliaments. The issue of control over the use of EU funds has not yet been adequately addressed.

Kosovo*



Kosovo* as part of the Stabilisation and Association process is eligible for Component I and II under IPA 2007-2013. The entire IPA assistance is managed by the EU Liaison Office. The country has not yet started establishing a decentralised implementation system for IPA⁸.

EC Report 2012, Chapter 22 Regional policy and Structural Instruments

The relevant institutions and coordination mechanisms to establish cooperation in the field of financial assistance have been put in place. There is also an increased level of expertise to define the assistance needs¹. **All developments are in early stages.**

Role of Parliament

The oversight of the EU integration process and specifically oversight of IPA implementation in the Kosovo* Parliament has been assigned to the Committee on European Integration. **The mechanisms for effective scrutiny of the process, including the use of IPA/EU funds, are far from being established. The role of the committee has been limited to discussion on selected accession documents. Information on the work of the committee is limited.** However, the Committee for Oversight of Public Finances of the Assembly regularly discusses the audit reports prepared by the OAG. This can contribute for oversight of IPA.

⁸This designation is without prejudice to position on status, and is in line with UNSCR 1244 and ICJ Advisory opinion on the Kosovo* declaration of independence.

⁹The information provided by national institutions are quite scarce in Kosovo*, however, the EU office provides information on the overall financial constructions of the assistance, on-going projects and status of implementation http://ec.europa.eu/enlargement/pdf/key_documents/2012/2011_ipa_annual_report_with_annex_new_en.pdf

Macedonia



Republic of Macedonia, since it received a status of a candidate country in 2005, was eligible for all five components under IPA 2007-2013. Since 2007, the country adopted procedures for implementing decentralised implementation system and managed to secure Conferral of Management for Component I, III, IV and V. The procedure for deferral of management for Component II is ongoing.

EC Report 2012, Chapter 22 Regional policy and Structural Instruments

Limited progress can be reported in the area of regional policy and coordination of structural instruments. Management of IPA programmes needs further improvement in order to ensure full and timely absorption of EU funds. Efforts are needed to address deficiencies in management, control and audit systems. **Overall, preparations in this area are moderately advanced.**

Role of Parliament

The issue of parliamentary control over the use of IPA funds in the Macedonian Parliament has been raised recently. The Committee for European Affairs has the power to scrutinize the Government in this regard. In June 2013, the first oversight session on IPA funds was held. Previously in 2012, the National Council for Euro-integration held the first public debate on the overall use of IPA funds, which spurred disagreement between the parliamentary majority and the opposition on the conduct of the session. The issue of parliamentary oversight, based on Macedonian experience, is thoroughly elaborated as a case study in this toolkit.

The Parliament of Republic of Macedonia, particularly the Committee for European Affairs, has all necessary institutional and legal mechanisms for an effective scrutiny over the use of IPA funds in the country. These instruments have recently started to be utilized.

Montenegro



As an acceding country, Montenegro is eligible for all five IPA Components. The process of establishment of DIS is ongoing. Thus, IPA in Montenegro is still managed by the Delegation of the European Union.

EC Report 2012, Chapter 22 Regional policy and Structural Instruments

“Some progress” has been made in the area of regional policy and coordination of structural instruments, in particular regarding the institutional framework under IPA and programming. Montenegro continues to face the challenge of administrative capacity in the already established IPA structures and adequately prepare them for the future, specifically decentralised implementation system. **Overall, preparations in this area have started.**

Role of Parliament

Since Montenegro obtained the status of a candidate country for EU membership, **there have been efforts by the country to strengthen the role of the Parliament in the overall oversight of the EU accession process**⁹. Several milestones were achieved:

- the Parliament adopted a Decision for strengthening the role of the Parliament in the accession negotiations.
- increasing scrutiny over the Government during the negotiation process, particularly on the harmonisation of the national legislation with the EU acquis.
- specialized parliamentary body – Committee on European Integration was established as a key and central working body regarding accession negotiations.

The case of Montenegro demonstrates increasing the role of the Parliament in the accession negotiations and the scrutiny over the implementation of the EU acquis, thus resembling Croatia in terms of the parliamentary control over the use of EU funds. Previously, IPA was not a subject of discussion in the parliament. **The new approach of the Montenegrin parliament could be used to fully exercise the new mechanisms for control of the use of EU funds.** As Montenegro progresses with the accession negotiations and with novelties of IPA II regulation, it is highly expected that the country will enable control of IPA funds. Furthermore, Montenegro has set a mechanism for inclusion of civil society in accession negotiations, which can certainly contribute to development of the principle of partnership for IPA as well.

The adoption of the Action plan for strengthening of the legislative and the control role of the Parliament in 2013, provided for positioning of the parliament in the core of the accession negotiations, including control over IPA funds. The oversight instruments refer to:

- Quarterly thematic forums and sessions on the progress made in the accession negotiations,
- Conduct of open/public sessions, oversight sessions, public forums and workshops with the relevant stakeholders, including civil society, experts, academia, etc.

⁹<http://www.skupstina.me/index.php/me/pristupanje-eu/skupstina-u-procesu-pristupanja>

Serbia



Serbia, prior to becoming candidate country, was eligible for Component I and Component II under IPA as a potential candidate country. The process of accreditation of Serbian authorities for DIS is ongoing. At the moment IPA is still managed by the Delegation of the European Union in Serbia¹⁰.

Serbia has established a mechanism for inclusion of civil society in programming and implementation of foreign aid – SECO, which can contribute to successful implementation of the principle of partnership.

EC Report 2012, Chapter 22 Regional policy and Structural Instruments

In the area of regional policy and coordination of structural instruments, Serbia achieved “progress”. The country has completed the preparatory stages for the decentralised management of IPA for four Components. Regarding implementation and administrative capacity, further adequate efforts are still needed. Programming needs to be improved, especially in terms of preparing a solid project pipeline based on relevant strategies. **Overall, preparations in this area are advancing.**

Role of Parliament

The Rules of Procedure of the Serbian Parliament enables mechanisms for scrutiny over the use of IPA funds. **One major mechanism is the conduct of public hearings – which was firstly used in 2012 on the occasion of Serbia obtaining an official status of a candidate country for EU membership¹¹.**

The public hearing was attended by representatives of the government in charge of IPA, experts, representatives of the civil society and the EU Delegation in Serbia. It provided for a discussion on the overall financial construction of IPA, on-going projects under Component I and II. Importantly, the discussion focused on the challenges of IPA II and the opportunities deriving from the access to all five policy areas. Moreover, in 2013 the Serbian Assembly conducted a public forum in the Assembly on the EU best practices on the use of EU funds regarding minorities – particularly focusing on Roma issues.

The parliamentary committee in the Serbian Parliament on the EU accession process, including oversight of EU funds, is the European Integration Committee. Similar to the other EU Committees in the region, it is involved in deliberation and adoption of IPA related legislation. The oversight of the parliament on the use of EU funds only started to emerge recently, which constitutes a positive step forward.

Prior to Serbia being a candidate country for EU membership, the role of the parliament in the use of EU funds was limited to scrutiny of relevant legislation. There has been a change of parliamentary practice with the candidate status. The conduct of the public hearing, although limited in discussion and without certain outcome, is a step forward as the country prepared for accession negotiations and implementation of IPA II regulation.

¹⁰ http://ec.europa.eu/enlargement/pdf/key_documents/2012/2011_ipa_annual_report_with_annex_new_en.pdf

¹¹ http://www.parlament.gov.rs/0dr%C5%BEano_javno_slu%C5%A1anje_o_kori%C5%A1%C4%87enju_prepristupnih_fondova_Evropske_unije.15096.941.html

EU Member States monitoring the use of EU funds

In most national parliaments at the European Union level, **the European affairs committees have a central role in ensuring scrutiny procedure**. However, depending on the established parliamentary practices, a number of parliaments' sectoral committees also participate in the scrutiny process, by providing specialist advice to European affairs committees in the early stages of EU decision making.

The overwhelming majority of national parliaments in the EU's member states monitor EU financial programmes. **In essence, the scrutiny procedure is very similar to the scrutiny of any other legislative proposal of the European Commission**. Nevertheless, "decisions on the spending of EU funds envisage three levels of agreement, emerging in three forms of legislation:

the multi-annual financial framework, specific spending programmes and the annual budget"¹².

Almost all national parliaments of the EU Member States have scrutinised the multi-annual financial framework that fixes the ceilings for spending in each category of EU expenditure. Due to its extensive financial implications, several national parliaments opted to examine the multi-annual financial framework in plenary session.

The EU best practices regarding parliamentary scrutiny on the use of EU funds focus on: the multi-annual financial framework, specific spending programmes and the annual budget.

Selected practices – case studies

The role of the Commission for Public Finances Control in exercising scrutiny over the use of EU funds in the Republic of Slovenia

The Commission for Public Finances Control in the Slovenian Assembly is one of the five **standing parliamentary commissions, meaning that it must be established in every parliamentary term. The Commission is headed by the members of the opposition deputy groups, which also have the majority Commission members in order to provide effective scrutiny over Government spending**.

Generally, in the Republic of Slovenia, the public finance control (thus, including the control over EU funds) is exercised by

- the Court of Auditors, internal audits and internal control within budget users,
- the Budget Supervision Office within the Ministry of Finance and
- the National Assembly of Slovenia (the Commission for Public Finances Control).

The Commission, upon internal deliberation on the reports submitted by the national authorities, prepares an integral report with a proposed set of necessary measures which is later discussed by the National Assembly.

The Commission is adhering to its fundamental financial oversight and scrutiny role, and in principle does not question the Slovenian Government policy in budget and spending decisions. The work of the Committee mainly focuses on whether the audited body/institution has implemented policy in a way that demonstrates or results in value for money (results of the project financed under EU funds) to the benefit of the Slovenian public.

¹² <http://www.cosac.eu/en/documents/biannual/>, page 43.

Related to monitoring of EU funds, the Commission for European Affairs does not have any direct control in conducting such scrutiny¹³. However, because it is deemed as a political body which reflects upon the obligations from the membership of Slovenia of the European Union, the Commission occasionally deliberates on the reports submitted by the Ministry of Finance.

Lessons learned from Slovenia:

Ensure flow in information between the Government and the Assembly in the pre-accession stage on EU funds. For Slovenia, this was essential in accumulation of relevant knowledge and expertise in the working bodies of the Assembly which later showed to be quite useful.

One of the reasons for continuous success of the Committee was the gained institutional memory from the accession process and storage of knowledge. This was essential for understanding the legislation and functioning mechanisms behind the pre-accession funds, which were used when the country was preparing for the structural and cohesion funds of the EU.

It is extremely useful for the country to start preparing for effective execution of the EU funds in the pre-accession phase. The relations established between the Government and the Assembly will further intensify as the country prepares for EU membership, thus the procedures for government's reporting and parliamentary monitoring should be well in place.

Oversight of EU Funds in the National Assembly of the Republic of Bulgaria

The changes in the institutional set-up for management of EU funds in the Republic of Bulgaria came as a response to the real threat facing Bulgaria on losing a significant amount of financial resources under the Structural and Cohesion Funds on the basis of mismanagement and fraud.

The Committee on European Affairs and Oversight of the European Funds was established in 2009 with a main task to participate in the European decision-making process and to ensure oversight of the management of the European funds and programmes of the European Union in Bulgaria¹⁴.

The main objective was to appoint an independent political body within the Assembly with full powers to conduct a thorough and effective scrutiny. Every six months the Committee communicates with all relevant ministries on the status of all operative programmes. Then, the responsible institutions prepare Information on the financial progress of the overall programme and the projects implemented under the program. A status up-date is provided on the implementation and an in-depth assessment on the potential risks, which might impact the smooth implementation of the program/projects. This constitutes one of the main challenges because most institutions are not willing to disclose challenges in the process of implementation, however, the practice has improved and the information submitted to the Committee reflect reality¹⁵. The work of the Committee is supported by a small expert secretariat which main task is to collect and analyze the submitted reports by the national institutions. However, in terms of its functioning, its mandate is tight to the political mandate of the Committee.

Design of the public hearing of the implementation of EU funds in Bulgaria:

- The Minister in charge of EU funds is responsible to represent the Government. Upon discussion on operational program or set of projects from a similar sectoral policy, the responsible ministry is invited as well. The presence of the government representative is mandatory.

¹³ Ibid.

¹⁴ Interview with the Secretariat of the Committee for European Affairs and Oversight of European Funds, 28.01.2013, Assembly of the Republic of Bulgaria, Sofia, Bulgaria.

¹⁵ Ibid.

- The interim/annual reports¹⁶ provide the current status of every operational program, assessment on the effectiveness and efficiency of the implementation, an outlook on the challenges, number of contracted projects and econometric analysis evaluating impact of the implemented projects.
- The reports of the Committee are closely consulted with the State Audit Office of Bulgaria which provides useful practice to cross-reference information provided by different state institutions.
- The adopted conclusions are recommendations by the Committee are also endorsed by the plenary. The secretariat of CEAOEF keeps a track-record of the adopted recommendations¹⁷. Every six month an annex to the report is prepared on the 'status update' on the level of realization of the adopted recommendations.

Lessons learned from Bulgaria:

The Committee has real scrutiny power over the use of EU funds, the current system in place is an efficient mean to exercise control over EU funds, thus demanding greater responsibility of the central Government.

The radical changes in the system was the response to the risk of freezing of EU funds towards Bulgaria, and the role Committee played in retrieving the trust of the European institutions is of outstanding importance. The current procedures are designed to detect weakness and to point "weak points" in all programmes under the EU funds.

The deliberations in the Committee are opened to the public, almost always with solid media presence, and opportunity for the citizens to participate at the sessions. After the discussion in the Committee is finalized and endorsed by its members it is dispatched to the National Assembly for adoption. The Committee insists to consensually adopt the reports and the recommendations.

The importance of the Stakeholders Council was reiterated as a mean of fostering inclusiveness and participation in the process of deliberation on EU funds.

Croatia and the Instrument for Pre-Accession Assistance

The Republic of Croatia as a previous candidate country for EU membership (now EU member state) since the introduction of the Instrument for Pre-Accession Assistance (IPA) was qualified for all five components under IPA. Upon being granted candidate status in 2004 the country had became eligible for PHARE, IPSA and SAPARD and started preparations for DIS, which was ongoing following the introduction of IPA. The Ministry for Regional Development and EU Funds was assigned as a National IPA Coordinator.

The oversight of IPA funds was primarily performed within the accession negotiations on Chapter 22: Regional Policy and coordination on Structural Instruments.

The European Integration Committee of the Assembly had a consultative role in negotiation process, including Chapter 22.

- The Committee was able to monitor the overall implementation of IPA, setting up of national institutions and the introduction of the procedures for decentralized implementation system.
- Due to the access in European Commission's reports on the status of accession negotiation, the Committee had an access to identified loopholes and issues.

¹⁶ <http://www.parliament.bg/en/parliamentarycommittees/members/240/documents>

¹⁷ Ibid.

- In addition, the Ministry for Regional Policy and EU Funds is required to submit reports on IPA implementation to the Committee twice per year.
- Based on these reports, and reports submitted by the Ministry for Regional Development and EU funds, the Committee issued conclusions, which 'urged' the Government to implement EC recommendations for successful implementation of IPA regulation.

Lessons learned from Croatia:

The opening of the accession negotiation, as demonstrated by the Croatian example fostered enhancing parliamentary control over EU funds. **The participation of the European Integration Committee in the adoption of the national positions ensured oversight on the actions implemented by the Government and the overall preparation of the country for the structural and cohesion funds.**

Case study - the role of the Assembly in the oversight of EU funds in the Republic of Macedonia

The Law on the Assembly and the amendments to the Rules of Procedures of the Assembly provided the necessary instrument for exerting parliamentary scrutiny over the use of EU funds in the Republic of Macedonia. However, a systematic approach and implementation was lacking.

The responsible working body in the national Assembly is the **Committee on European Affairs**, which has an explicit competence to monitor the implementation of the obligations deriving from the Agreements between the Republic of Macedonia and the European Union, including "the financial instruments available to the country"¹⁸.

In addition to the Committee, a National Council on EU Integration was formed in 2007, consisting of MPs and representatives of Government, Secretariat for European Affairs (SEA), social partners and civil society.

The scrutiny on the use of EU funds is usually conducted through discussion/deliberation on reports submitted by the SEA on the progress in the accession process, and occasionally during thematic sessions of the National Council for Euro-integration dedicated on IPA.

The Committee and the Council receive information on the use of IPA through:

- **The review of the National Programme for the Adoption of the Acquis and the quarterly reports on NPAA implementation, which include limited information on utilisation of IPA funds. After deliberation within the Committee, the members adopt an opinion which is communicated to the Government.**
- **The bodies, as well, have the power to directly approach the Government and to demand additional information.**
- **The public hearings, which, according to law, are open and can be attended by the representatives from the Government, civil society organisations, professional association, experts and other relevant stakeholders.**

¹⁸ Decision on Establishing Working Bodies of the Assembly

The annual plenary session of the Assembly on the status of European integration process, established by the Declaration of the Assembly in 2003 is another opportunity for effective oversight of the implementation of IPA.

In addition, the MPs can exert control over the use of EU funds through the “regular” parliamentary control instruments, such as the parliamentary questions (every last Thursday of the month), interpellation of the member of Government, and the right of every Member of Parliament to request information from the Government and to demand full plenary discussion on the subject matter.

The Government is required to submit to the Committee on European Affairs a quarterly report on the overall progress in the accession process.¹⁹ The Deputy Prime Minister in charge of European Affairs is responsible to present the report in the Committee and to answer to questions by Committee members.

The Government has not consistently complied with the obligation to submit the reports on implementation of EU funds on time. As evident from the data-base on received materials in the Assembly, the two last IPA reports submitted by the Government were in 2009 and 2012, which is a time-span of three years. The 2009 Report might be considered as part of a ‘regular’ reporting; however the 2012 was provoked by the public hearing organized by the National Council for Euro-integration (NCEI).

In addition, transparent information and IPA visibility on the side of the Government was insufficient.

On the other hand, the delivered reports lacked analytical quality and basically failed to include data on the status of projects; observed challenges and administrative capacities issues; level of national co-financing and financial construction of the overall project, etc.

Even though the Terms of Reference of the National Council for Euro-integration (NCEI) does not exclusively include monitoring of EU funds (but a general provision on monitoring the EU accession process), **in practice the National Council has been the body that has put most focus on monitoring of EU funds.** In November 2012, NCEI held its first public debate on IPA funds, based on the collection of studies prepared by the European Policy Institute (EPI) “The Use of EU Funds in the Republic of Macedonia – Efficiency, impact and absorption capacity”.²⁰

The Committee on European Affairs followed up the efforts for effective scrutiny on EU funds. Thus, it started preparations for organising a parliamentary hearing on IPA.

Oversight hearing by the Committee for European Affairs

In June 2013, the Committee for European Affairs held the first oversight session on the use of IPA funds in the Macedonian Parliament. The Government was represented by the Deputy Prime Minister in charge of EU Affairs (NIPAC) and the Minister of Finance. All previous National IPA Coordinators were also present. Their deliberation focused on the current absorption of IPA funds and status of project implementation. In addition, 15 witnesses representing other stakeholders (including civil society) were invited to provide assessment on the status of IPA implementation.

The event attracted wide media coverage and interest from the general public. This hearing was the first among series of planned sessions which will be organised by CEA. It is envisaged the other oversight sessions to provide detailed overview of the status of implementation of every IPA component.

In addition, there have been continuous efforts to increase the scrutiny over the Budget through the Budget and Financing Committee.

¹⁹ Declaration for application for membership of the Republic of Macedonia to the European Union
<http://www.sobranie.mk/en/default.asp?ItemID=6D77DBE8C0ADEA45B6C6F804BF4D70A0>

²⁰ http://epi.org.mk/docs/use_of_eu_funds_in_the_republic_of_macedonia.pdf

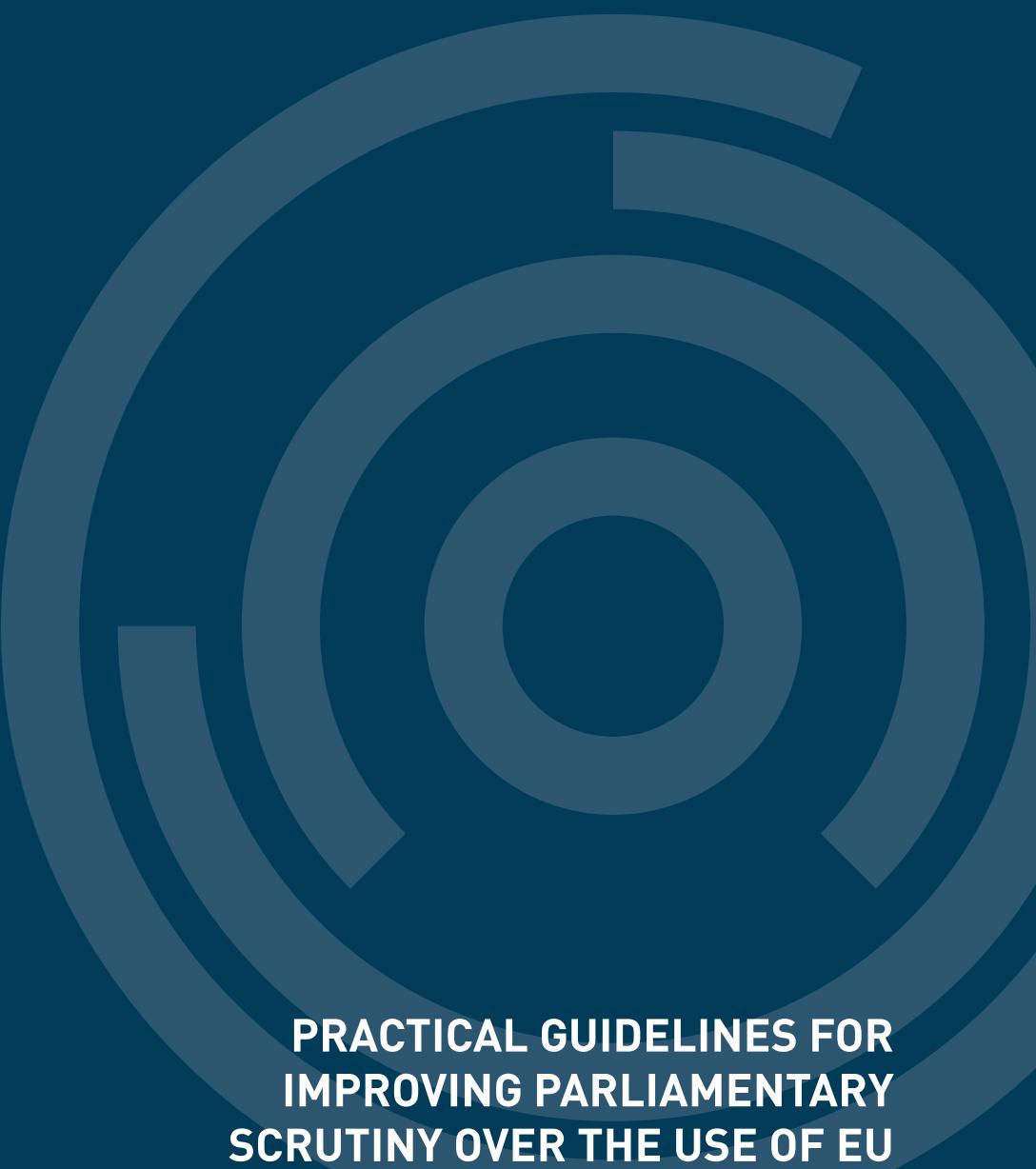
Public Hearing on the use of EU funds organised by the National Council on Euro-integration

The public hearing received extensive media coverage and it was reported in most of the media outlets (television, daily and online newspapers). The study and the hearing had a practical policy impact on the matter and raised open debate in the Parliament. The Secretariat for European Affairs (the office of the National IPA Coordinator) which had not submitted a report on the use of EU funds in Macedonia to the Assembly since 2009, committed to prepare and submit a Report by the end of November as a response to the public hearing initiated by EPI's publication.

The public hearing initiated an open debate in the Parliament and attracted the attention of the politicians and the media. Moreover, it contributed to increasing the transparency of the use of EU funds. Following the public hearing, a Report on IPA by the Government was submitted at the beginning of December 2012. This report did not provide any substantial information though, and the session of the National Council was not open to the civil society sector.

Lessons learned from Macedonia:

- The legislative framework and established institutions are only the base for effective scrutiny. Concerted political action is needed in order to promote parliamentary scrutiny of EU funds, which in the case of the Macedonian Parliament produced to concrete results – a public debate (National Council on Euro-integration and public hearing by Committee on European Affairs).
- The role of Parliament in the programming of IPA needs to be developed, especially in establishing the priorities for EU assistance. In this context, the role of responsible committees can also be upgraded.
- Cooperation with civil society brought added-value to the parliamentary debates, strongly advocating for transparency as a basis for effective oversight.
- The role of the opposition is crucial for an effective oversight function; therefore, it should have a significant role in parliamentary activities related to the oversight of IPA.
- The Government should submit regular reports (annual) on IPA implementation, with analytical value, triggering discussion on essential challenges for increased absorption of IPA.
- The issue of IPA should be also addressed by the MPs from the aspect of benefits that EU funds, together with national co-financing could bring to the citizens, whom they are representing in Parliament. The role of MPs could be valuable in bringing the interest of the citizens and constituencies more visibly to the forefront of the debate on IPA.



**PRACTICAL GUIDELINES FOR
IMPROVING PARLIAMENTARY
SCRUTINY OVER THE USE OF EU
FUNDS IN THE COUNTRIES OF
THE WESTERN BALKANS**

Practical guidelines for improving parliamentary scrutiny over the use of EU funds in the countries of the Western Balkans

In line with the conducted assessment on the current state-of-play on IPA implementation and parliamentary scrutiny over the use of EU funds in the countries of Western Balkans, major challenges remain.

- Firstly, the region slowly moves towards implementation of decentralised implementation system which is required for access to all IPA components.
- Moreover, the discussion on IPA II is very limited. National stakeholders are on the margin of the national debate and are not familiar with the novelties introduced by IPA II regulation.
- The parliamentary involvement is limited on the monitoring of the overall accession process, particularly on the process of legal harmonisation with the EU acquis.
- Structured and effective scrutiny over the use of IPA funds is still missing. There are efforts by some national parliaments to introduce oversight/public hearings as an instrument for scrutiny; however, there are grounds for further improvement.
- IPA is more visible to the citizens as a technocratic endeavour, rather than a genuine instrument for reforms that brings benefits to citizens and the society at large. Informed and engaged MPs could play a stronger role in changing this perception.
- Overall, the parliaments in the region have sufficient mechanisms in place to exercise their scrutiny powers over the use of EU funds. However, the existing mechanisms are not explored to their full potential; thus, scrutiny of Parliament over Government on EU financial programmes is weak, unstructured and sporadic.
- A part of the causes for insufficient parliamentary control, it can be adhered to the complexity of EU funds and IPA related legislation, as well as the fact that the stall in the EU accession process does not instigate parliamentary debate as it did for accession countries during negotiations on Chapter 22 - Regional policy and coordination of structural instruments. Still, the basic causes lie in the tendency of weakening of Parliament compared to Government in the region and lack of political will to strengthen Parliament's scrutiny in general.
 - With the opening of the accession negotiation, the importance of Chapter 22 will become more evident as the countries will have to establish necessary mechanisms needed for implementation of Structural and Cohesion Funds. The parliamentary control over IPA funds should be in a function of the countries progress in this particular chapter.
- The assessment of the current state-of-play on IPA implementation in the region showed that there is a lack of transparent information and IPA visibility on the side of the Government, especially reporting to the Parliaments. The volume of data and quality of information provided by Governments has decreased. Information on the use of EU funds should be made public systematically and regularly in order to prevent misuse and to encourage debate on efficiency.
 - The Governments, through the NIPAC office, in cooperation with the IPA Implementing Structure, the National Authorising Officer and the Programme Authorising Officer, should urgently explore ways to increase regular information sharing with the legislative branch and set-up a regular information-sharing.
 - In addition, available data-bases related to EU affairs, including on IPA, should be made accessible to parliaments and to the public in general.

- While the Parliaments in the region do have the generic mechanisms for scrutiny (general and EU-integration related), they do not yet form a consistent system for scrutinising the Government on the use of EU funds.
- The role of the Parliaments is completely lacking in programming of IPA. Parliaments (and its relevant bodies) should deliberate and issue an opinion on the Multi-Annual Indicative Programming Document and the Country Strategy Papers (as indicated in IPA II), national strategic documents related to EU financial programmes and operational programmes. This would become particularly applicable with the new IPA II Regulation, where the role of relevant stakeholders in determining the Country Strategy Papers is of essence.
- The capacities of Parliaments do not allow for an independent analysis of EU funds, and even if this is provided for discussion, there is reluctance in the Assembly to discuss these issues. There is a lack of discussion on the financial construction of the EU related projects, the administrative capacities of national institutions to coordinate and implement IPA, and outcome-assessment which will focus on the practical results achieved from implementation of the projects.

Suggested policy options for improvements:

- Clear rules on how Government report on IPA should be set and complied with (which is now not the case) In line with EU's best practices, including
 - **the Report on the implementation of EU funds should contain information on selection procedures for contractors and sub-contractors, the public procurement procedure, appeals and decision of the Government.**
 - **For every violation of the previously agreed time-table, justification should be provided. A comprehensive and analytical annual report is a "must" at this phase of the process.**
 - **This would additionally aid in creating a resource centre for accumulation of knowledge among the staff working on IPA related issued in the national parliaments.**
- A strong role of the Parliament should be established in the programming phase. Parliaments should be involved in the discussion on strategic issues concerning the use of EU funds, especially setting the priorities.
- Parliaments should essentially contribute to the implementation of the partnership principle in the implementation of EU funds and insist on inclusion of stakeholders in the programming and implementation of IPA.
- Committees for European Affairs/European Integration should increase the number of public hearings, which is one direct scrutiny tool. This should be clearly stipulated in the Terms of References of the relevant bodies in addition to the working programme of the Committee.
 - The public/oversight hearings could be thematic and dedicated to every IPA component to allow in-depth deliberation on the status of IPA implementation. Most importantly, the Committee is required to increase the level of stakeholders' participation, civil society organisations, academia etc. The parliaments should also make better use of the annual plenary sessions on the EU accession process to raise the issue of EU funds control.
- The role of the Finance and Budget Committees in the region should be strengthened to respond to the challenge of control over IPA funds. These committees should have insight in ensuring co-financing of IPA in the State Budget. Further on, it should deliberate on the reports by the NIPAC and the State Audit Office/Directorates.
 - It is suggested for the reports prepared by the Audit authority to enter parliamentary procedure and to have an institutional outcome. The institutionalization of these Reports could be seen as a first step ahead in enabling true parliamentary control over the use of public finances, including the IPA funds. There is the need to establish a formal mechanism for cooperation between the State Audit and the Parliaments.

- One possible policy option is an enabling mechanism for ensuring greater control over the public finances, including the EU funds, by establishing a separate body in the Assembly (or a Sub-committee within the Finances and Budget Committee).
- The institutional set-up of the relevant bodies and their Terms of Reference should be streamlined in order to avoid overlapping and to best use the expertise of each body (Committees on European Integration, National Councils/Committees on European Integration, Finance and Budgetary Committees). This could be done by amending the Rules of Procedures of these bodies and explicitly stating the scrutiny over the use of EU funds as one of the primary tasks of the committees.
- The pre-accession phase should be seriously used to enable the needed administrative capacities of the staff working on IPA relevant issues in the parliaments/committees. The current situation demonstrates low level of understanding of IPA which impedes effective preparation of the committees to deliberate on the use of IPA. Accumulation of knowledge and institutional memory are key aspects. Regular trainings and study visits should be part of the staff's regular work.

Overall, the scrutiny of the use of EU funds by the parliaments of the Western Balkans should be conducted as a part of an effective control of the public finances and the budget. There is a need for more radical approach in promoting control mechanisms; otherwise countries face the possibility for fraud and corruption with EU funds.

ANNEX

Revised Multi-Annual Indicative Financial Framework: Breakdown of the Instrument for Pre-Accession Assistance envelope for 2012-2013 into allocations by country and component

| Component | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------------------|
| CANDIDATE COUNTRIES | | | | | | | |
| CROATIA | | | | | | | |
| Transition Assistance and Institution Building | 49,611,775 | 45,374,274 | 45,601,430 | 39,483,458 | 39,959,128 | 39,969,161 | 19,256,943 |
| Cross-border Co-operation | 9,688,225 | 14,725,726 | 15,898,570 | 15,601,136 | 15,869,158 | 16,442,542 | 8,499,192 |
| Regional Development | 45,050,000 | 47,600,000 | 49,700,000 | 56,800,000 | 58,200,000 | 57,578,127 | 31,000,000 |
| Human Resources Development | 11,377,000 | 12,700,000 | 14,200,000 | 15,700,000 | 16,000,000 | 16,040,000 | 9,000,000 |
| Rural Development | 25,500,000 | 25,600,000 | 25,800,000 | 26,000,000 | 26,500,000 | 26,151,182 | 27,700,000 |
| TOTAL | 141,227,000 | 146,000,000 | 151,200,000 | 153,584,594 | 156,528,286 | 156,181,012 | 95,456,135²¹ |

| | | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| REPUBLIC OF MACEDONIA | | | | | | | |
| Transition Assistance and Institution Building | 41,641,613 | 41,122,001 | 39,310,500 | 36,917,068 | 28,803,410 | 27,209,161 | 27,941,228 |
| Cross-border Co-operation | 4,158,387 | 4,077,999 | 4,371,501 | 4,467,526 | 5,124,876 | 5,033,373 | 5,243,041 |
| Regional Development | 7,400,000 | 12,300,000 | 20,800,000 | 29,400,000 | 39,300,000 | 41038532 | 51,800,000 |
| Human Resources Development | 3,200,000 | 6,000,000 | 7,100,000 | 8,400,000 | 8,800,000 | 10,380,000 | 11,200,000 |
| Rural Development | 2,100,000 | 6,700,000 | 10,200,000 | 12,500,000 | 16,000,000 | 18,221,815 | 21,028,000 |
| TOTAL | 58,500,000 | 70,200,000 | 81,782,001 | 91,684,594 | 98,028,286 | 101,882,881 | 117,212,269 |

| Component | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|-------------------|
| MONTENEGRO | | | | | | | |
| Transition Assistance and Institution Building | 27,490,504 | 28,112,552 | 29,832,179 ²² | 29,838,823 | 29,843,599 | 16,346,471 | 5,238,958 |
| Cross-border Co-operation | 3,909,496 | 4,487,448 | 4,667,821 | 3,682,690 | 4,310,344 | 4,588,551 | 4,418,687 |
| Regional Development | | | | | | 8,000,000 | 15,200,000 |
| Human Resources Development | | | | | | 2,800,000 | 2,957,077 |
| Rural Development | | | | | | 3,300,000 | 7,600,000 |
| TOTAL | 31,400,000 | 32,600,000 | 34,500,000 | 33,521,513 | 34,153,943 | 35,035,022 | 35,414,722 |

| TURKEY | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Transition Assistance and Institution Building | 256,702,720 | 256,125,297 | 239,550,810 | 217,809,826 | 231,268,023 | 227,499,161 | 246,281,891 |
| Cross-border Co-operation | 2,097,280 | 2,874,709 | 3,049,190 | 3,090,174 | 5,131,977 | 2,174,617 | 2,218,109 |
| Regional Development | 167,500,000 | 173,800,000 | 182,700,000 | 238,100,000 | 293,400,000 | 356,836,341 | 378,000,000 |
| Human Resources Development | 50,200,000 | 52,900,000 | 55,600,000 | 63,400,000 | 77,600,000 | 83,930,000 | 96,000,000 |
| Rural Development | 20,700,000 | 53,000,000 | 85,500,000 | 131,300,000 | 172,500,000 | 189,785,003 | 213,000,000 |
| TOTAL | 497,200,000 | 538,700,006 | 566,400,000 | 653,700,000 | 779,900,000 | 860,225,122 | 935,500,000 |

| POTENTIAL CANDIDATES | | | | | | | |
|--|-------------------|--------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
| ALBANIA | | | | | | | |
| Transition Assistance and Institution Building | 54,318,790 | 65,237,756 ²³ | 71,360,000 | 84,200,000 ²⁴ | 84,301,650 | 84,290,995 | 87,446,037 |
| Cross-border Co-operation | 6,681,210 | 8,582,244 | 9,822,921 | 9,973,173 | 10,126,636 | 10,283,169 | 10,666,232 |
| TOTAL | 61,000,000 | 73,820,000 | 81,182,921 | 94,173,173 | 94,428,286 | 94,574,164 | 98,112,269 |

| BOSNIA AND HERZEGOVINA | | | | | | | |
|--|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| Transition Assistance and Institution Building | 58,136,394 | 69,854,783 | 83,900,000 | 100,688,099 | 102,681,861 | 102,670,995 | 106,870,228 |
| Cross-border Co-operation | 3,963,606 | 4,945,217 | 5,207,746 | 4,696,495 | 4,746,425 | 5,197,353 | 4,942,041 |
| TOTAL | 62,100,000 | 74,800,000 | 89,107,746 | 105,384,594 | 107,428,286 | 107,868,348 | 111,812,269 |

| Component | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| SERBIA | | | | | | | |
| Transition Assistance and Institution Building | 181,496,352 | 179,441,314 | 182,551,643 | 186,206,679 | 190,556,810 | 190,000,995 | 203,101,005 |
| Cross-border Co-operation | 8,203,648 | 11,458,686 | 12,248,357 | 11,751,753 | 11,322,790 | 12,097,244 | 11,630,694 |
| TOTAL | 189,700,000 | 190,900,000 | 194,800,000 | 197,958,432 | 201,879,600 | 202,098,239 | 214,731,699 |

| KOSOVO* | | | | | | | |
|--|-------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| Transition Assistance and Institution Building | 68,300,000 | 184,700,000 | 106,100,000 | 66,100,000 | 66,900,000 | 65,870,995 | 70,712,269 |
| Cross-border Co-operation | 0 | 0 | 0 | 1,200,000 | 1,800,000 | 2,929,148 | 2,987,731 |
| TOTAL | 68,300,000 | 184,700,000 | 106,100,000 | 67,300,000 | 68,700,000 | 68,800,143 | 73,700,000 |

| TOTAL COUNTRY PROGRAMMES | | | | | | | |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 1,109,427,000 | 1,311,720,006 | 1,305,072,668 | 1,397,306,900 | 1,553,046,687 | 1,638,664,931 | 1,687,939,363 |

| MULTI-BENEFICIARY PROGRAMMES | | | | | | | |
|--|-------------------------|---------------------------|---------------------------|---------------------------|-------------|-------------|-------------|
| Transition Assistance and Institution Building | 129571000 ²⁵ | 137,736,644 ²⁶ | 188,867,536 ²⁷ | 141,706,551 ²⁸ | 186,269,100 | 176,246,613 | 177,845,477 |
| Cross-border Co-operation | 0 | 0 | 0 | 4,921,679 | 5,293,313 | 5,672,378 | 6,059,026 |

| SUPPORT EXPENDITURE | | | | | | | |
|----------------------------|------------|------------|------------|------------|------------|------------|------------|
| | 44,793,000 | 51,950,000 | 47,648,000 | 47,393,000 | 52,183,900 | 55,410,600 | 84,500,000 |

| GRAND TOTAL | | | | | | | |
|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 1,263,200,000 | 1,501,406,650 | 1,541,588,204 | 1,591,328,130 | 1,796,793,000 | 1,875,994,522 | 1,956,343,866 |

²¹ 50% of the initial 2013 allocation for Components I to IV and 100% of the initial allocation for Component V

²² Includes €1.2 million additional funds recovered from previous programmes.

²³ Includes €3.12 million additional funds recovered from previous programmes.

²⁴ Includes €1.5 million additional funds recovered from previous programmes.

²⁵ Includes €20.6 million additional funds recovered from previous programmes.

²⁶ Includes €2.0 million additional funds recovered from previous programmes.

²⁷ Includes €22.8 million additional funds recovered from previous programmes.

²⁸ This includes a reduction of €29 million for the food security facility which will be paid back in 2011 (€14 million), 2012 (€6 million) and 2013 (€9 million). The funds paid back in these years will be used for the allocation to Iceland. The figure also includes €2.7 million additional funds recovered from previous programmes.

This designation is without prejudice to position on status, and is in line with UNSCR 1244 and ICJ Advisory opinion on the Kosovo declaration of independence.

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