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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE  
COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE**

**2011 ANNUAL REPORT ON FINANCIAL ASSISTANCE FOR ENLARGEMENT  
(IPA, PHARE, CARDS, TURKEY PRE-ACCESSION INSTRUMENT, TRANSITION  
FACILITY)**

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# REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

## 2011 ANNUAL REPORT ON FINANCIAL ASSISTANCE FOR ENLARGEMENT (IPA, PHARE, CARDS, TURKEY PRE-ACCESSION INSTRUMENT, TRANSITION FACILITY)

### Summary

This Report covers the most significant developments regarding the implementation of pre-accession assistance in 2011<sup>1</sup>, including considerations on future perspectives.

Details on specific activities undertaken during the reporting period can be found in the technical Staff Working Document complementing this report<sup>2</sup>, covering in one single document both IPA<sup>3</sup> and preceding instruments for pre-accession and for the Western Balkans (i.e. PHARE, CARDS<sup>4</sup>, Turkey Pre-accession Instrument and the Transition Facility).

Falling at a crucial point of 2007-2013 financial perspectives, the 2011 Annual Report is an occasion to look at the present successes and lessons learnt, in order to have an even better performing instrument in the next Multiannual Financial Framework which is currently under

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<sup>1</sup> More specific management-reporting aspects concerning these programmes and expenditure - such as governance & accountability, risks & controls, legality & regularity, error rates & potential consequences on reasonable assurance - can be found in the 2011 Annual Activity Report (AAR) of DG Enlargement. In line with the Commission's obligation to provide detailed information to the Council and the European Parliament, it publishes annually a report on pre-accession assistance. The previous report was published in 2011 for the budget year 2010 and is publicly available under the following link: [http://ec.europa.eu/enlargement/instruments/how-does-it-work/index\\_en.htm](http://ec.europa.eu/enlargement/instruments/how-does-it-work/index_en.htm).

<sup>2</sup> Commission Staff Working Document – Accompanying the document 'Report from the Commission to the European Parliament, the Council and the European Economic and Social Committee - 2011 Annual Report on financial assistance for enlargement (IPA, PHARE, CARDS, Turkey Pre-accession Instrument and the Transition Facility).

<sup>3</sup> The Instrument for Pre-Accession Assistance (IPA) has an overall budget of EUR 11.5 billion for the period 2007-2013. Beneficiaries of IPA are Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey, Iceland (as of 2011) as well as Kosovo\*. This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence. IPA supports reforms in the beneficiary countries and their progressive alignment with the standards and policies of the European Union and the *acquis*, with a view to preparing them for future EU membership.

<sup>4</sup> Originally created in 1989 as the Poland and Hungary: Assistance for Restructuring their Economies (PHARE) programme, Phare has expanded from Poland and Hungary to currently cover ten countries. It assists the eight of the ten 2004 accession Member States: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia, as well as those countries that acceded in 2007 (Bulgaria and Romania), in a period of massive economic restructuring and political change. Phare means lighthouse in French. Until 2000 the countries of the Western Balkans (Albania, former Yugoslav Republic of Macedonia, and Bosnia and Herzegovina) were also beneficiaries of Phare. However, as of 2001 the CARDS programme (Community Assistance for Reconstruction, Development and Stability in the Balkans) has provided financial assistance to these countries. This Regulation repeals the OBNOVA Regulation and amends the Phare Regulation, and establishes a single framework for assistance to the countries of South-Eastern Europe: the CARDS programme (Community assistance for reconstruction, development and stabilisation). The instrument for pre-accession assistance (IPA) replaces it starting in 2007.

discussion. The Report briefly sets out the economic and political context in which EU-funded activities took place. It highlights the progress made to improve strategic planning and programming documents, providing summary reports on project implementation, their results and the on-going enhancement of donor coordination. Analysis of past experience, provided also by evaluations and conclusions from the IPA 2011 Conference, is used to draw recommendations for further improving the impact of IPA funds up to and beyond 2013.

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## **1. THE YEAR IN REVIEW: THE POLITICAL AND ECONOMIC CONTEXT**

Further positive developments took place in the enlargement countries over the past year, including progress in EU-related reforms in most candidate countries<sup>5</sup> and potential candidates<sup>6</sup>. The enlargement process continued to move ahead in 2011. The Treaty of Accession of Croatia was signed in December. Accession negotiations with Iceland continued to advance. The Commission announced a new positive agenda for Turkey. In Montenegro, the reform process continued, allowing the Commission to propose the opening of accession negotiations<sup>7</sup>. In October, the Commission delivered its opinion on Serbia's application for EU membership, recommending that the European Council grants Serbia the status of candidate and that accession negotiations are opened as soon as it achieves further progress in meeting a key priority concerning Kosovo. Further steps were taken regarding the European perspective of Kosovo, including as regards visa and trade issues. Progress was achieved within the framework of the Belgrade-Pristina Dialogue.

Following the global economic crisis, in 2011 all enlargement countries embarked upon a path of recovery but only Turkey managed to recover to a considerable extent. The Western Balkan countries are confronted with high and rising unemployment rates, while fiscal consolidation and the reform of labour markets remain most urgent economic priorities. In a number of countries important reforms were delayed. Enforcement of good governance, the rule of law and administrative capacity continue to represent major political challenges.

## **2. TOWARDS A MORE EFFICIENT AND EFFECTIVE DELIVERY OF ASSISTANCE: LINKING ASSISTANCE MORE CLOSELY TO THE ENLARGEMENT POLICY PRIORITIES AND THE SECTOR APPROACH**

### *Towards a new IPA Regulation for 2014-2020*

At the strategic level, 2011 was marked by preparations for the new instrument for pre-accession assistance for the post-2013 period. The result of the extensive stakeholder consultation that had been launched with the 2010 IPA Conference fed into an *ex ante* evaluation on the future pre-accession assistance instrument and contributed substantially to shape the proposal for the IPA II Regulation that the Commission adopted on 7 December 2011, as part of a package of external action instruments. In line with stakeholders' input, provided at the 2011 IPA Conference, the Commission proposal reflected the vision of a

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<sup>5</sup> Croatia, the former Yugoslav Republic of Macedonia, Iceland, Montenegro and Turkey. Serbia was granted candidate status in March 2012.

<sup>6</sup> Albania, Bosnia and Herzegovina and Kosovo.

<sup>7</sup> Accession negotiations were opened on 29 June 2012.

renewed IPA instrument that should make financial assistance for pre-accession more strategic and result-oriented, based on longer term planning and programming in line with the enlargement strategy and priorities; more coherent as to the support provided under the current components; more flexible and tailored to address beneficiary countries' needs and capacities in an enlargement context; more efficient, effective and simple, in the framework of a common approach applying to all EU internal and external action instruments in the next 2014-2020 Multi-Annual Financial Framework<sup>8</sup>. Public administration reform, good governance, the rule of law and the fight against corruption and organised crime as well as socio-economic development and regional cooperation will remain a key focus of future pre-accession assistance.

Work on the new instrument will continue in 2012 and 2013. While the proposal for the IPA II Regulation is subject to discussion and negotiation in Parliament and Council, with view to adoption by ordinary legislative procedure by the end of 2012 or early 2013, the Commission will prepare the draft IPA-specific Implementing Regulation and the strategic planning documents, thus completing the framework for programming and delivering IPA II assistance. The strategic planning framework will be inspired by the methods in use in the EU for structural funds, with an overall IPA Common Strategic Framework setting the general policy for the assistance and country/multi-country strategy papers for the full period of the next multiannual financial framework. The preparation of sector (multi-annual) operational programmes to implement the strategy papers will follow. The above will require enlargement countries to set up comprehensive national strategies that IPA II can support. In IPA countries, the main focus should be on securing strong local ownership and broad consensus on the strategies to be put in place, and on improving the capacity to plan, implement and monitor their implementation and to integrate this into the broader preparations for EU membership.

### **3. TOWARDS A MORE EFFICIENT DELIVERY OF ASSISTANCE: GRADUALLY IMPLEMENTING THE SECTOR APPROACH TO THE ENLARGEMENT POLICY PRIORITIES**

#### *The sector approach*

In 2011 the Commission continued to work towards introducing a more comprehensive approach and to gradually extend it to all policy priorities of pre-accession assistance. With the support of the European Training Foundation, in June it organised a three-day pilot training on sector support, designed for the Enlargement context and to give staff in Headquarters and EU Delegations in enlargement countries a more in-depth understanding of how support through sector programmes or more systematic programme-based approaches can help improve sustainable and more results oriented pre-accession assistance. Case studies and examples of practical applications and experience were used, including from Kosovo (developing a sector approach in Education), Turkey (evaluating Public Finance Management) and Serbia (indicator setting for the Justice sector). The aim was to help participants develop an approach to programming based on national sector policies and action plans and improved needs assessment and risk analysis. This would ultimately allow alignment with beneficiary countries' systems and institutions, thereby building capacity and

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<sup>8</sup> Cf. 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.

increasing aid absorption. Feed-back on the training was overall positive. Knowledge and commitment were reinforced through engaged and positive discussion.

The overall conclusion drawn from the training was that the change from a project-based approach to a sector-wide approach takes time and can only take place *progressively*. There is no ready-made 'recipe' for implementing the sector approach, no unique model applicable for all countries.

As a follow-up to this training, the Commission set up a dedicated "task force" to make the sector approach operational in all the policy priorities of the Enlargement countries. Other steps envisaged included the revision of the IPA Programming Guide and programming templates, for programming on a multi-annual basis already for the period 2012-2013 and progressively in line with a sector approach thereafter. A first revision of the programming templates was completed by the end of 2011; resulting in sector identification fiches to be prepared by beneficiary countries as a preliminary step to drawing up programmes and, if needed, project identification fiches. Further revisions of the programming templates will continue in 2012, together with a general revision of the Programming Guide.

In 2012 the Commission will also continue to provide seminars and workshops on sector approaches to staff in EU Delegations and to beneficiaries. A Joint Commission/World Bank-implemented project on Monitoring, Indicators and Evaluation in the Western Balkans and Turkey, for which discussion started in 2011, should also begin in 2012. The relevance of this project and, generally, of monitoring and evaluation work in the wider context of implementing the sector approach rests on the expectation that performance assessment frameworks setting clearer objectives and measurable indicators for a sector will allow progress to be quantified and that regular monitoring will help ensure that where a programme in a given sector is not achieving its objectives, action can be taken to put implementation back on track.

#### *The main lessons learned from evaluations*

An evaluation to support the preparation of pre-accession financial instruments beyond 2013 found that there is a strong rationale for a future pre-accession financial instrument. The preferred option of the evaluators was the continuation of the current programme with similar levels of EU funding. The evaluation concluded also that the economic and wider benefits to the EU of enlargement, involving the current beneficiaries, would more than offset the cost to the EU of a new financial instrument.

The first part of a thematic evaluation of EU's support to civil society in the Western Balkans and Turkey provided an assessment of the intervention logic, and concluded that interventions are relevant to the objectives identified in the MIPDs<sup>9</sup>. However, measurement of progress is challenged by the lack of sufficiently SMART<sup>10</sup> indicators and the wide definition of strategic objectives.

An evaluation of Twinning in Turkey concluded that the vast majority of Twinning projects in Turkey achieved their objectives, and the presence of synergies between Twinning projects and other EU and/or donor-funded projects was a key factor supporting that success. The most common reasons for those Twinning projects failing to deliver included: lack of political

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<sup>9</sup> Multiannual Indicative Planning Documents.

<sup>10</sup> Specific, Measurable, Achievable, Realistic and Time-bound.

commitment, problems with procurement, inadequate expert mobilization from Member State institutions, and outdated needs assessment.

A strategic interim evaluation of regional cooperation in the Western Balkans and Turkey found that programming could be improved by increasing beneficiaries' ownership of regional programmes, and through better interaction with the stakeholders. The evaluation also found that coherence between IPA regional and national programmes needs to be increased through more systematic information sharing during the programming phase. Overall objectives should be linked more closely with project objectives, and should be made measurable through SMART indicators. The evaluation concluded that efficiency and effectiveness have been slowly improving.

A thematic evaluation of IPA-funded information and communication activities concluded that whilst the overall objectives of IPA-funded information and communication activities are clear and coherent at Headquarters and Delegation level, specific objectives are too broad and do not meet the SMART criteria. IPA information and communication funds have generally been deployed in an efficient manner. However, efficiency could be increased by downscaling activities with limited effectiveness and greater concentration of resources on fewer activities. Information and communication activities are clearly visible and effective for audiences with an interest in enlargement but less so for “non-informed” audiences and the broader public.

In addition, a thematic evaluation of EU pre-accession multi-beneficiary assistance to Western Balkans and Turkey in the fields of environment and disaster risk reduction was also completed. It found that objectives are too broad and not sufficiently linked across the different programming stages. Also, a key contribution of the multi-beneficiary programmes has been the promotion of beneficiaries' institutional change towards working together on environment and disaster risk reduction issues by encouraging networking and sharing experiences. The impact and sustainability of programmes is hampered by uneven commitment and ownership of the beneficiary countries, which often dedicate limited human and financial resources and sometimes do not plan follow-up actions beyond EU assistance. Multi-annual long-term projects have proved to be effective in creating sustainable links between participants beyond the projects implementation. However, the evaluation also found that dissemination and visibility activities are not fully effective in promoting sustainability.

#### *Cooperation with the donor community on aid effectiveness*

In 2011 the Commission continued to pursue the donor coordination agenda on various issues. Maximising aid effectiveness and demonstrating *results* and impact was one of them. During a key meeting hosted by the OECD in February 2011, some clear issues emerged. This meeting concluded that there was a need for donor-initiated measurement systems to help strengthen related systems in beneficiary countries and to support rigorous, long-term data collection that meet the needs of multiple parties. Future practice should promote greater convergence between the demand and the supply side in results reporting. Joint monitoring and evaluation could help overcome attribution problems in assessing the effectiveness of programmes and strategies and the complementarity of efforts supported by different partners. The issue of results was also a key topic at the 4<sup>th</sup> High Level Forum on Aid Effectiveness in Busan in November 2011.

The Commission has followed up on the 'results' issue through a dedicated EU Expert Group on Results created in November 2011 with the participation of experts from Member States and other donors. One objective of the group, to be pursued in 2012, is to develop a common

EU approach to results as indicated in the Council Conclusions of 14 May 2012 on the Communication 'An Agenda for the Change'. In 2012, the Commission will look into the possibility for a common EU results framework to be developed so that it can also represent a reference framework for measuring and communicating the results of future pre-accession assistance.

In 2012, the Commission will also continue work on making data on pre-accession financial assistance available according to the IATI<sup>11</sup> standard for publishing aid information.

The importance of better communicating results and adopting a more results-oriented approach to programme design was raised by the Organization for Economic Co-operation and Development, Development and Co-operation Directorate members also in the framework of discussions on the *OECD DAC Peer Review of the EU 2011-2012*, to which the Commission contributed. With regard to pre-accession assistance, the Commission highlighted how aid effectiveness principles were being incorporated into the Enlargement policy and related financial instrument (IPA): ownership and alignment have a key role in the pre-accession process; the sector approach is gradually being extended in the management of IPA assistance, with focus on key sectors in the enlargement countries such as justice and home affairs; cooperation with other donors, including European and International Financial Institutions (for example in the framework of the WBIF<sup>12</sup>) and EU Member States (through Twinning) is increasing; budget support is already considered as a possible aid modality, and should continue to be so under IPA II when necessary pre-conditions and guarantees are in place.

The Commission stressed also the strong political leverage for reforms provided by the prospect of EU membership while recalling that, in the context of preparing beneficiary countries to join the EU, pre-accession assistance also has a development objective (it qualifies as official development assistance (ODA), except in the case of Croatia). Further developments in line with a more result-oriented approach were to be expected from IPA II, with increased focus on indicators to measure results and impact and the possibility for financial top-ups to reward good performance.

Work will continue in 2012 to make sure that pre-accession assistance is in line with the various initiatives within the Commission, the Member States and the wider donor community, to improve donor coordination and aid effectiveness and to demonstrate results.

#### **4. HIGHLIGHTS FROM PROGRAMME IMPLEMENTATION AND COMPLETION IN 2011**

##### *Implementation modalities and structures:*

Performance in 2011 showed a substantial progress compared to earlier years in terms of contracting in most beneficiaries, especially those heading towards a decentralised assistance management system.

For **Croatia**, 2011 marked the culmination of its accession negotiations with the European Union, with the closure of the accession negotiations on 30 June 2011, followed by the signature of the Accession Treaty on 9 December 2011.

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<sup>11</sup> The International Aid Transparency Initiative.

<sup>12</sup> Western Balkan Investment Framework, see below.

The implementation of EU financial assistance in 2011 in Croatia, also in line with the priorities selected for the MIPD 2011-2013, accompanied these developments by providing support for completing reforms and building up capacity in the key areas necessary for assuming the obligations of membership, such as justice and home affairs or public administration reform, as well continuing the efforts of preparing Croatia for the use of post-accession funds. The 2011 IPA programme of EUR 39.159 million is consistent with these priorities.

A Special Report by the Court of Auditors, finalised after a meeting between the Commission and the Court in October 2011, concludes that EU pre-accession assistance is making a significant contribution to supporting Croatia's preparations to manage structural and cohesion funds. It also stressed that further progress in capacity-building to manage EU funds is needed.

In 2011, positive developments in the management of the financial assistance were observed in **Turkey**. The country is continuously improving the capacities of key institutions in charge of programming, implementation and monitoring of EU funds. The implementation of IPA projects, under all IPA components, is now well underway and is starting to show a substantial impact as all necessary operating structures for the management of IPA funds are about to be granted conferral of management powers.

Important reforms have improved the programming of funds, with the new MIPD 2011-2013 adopted in June 2011 following the sector approach logic. The first steps towards a more strategic, focused and inclusive approach to programming has been taken while programming 2011 funds for Transition Assistance and Institution Building (Component I) focused on a limited number of sectors identified in the MIPD, with larger projects on the priorities of the accession process as well as aligned with sector priorities, for a total value of EU contribution of EUR 229.968 million. Following the elections in June 2011, particular emphasis has been given to the justice, home affairs and fundamental rights sector priorities aiming to implement the necessary reforms to build an independent and efficient judiciary, law enforcement services as well as developing civil society dialogue.

Efforts were also made to improve the monitoring of funds by reforming the monitoring system, setting out the roles and responsibilities of each institution and the various tools available for this purpose as well as strengthening the capacities of Turkish authorities.

Following **Iceland's** application for EU membership in July 2009 and due to the country's level of economic and social development and its extended degree of alignment with EU legislation (Iceland is a member of the European Economic Area (EEA) and Schengen), IPA financial support to Iceland is to be exclusively implemented under IPA Component I 'Transition Assistance and Institution Building'.

The Multi-annual Indicative Planning Document (MIPD) 2011-2013, which is the key strategic planning document for financial assistance under IPA in Iceland, was adopted on 8 April 2011.

Based on the priorities set in the MIPD 2011-2013, an IPA National Programme 2011 for Iceland was adopted on 2 December 2011. The MIPD sets out two strategic objectives to be financed under IPA assistance. On the one hand, to further enhance Iceland's ability to assume the obligations of membership by supporting institutional capacity building for *acquis* transposition and implementation and, on the other, to reinforce Iceland's institutional

capacity in its preparations for participation in and implementation of Structural and other EU funds.

The 2011 Programme will support seven projects. The budget is EUR 12 million and balance between the two priority axes set in the MIPD was taken into consideration.

**The former Yugoslav Republic of Macedonia** continued accession-related reforms with the support of IPA, though core challenges remained in 2011. For the first time the implementation of all IPA Components, except Component II - Cross-border cooperation, took place under decentralised management, which implies that the management of programmes is undertaken by the relevant national authorities, currently subject to *ex ante* controls by the European Commission.

Public administration efficiency was low, reflecting heavy procedures, weaknesses in staffing and a high turnover of officials. In comparison to previous years, greater efforts were made by the beneficiary country to utilise the available funds from all IPA Components, although there were evident delays in procurement. Limited availability of appropriate experts to draft tender documents or evaluate proposals hampered the procurement process mainly affecting IPA Components I, III and IV. The level of commitment and capability differed between line Ministries. Greater awareness and commitment are needed to strengthen capacity in order to successfully absorb IPA funds. This, moreover, requires greater ownership in the area of strategic programming and project preparation in the future.

The 2011 Component I National Programme, with an EU contribution of EUR 28.903 million, was approved along a streamlined sector-clustering of the projects along the main reform priorities of the country. EU support previously programmed under IPA 2007-2008 and managed by the EU Delegation has been fully contracted.

**Montenegro** continued, throughout 2011, its efforts to address the key priority areas highlighted in the 2010 Commission Opinion. The progress achieved by the country was confirmed by the recommendation of the European Commission in October 2011 to open accession negotiations. Assistance to Montenegro under IPA in 2011 further supported the progress and reform efforts of the national authorities, as highlighted by the Commission's on-going monitoring and reporting.

The bulk of IPA assistance was programmed under IPA Component I – Transition Assistance and Institution Building National Programme, with an overall EU contribution of EUR 26.494 million. Implementation of IPA funds continued to be primarily the responsibility of the EU Delegation in Podgorica. In parallel, the Montenegrin authorities started preparations for moving towards decentralised management. In light of having received candidate country status in December 2010, IPA funds in Montenegro also supported the national authorities in the necessary preparations for the management of assistance under the Regional Development, Human Resources Development, as well as Agriculture and Rural Development IPA components.

EU financial assistance to **Albania** has played an important role during 2011 in further supporting the country on its way towards European integration. On-going projects in the areas of justice and home affairs, public administration reform and the fight against corruption have further advanced and have shown concrete results. This support has been important for Albania in order to fulfil relevant key priorities listed in the 2010 Commission Opinion on Albania's application for membership of the European Union.

There has been overall progress in infrastructure projects, in particular in the transport sector (construction of rural roads), while progress in the water sector (construction of water treatment plants) has been slower partly due to unresolved property right issues. The Albanian authorities also need to focus on long-term maintenance of infrastructure projects.

Many technical assistance projects continued to support different line Ministries and state institutions, with the result that many relevant pieces of legislation for the *acquis* alignment have been prepared. However, in 2011 the political stalemate between the ruling coalition and the opposition, which was overcome by a political agreement in November, prevented substantial progress on the adoption of key legislation.

The share of funds contracted under the IPA programmes 2007, 2008, 2009 and 2010 is very high, continuing the positive trend that began in 2009.

Concerning the preparation for the decentralised management of IPA funds, further progress has been made. Under IPA Component I, the key structures and systems have been put in place and Albania submitted its application for the conferral of management in the beginning of 2012. European Commission auditors are currently analysing the application. Work has also continued on IPA Components II-V, with Component V more advanced than the others.

2011 also saw further progress towards a sector-based programming. Some questions remain open regarding its practical implementation, notably the need for the Albanian Government to develop a realistic medium-term budget perspective for the sector strategies in place.

During 2011, **Serbia** received pre-accession financial assistance from IPA under the first two IPA components (Transition Assistance & Institution Building and Cross-border Cooperation) which were still managed by the EU Delegation in Belgrade. The EU contribution regarding IPA Component I, allocated in 2011, was EUR 178.556 million.

Serbia continued preparations for decentralised management of EU funds for Components I, II, III and IV by completing the Gap Plugging phase in December 2011. As a result of the latter, IPA-financed Technical Assistance for carrying out the Compliance Assessment began in January 2012.

The IPA 2011 National Programme was adopted by the European Commission on 8 July 2011. Particular attention was paid to preparing for the progressive introduction of a sector approach.

The improvement of financial absorption capacity has continued. At the end of 2011, the EU Delegation was managing a portfolio of 708 on-going projects including substantial amounts for sectors such as public administration reform (EUR 26.3 million), justice and home affairs (EUR 11.95 million) and social development (EUR 32.1 million).

Sector prioritisation was achieved by 8 sector working groups, formed for the first time by governmental and non-governmental stakeholders, on the basis of the Multi-annual Indicative Planning Document (MIPD) 2011-13, the Annual Progress Report, the Serbian Needs Assessment for international assistance as well as an assessment of the quality of existing strategic documents.

Throughout 2011, EU financial assistance to **Bosnia and Herzegovina** played an important role to support the country on its way towards European integration. IPA continued supporting the country's efforts to comply with the requirements of the EU accession process

and to fulfil its obligations under the Stabilisation and Association Agreement and the Interim Agreement. 2011 priorities strongly focused on public administration reform and the strengthening of the rule of law, in addition to alleviating the heavy consequences of the economic and financial crisis. The EU contribution allocated in 2011 was EUR 92.885 million.

The implementation of EU financial assistance in 2011 showed tangible results, including the adoption of the revised action plan for the public administration reform strategy, the introduction of the electronic publication of public procurement notices, the installation of 34 permanent GPS Station Networks throughout the country, which facilitated the accurate measuring of land parcelling. Further tangible results were the creation of a Small and Medium Enterprise (SME) Council, the construction of sewage collectors in Zivinice, and the successful implementation of the first ever country-wide rabies vaccination campaign.

The European Union Office in **Kosovo** (EUO) continued managing the implementation of EU assistance to Kosovo. It managed to exceed its financial targets, both in terms of contracts and payments. The preparations of the IPA 2011 Annual Programme (AP) for Kosovo have been completed, allocating EUR 62.900 million, and programming of the 2012 and 2013 Annual Programmes has started. Kosovo's participation in IPA Cross-Border Cooperation (CBC) programme proceeded well in 2011; the first Financing Agreements for Programmes, with preparations of the CBC-programmes with Albania and the former Yugoslav Republic of Macedonia were signed, as well as an additional programme with Montenegro which was finalised and subsequently adopted in December 2011. In terms of projects, important successes include the reconstruction of the last five bridges on the M2 Road connecting Kosovo to the former Yugoslav Republic of Macedonia. In addition, during 2011, Kosovo carried out the first population and housing census after almost three decades, providing valuable statistical information on the population and the living conditions, important for policy planning in the coming decade. The latter was funded through a trust fund co-financed by IPA 2010.

## 5. TAIEX<sup>13</sup> TURNS FIFTEEN

2011 marked the fifteenth anniversary of TAIEX. While the basic principles at the core of TAIEX operations remain, the instrument is constantly kept up-to-date in order to respond to current challenges in the Enlargement regions, with almost EUR10 million spent in IPA beneficiary countries.

The key assets that have made and still make TAIEX a success story are:

- **OWNERSHIP:** TAIEX is mainly a demand-driven instrument; beneficiaries identify and submit requests for specific and customised assistance. Events are tailor-made to meet beneficiaries' requests;
- **GAP-FILLING:** TAIEX can be complementary to larger assistance activities (Twinning, technical assistance) and can provide expertise to "fill the gaps" not covered by other support programmes;

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<sup>13</sup> Technical Assistance and Information Exchange.

- **RESPONSIVENESS:** assistance is generally delivered within short, tight timeframes;
- **PEER-TO-PEER:** TAIEX relies on Member States' public officials who implement EU legislation in practice and are willing and able to share their technical expertise with counterparts from beneficiary administrations.

Medium-term technical assistance, a sequence of short-term interventions which is agreed beforehand and then implemented, has increased in the sectors of agriculture and food safety. For the moment this approach is used in TAIEX assistance to Iceland and Kosovo.

Outside classic TAIEX events, the People-to-People programme (P2P) has consolidated its contribution to strengthening civil society's role in the democratic process in the Enlargement context. In 2011, a new programme, the Local Administration Facility (LAF), was launched with the aim of strengthening the capacity of local and regional authorities to prepare for EU accession. For the practical implementation of TAIEX events, the European Commission relied on the external support of the service provider 'Gesellschaft für Internationale Zusammenarbeit' (GIZ).

## **6. REGIONAL COOPERATION AND PROGRAMMES**

Progress has been made in regional cooperation in the Western Balkans in the areas of justice and home affairs, statistics, energy, environmental and civil protection, cultural heritage and refugee return. The Regional School of Public Administration (ReSPA) is now fully operational. New bilateral agreements on police cooperation and on mutual legal assistance are encouraging signs for the commitment of several Western Balkan countries to strengthen judicial cooperation. Similar efforts promoting and facilitating local and regional cooperation at government level as well as through the inclusion of Non-Governmental Organisations have been undertaken with the aim of moving forward to lasting reconciliation, notably through the Igman Initiative, the RECOM initiative on reconciliation and the Sarajevo Process on refugee return.

The European Commission, in cooperation with the Norwegian Ministry of Foreign Affairs organized the 4th Meeting of the Steering Committee of the **Western Balkans Investment Framework (WBIF)** in June 2011 in Hamar, Norway. This approved grants worth more than EUR 21 million for 19 projects in the region. These included for example a pre-feasibility study for the Regional Project of Ionian Adriatic gas Pipeline (520 km total length) contributing to the construction of a regional gas ring, a feasibility study on an electrical 400 kV Interconnection between Serbia, Montenegro and Bosnia and Herzegovina and the preparation for the construction and further development of the Regional Centre for Entrepreneurial Learning in Croatia.

At the 5th meeting of the WBIF Steering Committee in December 2011 in Luxembourg, 22 grants, with a total value of EUR 59 million, were approved. It is expected that those grants could eventually trigger loans and funds from the International Financial Institutions (IFIs) of more than EUR 1 billion for investments in infrastructure. The Steering Committee approved the Western Balkan Enterprise Development and Innovation Facility (EDIF), funded under the IPA 2011 Multi-Beneficiary programme as the first action in Private Sector Development to be financed by the WBIF.

In 2011, and since the creation of the WBIF in December 2009, the pipeline of projects has grown to represent 123 grants for a value of EUR 220 million, that will trigger nearly EUR 5 billion in loans and a total potential investment of nearly EUR 10 billion across the five key sectors – energy, environment, transport, social issues and private sector development.

## CONCLUSIONS

2011 saw an important step on the path towards making assistance to the Enlargement countries more strategic, coherent, and result-oriented as an integral part of the Enlargement strategy. The legal and strategic planning framework that the Commission has proposed for delivering pre-accession assistance from 2014 onwards will reinforce its link with the political monitoring and reporting and will put in place a framework aiming for results, achieving impact and rewarding performance. This will contribute to increasing even further the added value of EU funds allocated to Enlargement countries by creating stronger incentives for the transformation of their societies, legal systems and economies needed to become an EU Member State, for the mutual benefit of the Union and of IPA beneficiary countries and their citizens.

### **Status of implementation of IPA financial assistance as at 31<sup>st</sup> December 2011, as a percentage of total committed funds (2007 – 2011):**

#### **At 31<sup>st</sup> December 2011 IPA Component I, implemented by Enlargement DG:**

| <b>EUR Million</b>                               | <b>Committed</b> | <b>Contracted</b> | <b>Percentage</b> | <b>Paid</b>     | <b>Percentage</b> |
|--|------------------|-------------------|-------------------|-----------------|-------------------|
| <i>Albania</i>                                   | 348.37           | 233.69            | 67.1%             | 102.45          | 29.4%             |
| <i>Bosnia and Herzegovina</i>                    | 389.83           | 186.98            | 48.0%             | 103.26          | 26.5%             |
| <i>Croatia</i>                                   | 206.06           | 100.62            | 48.8%             | 71.19           | 34.5%             |
| <i>the former Yugoslav Republic of Macedonia</i> | 174.02           | 66.66             | 38.3%             | 48.53           | 27.9%             |
| <i>Iceland</i>                                   | 12.00            | 0.00              | 0.0%              | 0.00            | 0.0%              |
| <i>Kosovo</i>                                    | 475.10           | 341.42            | 71.9%             | 211.48          | 44.5%             |
| <i>Montenegro</i>                                | 134.24           | 89.83             | 66.9%             | 61.02           | 45.5%             |
| <i>Serbia</i>                                    | 857.39           | 593.38            | 69.2%             | 380.14          | 44.3%             |
| <i>Turkey</i>                                    | 1,164.66         | 597.40            | 51.3%             | 425.14          | 36.5%             |
| <i>Multi Beneficiary</i>                         | 729.18           | 597.32            | 81.9%             | 431.30          | 59.1%             |
| <b>Total</b>                                     | <b>4,490.85</b>  | <b>2,807.30</b>   | <b>62.5%</b>      | <b>1,834.51</b> | <b>40.8%</b>      |

***At 31st December 2011 IPA Component II, implemented by Enlargement DG:***

| <b>EUR Million</b>                               | <b>Committed</b> | <b>Contracted</b> | <b>Percentage</b> | <b>Paid</b>  | <b>Percentage</b> |
|--|------------------|-------------------|-------------------|--------------|-------------------|
| <i>Albania</i>                                   | 18.59            | 2.76              | 14.8%             | 2.16         | 11.6%             |
| <i>Bosnia and Herzegovina</i>                    | 12.52            | 4.77              | 38.1%             | 3.12         | 24.9%             |
| <i>Croatia</i>                                   | 12.52            | 4.42              | 35.3%             | 2.09         | 16.7%             |
| <i>the former Yugoslav Republic of Macedonia</i> | 15.53            | 1.97              | 12.7%             | 1.05         | 6.7%              |
| <i>Kosovo</i>                                    | 3.00             | 0.06              | 2.0%              | 0.03         | 1.0%              |
| <i>Montenegro</i>                                | 14.94            | 5.45              | 36.5%             | 3.62         | 24.2%             |
| <i>Serbia</i>                                    | 16.37            | 6.57              | 40.1%             | 4.63         | 28.3%             |
| <i>Turkey</i>                                    | 7.00             | 1.13              | 16.2%             | 0.49         | 7.0%              |
| <b>Total</b>                                     | <b>100.47</b>    | <b>27.13</b>      | <b>27.0%</b>      | <b>17.19</b> | <b>17.1%</b>      |

**At 31st December 2011 IPA Component II, implemented by Regional Policy DG:**

| <b>EUR Million</b>  | <b>Committed</b> | <b>Paid</b>   | <b>Percentage</b> |
|---|------------------|---------------|-------------------|
| <i>Adriatic</i>   | 166.49           | 45.22         | 27.2%             |
| <i>Slovenia-Croatia</i>                                   | 28.95            | 11.28         | 39.0%             |
| <i>Hungary-Croatia</i>                                    | 35.54            | 12.57         | 35.4%             |
| <i>Hungary-Serbia</i>                                     | 33.97            | 12.33         | 36.3%             |
| <i>Romania-Serbia</i>                                     | 36.01            | 10.17         | 28.3%             |
| <i>Bulgaria-Serbia</i>                                    | 21.26            | 5.78          | 27.2%             |
| <i>Bulgaria-the former Yugoslav Republic of Macedonia</i> | 12.14            | 3.30          | 27.2%             |
| <i>Bulgaria-Turkey</i>                                    | 18.49            | 5.02          | 27.2%             |
| <i>Greece-the former Yugoslav Republic of Macedonia</i>   | 10.20            | 3.93          | 38.5%             |
| <i>Greece-Albania</i>                                     | 7.67             | 2.95          | 38.5%             |
| <b>Total</b>  | <b>370.72</b>    | <b>112.54</b> | <b>30.4%</b>      |

**At 31<sup>st</sup> December 2011 IPA Component III, implemented by Regional Policy DG:**

| <b>EUR Million</b>                               | <b>Committed</b> | <b>Paid</b>   | <b>Percentage</b> |
|--|------------------|---------------|-------------------|
| <i>Croatia</i>                                   | 257.35           | 78.03         | 30.3%             |
| <i>the former Yugoslav Republic of Macedonia</i> | 109.20           | 26.96         | 24.7%             |
| <i>Turkey</i>                                    | 1,055.50         | 333.11        | 31.6%             |
| <b>Total</b>                                     | <b>1,422.05</b>  | <b>438.09</b> | <b>30.8%</b>      |

**At 31st December 2011 IPA Component IV, implemented by Employment, Social Affairs and Inclusion DG:**

| <i>EUR Million</i>                               | <i>Committed</i> | <i>Paid</i> | <i>Percentage</i> |
|--|------------------|-------------|-------------------|
| <i>Croatia</i>                                   | 69.98            | 22.20       | 31.7%             |
| <i>the former Yugoslav Republic of Macedonia</i> | 33.50            | 9.61        | 28.7%             |
| <i>Turkey</i>                                    | 299.70           | 64.51       | 21.5%             |
| <b>Total</b>                                     | 403.18           | 96.32       | 23.9%             |

**At 31<sup>st</sup> December 2011 IPA Component V, implemented by Agriculture and Rural Development DG:**

| <i>EUR Million</i>                               | <i>Committed</i> | <i>Paid</i> | <i>Percentage</i> |
|--|------------------|-------------|-------------------|
| <i>Croatia</i>                                   | 129.40           | 25.78       | 19.9%             |
| <i>the former Yugoslav Republic of Macedonia</i> | 47.50            | 10.25       | 21.6%             |
| <i>Turkey</i>                                    | 463.00           | 80.94       | 17.5%             |
| <b>Total</b>                                     | 639.90           | 116.96      | 18.3%             |