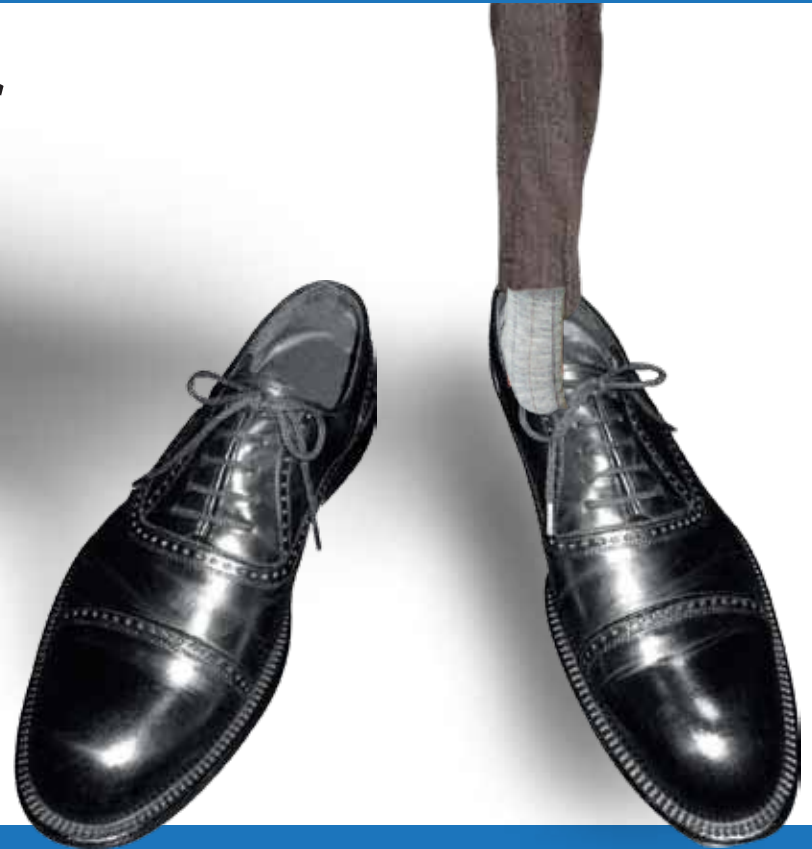


streetcar
called

"IPA"



*Twenty-First Quarterly
Accession Watch Report*

**STREETCAR
CALLED "IPA"**

July, 2014

STREETCAR CALLED "IPA"
Twenty-First Quarterly Accession Watch Report

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WHERE ARE WE IN JULY 2014?

In July 2014, the Republic of Macedonia has not made any progress in terms of its accession in the EU. On the contrary, it continues to “run in the spot”, due to the unresolved name dispute with the Republic of Greece and has not been given date to start accession negotiations. Once a leader in the Balkan, Republic of Macedonia is slowly, but surely lagging behind Serbia, Montenegro and, of recently, behind Albania. It has joined the group of so-called “unfinished states”, together with Kosovo and Bosnia and Herzegovina. Truth to be told, Kosovo is developing and progressing with unprecedented dynamics and likely is that in the future Macedonia and Bosnia and Herzegovina would remain the only “problematic” states in the Western Balkan.

Be that as it may, this Quarterly Accession Watch Report does not address Macedonia's political surrounding and the Western Balkans. Instead, it focuses on the newly designed Instrument for Pre-accession Assistance intended for EU enlargement countries, popularly known as IPA II, covering the financial perspective 2014-2020, and lessons learned from implementation of projects funded under IPA I. Instrument for Pre-accession Assistance, popularly known as IPA I, expired on 31st December 2013 and is replaced by new regulation that entered in effect on 1st January 2014. For the financial perspective 2014-2020, the EU has envisaged additional 11.7 billion EUR in financial assistance for acceding countries to transform from candidate-countries into full-fledged EU Member States. IPA II is envisaged as improved version of IPA I, upgraded and supplemented, based on lessons learned in the period 2007-2013.

In this context, several important development have taken place: adoption of IPA II Regulation and IPA II Implementing Rules; start of IPA II programming as joint effort of the European Commission (EC) and the Government of the Republic of Macedonia, i.e. Secretariat of European Affairs (SEA); start of consultations with so-called "non-state actors"; establishment of working groups within the Government tasked to contribute to IPA II programming; drafting of Country Strategy Paper's (CSP) first version; and, in the period July–October 2013, Parliament of the Republic of Macedonia organized oversight hearings on problems affecting implementation and absorption of IPA in the country.

This report addresses lessons learned from implementation of IPA I, which should serve as basis for programming of IPA II.

1. SIMILARITIES AND DIFFERENCES

The European Council from 7-8th February 2013 reached an agreement on the EU Multiannual Financial Framework (MFF) for the period 2014-2020, the so-called financial perspective of the EU Budget. In this financial perspective, EU enlargement policy is again seen as one of the most successful EU policies that brought peace, stability and prosperity to Europe.

IPA II should be a more flexible instrument in terms of allocations, programming and implementation. Coherence in approach would be achieved by better involvement of stakeholders in the programming process and by cutting the "red tape".

If IPA I implied identification of projects to be supported, under IPA II, identification of core sectors is critical to successful accession process, since successful accession implies early financial allocation for all IPA policy areas, which allows better prioritisation (public administration, justice, etc.). This will give stronger impact and better sustainability of proposed actions. IPA II will build upon lessons learned from IPA I and continue to pursue the general policy objective on supporting candidate-countries and potential candidates in their preparations for EU membership, including progressive alignment of their institutions and economies with EU standards and policies. It should be noted that IPA II aims at preparing countries to assume obligations of EU structural and cohesion policy upon their accession.

Table 1 below provides an overview of IPA I (2007-2013) and IPA II (2014-2020), as well as similarities and differences between these two financial instruments.

	IPA I	IPA II
Amount	11.468 billion EUR	11.699 billion EUR
Beneficiary countries	Turkey, Iceland, Croatia, Montenegro, Serbia, Kosovo, Bosnia, Macedonia and Albania	Turkey, Iceland, Albania, Montenegro, Serbia, Kosovo, Bosnia and Macedonia
Approach	Programme Based Approach (PBA)	Sector-Wide Approach (SWAp)
Focus	Outputs	Results
Involvement	EC (Directorates General on Enlargement, Agriculture, Employment, Environment, Transport and Energy, and Education)	Greater involvement of the European Parliament, the Council and national parliaments in EU Member States
Management	Decentralized and centralized management systems	(In)direct (de)centralized management systems
Structure	5 components	No components
Programming	Multiannual Indicative Financial Framework (MIFF)	Multiannual Financial Framework (MFF)
	Multiannual Indicative Planning Document (MIPD)	Country Strategy Paper (CSP)
	Operational Programmes for IPA Components	Sector-Based Programmes

Table 1: Similarities and differences between IPA I and IPA II

Table above shows that financial assistance under IPA II is almost identical to the amount of financial assistance committed under IPA I. Same is valid in terms of beneficiary countries, with the exception of Croatia which - in the capacity of EU Member State - is now granted access to EU Structural and Cohesion Funds.

Financial assistance under IPA II will be granted in similar terms to both, candidate-countries and potential candidates, irrespective of their status, which means that the component structure has been replaced by comprehensive country strategies that address policy areas and are supported by relevant national sector strategies, prepared in partnership with the beneficiary country.

IPA II will be more flexible and will apply the logic of (co)financing policy strategies, instead of individual projects, thereby substituting the previous Project-Based Approach with the so-called Sector-Wide Approach (SWAp). Although Macedonia has certain experience in this regard,¹ mid-term budgeting per sector, which is precondition for successful utilization of IPA II funds, will still pose major challenges. IPA II programming is more strategic, combining different types of actions (projects and programmes)

¹ Sector-wide approach was applied in programming of National IPA 2011 and National IPA 2012-2013, but significant experiences have not been gained, having in mind that implementation of these programmes has not started.

that promise most effective outcomes built upon current capacities. SWAp means dealing with sectors instead of projects and pooling resources together to improve policy dialogue and governmental sector budgeting that would subsequently lead to increased ownership by national governments. Such an approach is expected to improve cooperation between the Government, as well as the opposition, the EU and other key sector stakeholders. Moreover, it is expected to dramatically improve public spending and resource allocation within sectors specified, thereby achieving greater coherence between policies, spending and results, and by reducing transaction costs. Financial and technical assistance should be more strategic, sustainable and longer-term oriented, which will make it easier for donor coordination. Transparent process of consultations envisaged with other relevant state and non-state actors will, no doubt, build greater political consensus on main development policies in beneficiary countries. Consequently, strategic thinking and intervention logic will also improve, allowing financial assistance to be better targeted, focused, prioritized and sequenced, and opening space for better needs assessment and more detailed risk analysis.

IPA II will focus on results, instead of outputs, as was the case under IPA I. For that purpose, it introduces performance reserve, as well as possibility for reallocation of financial resources between policy objectives (within country envelope) and between countries.

Unlike IPA I, the European Parliament and the Council will be more involved in decision-making processes about IPA II, on the account of which the Commission's role would mainly be pursued by the Directorate General Enlargement. This solution's advantages are identified in expectations that financial assistance will be more focused and efficient, but disadvantages imply the fact DG Enlargement lacks necessary expertise, which could slow down implementation dynamics of IPA, notably due to time-consuming inter-institutional consultations in Brussels.

IPA II brings changes also in terms of assistance management. Some sectors (programmes/projects) will be centrally implemented such as, for example, regional projects managed by the EC in Brussels. Certain national sectors/projects will also be managed centrally, i.e. they will be implemented by the EU Delegation in Skopje (for example, support to civil society).

2. LEADERSHIP AND STRATEGY

SWAp requires certain conditions such as dedication, leadership and ownership among various stakeholders. In essence, the budget must be organised around policy areas (sectors) and therefore an agreement on the contents of sector policies and the sequencing of steps to implement relevant reform agenda is needed. New programming documents reflect this reality, along with the demand for more realistic multi-annual budget planning. On the other hand, implementation of sector policies demands institutional capacity which, unfortunately, is not among Macedonia's strengths, as noted in EC's Progress Reports. Establishment of effective and inclusive sector coordination structures will be of crucial importance.

Such an approach makes the Government, donors and other key stakeholders work together in a process aimed at improving national ownership over public sector policy and resource allocation decisions within specific sectors, by increasing coherence between policy, spending and results, and by reducing transaction costs. This entails a shift from stand-alone projects to projects that are part of coherent, national sector programme. Sectors are defined as policy areas within competences of relevant line ministries.²

² According to Guidelines issued by the DG ELARG.

SWAp relies on several key principles. First, the sector needs to be relevant in terms of preparation for EU accession.³ Second, international and bilateral donors are consulted before the sector policy document is agreed. And third, institution building or alignment with EU acquis is not considered sector, but specific and relevant cross-cutting objective in all sectors.

IPA II should be a link between financial assistance and the country's EU Agenda contributing to attainment of objectives defined in the Strategy Europe 2020.⁴ In practice, this means that good governance and capacity building will remain core themes, but greater attention will be paid to socio-economic development and sustainable impact. Subsequently, common understanding of SWAp⁵ must exist, making inclusive multi-level sector policy dialogue the most important element of programming that affects preparations for absorption of EU Cohesion Funds and will consider all implementation modalities (unlike IPA I).⁶

³ One sector is not equivalent to negotiation chapter. One and the same negotiation chapter can be relevant for different sectors, and several chapters can be relevant for one sector.

⁴ http://ec.europa.eu/europe2020/index_en.htm

⁵ An example for definition of sector is Justice, Home Affairs and Fundamental Rights", which is comprised of three subsectors: 1. Justice and Judiciary, 2. Home Affairs, and 3. Human and Fundamental Rights. One sector can also be the so-called "non-sector" which includes the so-called EU Integration Facility (similar to the Project Preparation Facility under IPA I) that can provide support for: 1) ad-hoc acquis needs; and 2) participation in Union Programmes.

⁶ In the period 2007-2013, funds available under IPA amounted to 622 million EUR. The objective was to support reform efforts in line with EU law so that the country can be fully prepared to take on the obligations of EU membership. IPA I had five components (Component I: Transition Assistance and Institution Building, Component II: Cross-Border Cooperation, Component III: Regional Development, Component IV: Human Resources Development, and Component V: Rural Development).

3. THE DEVIL IS IN PROGRAMMING

In the upcoming period, two high-level planning documents will be developed: Common Strategic Framework (CSF) and Country Strategy Paper (CSP). CSF will follow the example of Structural Funds and cover all countries and all policy areas to achieve better alignment of financial assistance with EU enlargement policy.

Since these documents set the foundation for further programming, they are developed through consultations between the EU Delegation in Skopje and national authorities, National IPA Coordinator (NIPAC), but also local authorities, economic and social partners, civil society and other so-called "non-state actors". In addition, consultations with the donor community and other international organisations, international financial institutions, EU Member States, regional organizations, etc. will also take place.

CSF is an EC-owned top strategic planning document covering the entire period 2014-2020 and targeting all pre-accession countries and all policy areas. CSF fosters better alignment of financial assistance for enlargement, including political reform, economic and social development, EU acquis and regional cooperation. This document sets out the criteria for financial allocations per country and provides guidelines for financial assistance management and implementation.

Country Strategy Papers (CSPs) are developed by DG Enlargement in partnership with beneficiary countries. These second top strategic planning documents target country-specific priorities for the next 7 years, bearing in mind needs and capacity to deliver reforms. This is the document where specifications on sectors by policy area and level of assistance and types of actions are laid down.

Clear targets and indicators to measure achievements are also part of this document. Sector and subsector needs, priorities and requirements, including expected outcomes by 2020 (results, priorities, challenges and constraints) are specified, which makes this document extremely important. Institutional and legal frameworks, as well as different aid modalities (advantages and disadvantages) make this document the focal point for sector and donor coordination. CSP contains indicative allocations (%) for each intervention sector, performance indicators, monitoring mechanisms, and implementation risks.

Progress achieved per specific objective is assessed against indicators defined in line with the Copenhagen Criteria: political (democracy, rule of law, respect for human rights and fundamental freedoms, justice system and administrative capacity), economic (soundness and effectiveness of social and economic development strategies, progress made towards smart, sustainable and inclusive growth, including through public investments supported by IPA) and legal (body of legislation aligned with EU *acquis*, progress in Union-related institutional reform, including transition to decentralised management of financial assistance). Relevance of regional and territorial cooperation initiatives and evolution of trade flows are also taken into consideration when measuring progress.

CSP contains an overall objective defined for the period 2014-2020, along with several sector programmes needed to modernize the sector and align it with EU standards. It is based on national strategies and development plans and underpinned by EU's overall enlargement policy, Accession/European Partnership(s) and Stabilisation and Association Agreements (SAAs). This document allows EU integration priorities and IPA funds to be strategically planned and sequenced at an early stage. It also includes the indicative amount of financial assistance for the period 2014-2020 which, in the case of Macedonia, is approximately 600 million EUR, similar to the financial assistance committed under IPA I.

In this regard, significant differences are noted between programming of IPA II compared to IPA I. Namely, programming of IPA I financial assistance relied on

so-called Multiannual Indicative Planning Documents (MIPDs) covering a 3-year period and developed annually (2007-2009, 2008-2010, 2009-2011, 2010-2012 and 2011-2013). In other words, financial assistance for different actions and/or projects should be justified by problems and needs identified in this document. In order to prevent stagnation or even regress in reform implementation, MIPDs are revised annually and allow interventions to address particular problems which, due to various reasons, have been undermined or omitted under previous versions of this document.

However, this will not be applicable in the case of IPA II. Development of Multiannual Indicative Planning Documents is abandoned and replaced with Country Strategy Papers (CSPs) covering a 7-year period, with possibility for one revision following the mid-term evaluation planned for 2017. Therefore, CSP should be carefully conceptualized and based on serious and broad consultations with all stakeholders in the country, including the civil society. Moreover, this document is important because it defines sectors to be supported under IPA II. Unfortunately, consultations organized on CSP's draft version went unnoticed by most stakeholders in the country, and the Parliament of the Republic of Macedonia was not consulted as well.

Novelties are introduced also in terms of operational programmes. Previous practices related to development of these programming documents are no longer applied. Namely, operational programmes⁷ are replaced by sector programmes covering a 7-year period. Again, these programming documents will be subject to changes as late as 2017, after the mid-term evaluation.

⁷ IPA Component I implied development of Annual Operational Programmes, while IPA Component II involved development of CBC programmes covering a 7-year period with: Bulgaria, Albania, Greece, and 2-year period in the case of Kosovo. One Operational Programme covering a 3-year period was developed under IPA Component III, while IPA Components IV and V were addressed with Operational Programmes covering a 7-year period with mid-term revision in 2011.

4. SECTORS, PRIORITIES, COMPROMISES, PROJECTS

Relevant deadlines given in the timetable on IPA II programming have already been breached. IPA II Regulation and IPA II Implementing Rules were adopted late. IPA II Regulation was supposed to be adopted by April 2013, while the final version of IPA II Implementing Rules was scheduled for July 2013; however, these documents were adopted in November 2013. Late is development of CSP's draft version, whose adoption was expected by September 2013, but was actually adopted in May 2014. Development of IPA II National Programmes was anticipated to start in autumn 2013, enabling their adoption by the IPA Committee in June 2014.

Delays and breach of tentative deadlines is more than evident. According to updated timetables, IPA National Programmes will be completed by September/October 2014 and will be integrated on IPA committee's meeting agenda scheduled for November 2014. Adoption of National Programmes is expected by the end of this calendar year. Ray of hope is seen in the fact that throughout this period the EU Delegation in Skopje is pursuing regular contacts and consultations with civil society organizations and is open for submission of written comments and suggestions.

In addition to non-compliance with tentative deadlines and timetables, at the moment it seems there are two parallel processes pursued in Macedonia, one initiated by the Government, i.e. Secretariat for European Affairs (SEA), and another initiated by the EU Delegation in Skopje. Unlike the government-led process, the EU Delegation in Skopje was open for consultations and organized them in compliance with predefined deadlines.

Initially, the Government has defined 7 sectors and composed working groups for each of them, as follows: 1) Business Sector Development, Science and Innovation [comprised of representatives from the Secretariat for European Affairs (SEA), National IPA Coordinator, Deputy Prime Minister for Economic Affairs, Ministry of Economy (MoE) and Ministry of Finance (MoF)]; 2) Human Resource Development [representatives from SEA, National IPA Coordinator, Ministry of Labour and Social Policy (MLSP), Ministry of Education (MoE), Ministry of Health (MoH) and Ministry of Finance (MF)]; 3) Agriculture and Rural Development [representatives from SEA, National IPA Coordinator, Ministry of Agriculture, Forestry and Water Economy (MAFWE), IPARD Agency, Food and Veterinary Agency (FVA) and Ministry of Finance (MF)]; 4) Environment and Climate Change [representatives from SEA, National IPA Coordinator, Ministry of Environment (MoE), Ministry of Finance (MF), Deputy Prime Minister for Economic Affairs and Ministry of Transport and Communications (MTC)]; 5) Transport [representatives from SEA, National IPA Coordinator, Ministry of Transport and Communications (MTC) and National Road Agency (NRA)]; 6) Justice and Home Affairs [representatives from SEA, National IPA Coordinator, Ministry of Interior (MoI), Ministry of Justice (MoJ), Ministry of Finance (MF) and Ministry of Defence (MoD)]; 7) Public Administration Reform [representatives from, National IPA Coordinator, Ministry of Information Society and Administration (MISA), Ministry of Finance (MF) and the General Secretariat of the Government of the Republic of Macedonia (GS)].

According to the consultation process with non-state actors that took place in the period 22-30 April 2013, the EU Delegation in Skopje proposed more or less the same priority sectors: 1) Private Sector Development; 2) Social and Human Resources Development; 3) Agriculture and rural development; 4) Environment and Climate Change; 5) Transport and Energy; 6) Justice, Home Affairs and Fundamental Rights; 7) Public Administration Reform and 8) Support of Horizontal Programmes.

Initial and final CSP define 8 sectors, those being: 1) Democracy and Governance; 2) Rule of Law and Fundamental Rights; 3) Environment; 4) Transport; 5) Competitiveness and Innovation; 6) Education, Employment and Social Policies; 7) Agriculture and Rural Development; and 8) Regional and Territorial Cooperation.

According to recent developments and reports, the Government has decided to define programming priority sectors (or “investment” sectors, as it prefers to call them) in the following order of importance: (I) Transport; (II) Environment and Climate Change; (III) Justice; and (IV) Regional and Territorial Cooperation. At the same time, the Government has decided to incorporate “democracy and rule of law” under the subsector on EU Integration, which is covered by two action documents for 2014. To present, the relevant sector programme has not been developed and drafting thereof is expected to happen in the course of 2015. Nevertheless, absence of these programming documents is due to late start of the programming process.

According to announcements made by the Government, the transport sector will include two large scale projects that would account for 80% of financial assistance under the relevant programme (railway track Kriva Palanka – Bulgaria and Corridor X section Gradsko - Drenovo). These projects will be implemented by means of indirect (decentralized) management, whereby responsibility for management of large share of EU funds will fall on the burden of the Government.

Two grant schemes have been announced under the sector on environment and climate change and will concern sustainable environmental development and climate change. Again, hopes are that grant schemes will be implemented by means of indirect management and that authorities will be successful in setting up the Energy Efficiency Fund that has been announced for years, which will secure co-financing for applicant organizations participating in these grant schemes.

As regards the justice sector, the Government plans to develop two separate documents, those being: 3-year Action Programme (2014–2016) and 2014 Action Plan. Implementation thereof is anticipated in compliance with the indirect management system, and should include legal aid grant schemes for CSOs. Furthermore, the Government announced efforts for development of new judicial reform strategy in the upcoming period.

In terms of regional and territorial cooperation, activities are underway for developing 2014 Action Plan, which targets only one policy area: tourism. Priorities defined in this regard include: 1) public local roads; 2) tourist services; and 3) consultations with stakeholders and potential investors in tourism. Grant schemes for small-scale infrastructural projects are also announced. Implementation of projects in this sector is planned as “direct grant awarding” administered by international organizations, such as the United Nations Development Programme (UNDP), German Development Aid (GIZ), World Bank (WB), etc.

Civil society is defined as horizontal issue in all sectors, which is in line with the Motion for Resolution⁸ of the European Parliament (EP) from 19th December 2012 concerning 2012 Progress Report for the Republic of Macedonia, drafted by Richard Howitt on behalf of the Committee of Foreign Affairs. This Resolution points out that the EP: “believes that developing a political culture in which there is respect for a plurality of views from an independent civil society is essential to further democratic progress in the country” and therefore “calls on civil society organisations (CSOs) to safeguard their own independence”. This document, however, also believes that there is “a need for the government to commit to the objective of ‘partnership’ with civil society and to establish a national fund to provide co-financing to enable CSOs to fully participate in EU-related programmes”. Moreover, “it calls for CSOs to be fully involved in programming decisions of the next IPA and for a minimum of 15% of its funds to be allocated to them”.

⁸ RE\922385EN.doc - 2012/2866(RSP)

These proposals are duly reflected in regional draft-programmes on civil society development, which is pursued by so-called horizontal measures. First call for proposals is anticipated in the first quarter of 2015, by merging components planned for 2014 (in the amount of 1 million EUR) and 2015 (in the amount of 1.5 million EUR), whereby the total amount of funding made available to CSOs will reach 2.5 million EUR. Other components would also be merged under one call for proposals with several lots. All projects under this programme would qualify for re-granting. Civil Society Development Programme will be implemented by means of direct management system, i.e. it will be administered by the EU Delegation in Skopje.

5. PARLIAMENTARY OVERSIGHT HEARINGS

Parliament of the Republic of Macedonia initiated comprehensive, several-day hearings on country's implementation track record in terms of IPA. Oversight hearings organized for that purpose pursued a two-fold objective: a) to identify problems in implementation of IPA, for the purpose of accelerating implementation dynamic of future projects and avoiding de-commitment of financial assistance; and b) to incorporate lessons learned from IPA I in programming of IPA II. Committee on European Issues' 42nd session started on 11.7.2013 and continued on 26.7.2013, 11.9.2013, 7.10.2013, 8.10.2013, 9.10.2013, 29.10.2013 and 3.2.2014.

Parliamentary oversight hearings were conceptualized with an objective to pay due attention to all individual components, which resulted in series of oversight hearings distributed within a period of several months. Discussion on the first hearing focused on general insights about IPA utilization in the Republic of Macedonia. Consecutive hearings forming

part of CEI's 42nd session were organized around IPA's five components, with the last hearing dedicated to adoption of conclusions.

In continuation, we analyse general findings reached at parliamentary oversight hearings, with details from witnesses' statements on different IPA components. In general, discussions led in the course of oversight hearings provide the following conclusions:

1. **Manipulation of figures.** At all hearings, governmental officials pursued mass manipulation of figures. Despite longevity and number of hearings held, obvious was that nobody is aware about the exact amount of IPA funds disbursed and the amount of non-utilized funds. No references were made to de-committed financial assistance. Cases were observed when different officials presented different sets of data in the course of one and the same hearing and on same issue.

Evidence thereof is seen at the first hearing when Fatmir Besimi, Deputy Prime Minister for EU Integration, and Zoran Stavreski, Minister of Finance, presented similar absorption rates, but interpreted them differently. Besimi claimed that IPA 2007-2013 amounted to 640 million EUR, of which 190.2 million EUR (37.3%) have been contracted. On the other hand, Stavreski argued that by June 2013, share of IPA funds disbursed accounted for 37%, for all IPA components, and that by the end of the calendar year it would increase to 48%.

These manipulations are straightforward and obvious. Minister Stavreski purposefully did not distinguish between funds "contracted" and "disbursed". Although likely is that funds contracted will be disbursed, that will not happen at the moment, but within a period of 1-2 years, which is the average duration of EU projects. On this account, unclear is how Minister Stavreski calculated an absorption rate of 48%.

2. Modest knowledge/ignorance of IPA issues. Discussions led at oversight hearings resembled sessions called “MP questions”, with countless “pre-arranged” questions being raised and void of any essential engagement in the subject matter. Majority of MPs did not understand IPA, and the Government did not submit relevant documents in advance in order to allow them to prepare for oversight hearings. An impression was gained that hearings are organized to comply with the form and fake democracy, which raises concerns about the need for so many individual hearings at which discussions focused on answering pre-agreed questions.

3. Absent witnesses. Analysis of the list of invited witnesses provides the conclusion that only 45 from total of 66 invited witnesses appeared at oversight hearings, with 21 witnesses deciding to ignore their invitation. Such behaviour is indicative of notorious disrespect for the parliamentary mechanism “oversight hearing” and consequently for the Parliament. Moreover, witnesses who ignored invitations to attend parliamentary oversight hearings include officials and representatives from state institutions (13), civil society representatives (6) and experts (2). For more details, see Table 2 below.

DATE	INSTITUTIONS/GOVERNMENT	CSOS	EXPERTS
11.7.2013	Attending witnesses		
	Fatmir Besimi	Malinka R. Jordanova	Ivica Bocevski
	Zoran Stavreski	Tanja Hafner	
	Leposava A. Velinov	Lidija Dimova	
		Aleksandar Krzalovski	
	Absent witnesses		
	Teuta Arifi		
Vasko Naumovski			
26.7.2013	Attending witnesses		
	Fatmir Ademi		Rizvan Sulejmani
	Radica Koceva		

WHERE ARE WE
IN JULY 2014?

DATE	INSTITUTIONS/GOVERNMENT	CSOS	EXPERTS
11.9.2013	Ivo Ivanovski	Dimitar Mircev	
	Vanco Kargov	Fani K. Panovska	
	Gordana Jankulovska	Zoran Janakiev	
	Orhideja Kaljoseska		
	Absent witnesses		
	Kiril Bozinovski	Ljupco Arnaudovski	Gordan Kalajdziev
		Sani Demiri	
		Suad Misini	
7.10.2013		Aleksandra Bojarovska	
	Attending witnesses		
	Blerim Bedzeti		Menderes Kuci
	Arsenco Aleksovski		
	Zoran Zaev		
	Ivan Frangov		
	Ilco Zahariev		
	Ratko Dimitrovski		
	Absent witnesses		
	Vladimir Talevski	Vladimir Misev	
	Sadula Duraku		
	Nevzat Bejta		
	Zoran Damjanovski		
Zijadin Sela			
Ardita Iljazi			

DATE	INSTITUTIONS/GOVERNMENT	CSOS	EXPERTS
8.10.2013	Attending witnesses		
	Vladimir Pesevski	Ana C. Lesoska	
	Tahir Hani		
	Mile Janakievski		
	Marjan Risteski		
	Absent witnesses		
	Ljupco Georgievski	Biljana Velickovska	
9.10.2013	Attending witnesses		
	Dime Spasov	Lindita Kjazimi	
	Spiro Ristovski	Marjan Zabrcanec	
	Darko Dimitrov	Neda Korunovska	
	Vlatko Popovski		
	Emilija Geroska		
	Dragica Zdraveva		
29.10.2013	Attending witnesses		
	Abdulakim Ademi		Andrija Sekulovski
	Ljupco Dimovski		Petar Georgievski
	Zoran Konjanovski		
	Margarita Deleva		
	Absent witnesses		
	Toni Dimovski		Zlatko Kalenikov
	Dejan Runtevski		
	Jordan Kuzmanovski		

Table 2: Breakdown of witnesses invited and attending IPA oversight hearings

4. **Hate speech targeting civil society activists.** As early as the first hearing, it became obvious that civil society would be “wrongdoer on duty” for all matters discussed. Both, ruling majority and opposition MPs, attacked civil society activists. Such behaviour and treatment of activists is indicative of the environment in which civil society develops, i.e. it is indicative of the democracy level in the state.
5. **Disrespect for obligations.** It should be noted that almost all oversight hearings implied requests for written responses on the part of witnesses invited (for example, MP Vladanka Avirovik requested Lidija Dimova, then acting Executive Director of the Macedonian Centre for European Training (MCET) to submit a written report; MP Cvetanka Ivanova requested Leposava A. Velinov, IPA General Auditor to do the same; MP Bekim Coku requested information in written form from Fatmir Besimi, Deputy Prime Minister for EU Integration; MP Silvana Boneva requested the same from Radica Koceva, Head of the Central Financing and Contracting Department; MP Mile Andonov requested report from Mayor Ratko Dimitrovski; MP Pance Orcev requested Ljupco Dimovski, Minister of Agriculture, to submit a written report, etc.). Except for Leposava A. Velinov and Lidija Dimova, who duly responded to relevant requests for written information and reports, remaining witnesses failed to comply with their obligations, thereby demonstrating obvious disrespect for the house of democracy. It goes without saying that non-compliance with these obligations was not subject to sanctions.

Oversight hearings at the Parliament resulted in drafting of 10 conclusions, submitted to the Government, SEA and the EU Delegation in Skopje, as follows:

1. Republic of Macedonia needs to increase its absorption capacity and address challenges related to efficient use of EU financial assistance.
2. Decentralized institutional system is well established and able to cope with challenges of this process.
3. Relevant administration bodies must address weaknesses identified in terms of their capacity. Capacity building is needed for project development and implementation/management, notably by recruiting qualified and experienced new staff members, and providing training for existing staff members.
4. Better inter-departmental and inter-institutional communication should be established, especially among line ministries, SEA, CFCD, civil society and the EU Delegation.
5. High standards and rules upheld by the EC should be better explained and communicated to citizens and institutions, in order to be better understood and applied.
6. Inconsistencies have been identified in terms of data on IPA absorption, i.e. official figures disposed and presented by state institutions and by civil society are divergent, and sometimes conflicting. Data and information in question must be unified.
7. Mid-term fiscal planning is needed because, in the absence of such planning, the state’s financial capacity would be vague and unclear.

8. Beneficiaries of EU projects should be subsidized in regard to co-financing requirements.
9. Greater involvement is needed on the part of CSOs in utilization of IPA funds.
10. Parliament of the Republic of Macedonia, i.e. CEI and National Council for European Integration (NCEI), should be included in adoption of the Country Strategy Paper and decision-making on priority sectors.

The conclusions enlisted above are vague and lack contents and essence. Moreover, some of them are conflicting (for example, it has been said that the decentralized system is well established, but at the same time reference is made to the need for strengthening and building administrative, technical and absorption capacity of relevant institutions). Particular recommendations, such as establishment of Fund for co-financing EU projects, have been insisted upon by the civil society since 2007.

The conclusions reached at oversight hearings will be further analysed as part of relevant report sections on individual components.

6. IPA MECHANISM

Recommendations put forward by the Parliament of the Republic of Macedonia also include cooperation between the Government and CSOs in IPA programming and development of relevant strategic documents. Unfortunately, although the civil society continuously demands its voice to be heard, the Government pursues consultations and cooperation with civil society merely as decorum. Fortunately, the EU Delegation in Skopje has a different approach to civil society although, truth to be told, these relations can be further improved.

Sector working groups established by the Government do not include representatives of civil society and other non-state actors, and their opinions are not considered at this stage of programming. In this regard, it should be noted that efforts of the EU Delegation in Skopje from April 2013 to organize comprehensive consultations in individual sectors failed to deliver expected results. Although invited, most of credible civil society organizations did not attend consultation events. Instead, participants that did show up come from the private sector, mainly consultants. Main reason indicated by CSOs for their absence was lack of capacity and doubt that they can make meaningful input. Namely, most CSOs contacted said that they are unwilling to participate in and contribute to a process they do not fully understand.

Based on vigilant monitoring of events related to IPA II programming, a group of CSOs⁹ decided to take a step further and addressed

⁹ The group is comprised of following organizations: 1) Centre for Environmental Research and Information "Eko Svest"; 2) Macedonian Centre for European Training (MCET); 3) Analytica; 4) Front 21/42; 5) Reactor – Research in Action; 6) Centre for Civil Communications; 7) European Policy Institute; 8) Zenith; and 9) Foundation Open Society - Macedonia.

Fatmir Besimi, Deputy Prime Minister for EU Integration, with an official letter requesting to be directly involved in programming of IPA II and demanding transparency and openness in drafting of the Country Strategy Paper (CSP). Follow-up activities included meetings with SEA and the EU Delegation in Skopje, at which a conclusion was reached that the civil society should be additionally consulted, in a more meaningful manner.

Subsequently, this group of CSOs led by the Centre for Environmental Research and Information “Eko Svest” submitted a project proposal to the USAID Civil Society Project call for proposals and formally established the IPA Mechanism, whose main goal was to organize a forum for consultations with credible civil society organizations active in their respective fields on the contents of CSP’s last draft. The forum was held on 27-28 February 2014 in Ohrid and was attended by nearly hundred CSOs. According to the agenda, CSOs first discussed matters at plenary session, followed by organization of 7 workshops (each dedicated to one sector defined in CSP, excluding cross-border cooperation, because it is envisaged as horizontal issue). Forum was closed with another plenary session for adoption of conclusions and selection of civil society representatives as nominated members for government-established sector working groups.

Relevant findings and recommendations reached at this forum were submitted to the EU Delegation in Skopje and SEA. Positive is the fact that majority of recommendations put forward have been incorporated in the final version of CSP; however, SEA firmly stands on its position that sector working groups can include only legitimately selected civil society representatives.

7. METHODOLOGY

This Quarterly Accession Watch Report aims to provide an updated assessment of state-of-affairs about funds made available under IPA and their absorption on the part of government institutions and non-state actors, thereby contributing to the Country Strategy Paper, which is the initial point for IPA II programming.

Baseline documents used for this analysis include those adopted by the Government of the Republic of Macedonia and the European Union, as well as media coverage of events related to absorption of IPA funds. Main documents subject to analysis are: Review to the Accession Partnership from 5 February 2010, (hereinafter: Review 2010); National Programmes for the Adoption of the EU Acquis – Revisions 2014, 2013, 2012, 2011, 2010 and 2009 (hereinafter: NPAA 2014, 2013, 2012, 2011, 2010 and 2009); EC Progress Report for the Republic of Macedonia for the years 2013, 2012, 2011, 2010 and 2009 (hereinafter: EC Report 2013, 2012, 2011, 2010 and 2009 Progress Report), Decision of the Council on the principles, priorities and conditions contained in the Accession Partnership with the Republic of Macedonia, Brussels, February 2008 (hereinafter: Accession Partnership). Also, due consideration was made of the Regulation (EU) No. 231/2014 of the European Parliament and of the Council on establishing IPA II and IPA II Implementing Rules. Tentative timeframe was taken from the Action Plan on IPA Planning and Programming from 14th January 2013. Reference documents used in this report include Resolutions adopted by the European Parliament and Annual Reports on Financial Assistance for Enlargement. Finally, the draft version of Country Strategy Paper provides the core of this report.

In addition to Freedom of Information (FOI) applications, the monitoring team conducted desk research and interviews with relevant stakeholders.

It should be noted that this report covers the period 2007-June 2014, i.e. it updates findings presented in the previous Quarterly Accession Watch Report on this subject titled “IPA-Minding”.

11 media outlets were monitored as well, those being: five daily newspapers (Utrinski vesnik; Dnevnik; Vest; Vecer and Nova Makedonija) and prime-time news programmes on six TV stations with national and satellite coverage (Kanal 5; Sitel; Telma; MTV 1; Alfa and Alsat).¹⁰

¹⁰ Media Monitoring is a partnership project implemented with the NGO Info-Centre from Skopje.



ANALYSIS

Analysis presented in this report mirrors IPA's structure per components, as follows: 1) Component I: Technical Assistance and Institution Building; 2) Component II: Cross-Border Cooperation; 3) Component III: Regional Development; 4) Component IV: Human Resource Development; and 5) Component V: Agriculture and Rural Development.

To large extent, findings presented in this report further confirm and verify state-of-play identified and presented in our Twelfth Quarterly Accession Watch Report called "IPA-Minding" from July 2012.¹¹ Nevertheless, for the purpose of continuity, this report occasionally refers to findings presented therein and correlates them to new insight and knowledge gained with the present analysis.

First, readers should be reminded of the breakdown of IPA financial assistance made available to Macedonia, per component and per year, as given in the table below.

¹¹ <http://mcet.org.mk/en/dokument.asp?cnd=54>

IPA Component (in million EUR)	2007	2008	2009	2010	2011	2012	2013
Transitional Assistance and Institution Building	42	41	39	36	29	28	28
Cross-Border Cooperation	4	4	4	5	5	5	5
Regional Development	7	12	21	29	39	42	52
Human Resource Development	3	6	7	8	9	10	11
Rural Development	2	7	10	13	16	19	21
TOTAL	58	70	81	91	98	104	117

Table 3: IPA financial envelope for the Republic of Macedonia, per component and per year

Data presented above allow the conclusion that under IPA 2007-2013 the Republic of Macedonia is allocated around 620 million EUR in non-refundable assistance. In the first two years (2007 and 2008), the highest amounts of funds are allocated to Component I, whereas funds allocated to Components III, IV and V show significant increase in amount in later years, on the detriment of assistance allocated under Component I. Due consideration has been made of the fact that in the first year efforts would be focused on developing operational programmes and capacity building for the purpose of obtaining accreditation for decentralized management of IPA funds, which is a precondition for utilization of financial assistance under Components III, IV and V. Situation observed in terms of IPA Component II (Cross-Border Cooperation) is linear: lower amounts of funds are allocated in the first and second year of implementation, i.e. until relevant operational programmes are developed, followed by annual increase of 25% for the remaining period of the financial framework. Nevertheless, analysis presented further in this report and structured around IPA components shows whether absorption of funds mirrors the dynamics of funds committed.

In addition to relevant information and reports on IPA implementation, the analysis incorporates discussions led at the Parliament of the Republic of Macedonia, as part of oversight hearings on IPA utilization, in general and per component.

1. COMPONENT I: TRANSITIONAL ASSISTANCE AND INSTITUTION BUILDING

From the total pool of 622 million EUR intended to support reform processes in the Republic of Macedonia in the period 2007-2013, around 243 million EUR are programmed under IPA Component I: Transitional Assistance and Institution Building. Funds committed under IPA 2007 and almost all funds under IPA 2008 have been fully absorbed, but projects financed under IPA 2009 are still in process of implementation.

Programming of financial assistance for years 2007, 2008, 2009 and 2010 applied the Project-Based Approach (PBA), and the Sector-Wide Approach (SWAp) was first applied in programming of IPA 2011. Consequently, sector-wide approach was also applied in programming of 2012 and 2013 funds, which allows the conclusion that Macedonia has gained certain experience in sector programming.

It should be noted that National IPA 2007 and 2008 were managed by the EU Delegation in Skopje (centralized management system), in

compliance with Article 53a of the Financial Regulation¹² and IPA Implementing Rules.¹³ On the other hand, National IPA 2009, 2010, 2011, 2012 and 2013 were managed by relevant IPA structures established in the Republic of Macedonia, i.e. after relevant national authorities were accredited and conferred decentralized management powers by the EC.

Below is the overview of utilization of financial assistance under IPA Component I, by June 2014.

1.1. Where is the money?

Around 48 projects have been implemented under National IPA 2007, excluding funds disbursed from the Project Preparation Facility (PPF) and funds paid as entry tickets for Macedonia's participation in Community Programmes. Total amount of funds committed under IPA Component I accounted for 41.46 million EUR.

As regard modality of projects implemented, 18 of them were implemented as technical assistance, 4 were twinning projects, 1 project was implemented as direct grant, 16 projects concerned construction works and 8 were procurement projects. Twinning project benefiting the Agency for Supervision of Fully Funded Pension Insurance was cancelled

on the account of untimely announcement of the project call. Namely, no Member State applied on the open call announced and it was too late to re-announce it. All funds available under this component have not been spent, since competent authorities managed to accrue financial savings (for example, when consulting companies bid prices lower than actual amount of funds available, difference in funds is considered financial saving).

Similar is the situation observed in terms of National IPA 2008. Following is the breakdown of 48 project contracts, in total value of 41.12 million EUR, according to their implementation modality: 22 projects were technical assistance, 4 were twinning projects, 4 projects were implemented as direct grants, 1 project concerned construction works and 17 were procurement projects. Again, one project was cancelled (custom administration system CCN/CSI, in total amount of 200,000 EUR), whereas initial deadline for start of TETRA II project (again intended for the Customs Administration) was postponed by 6 months.

Total amount of financial assistance committed under National IPA 2009 Component I accounted for 39.31 million EUR. This is the first programme implemented by national IPA structures, i.e. the Central Financing and Contracting Department (CFCD) at the Ministry of Finance. However, the EC retained its right to implement 3 projects, those being: 1) participation in Community Programmes and Agencies; 2) preparatory measure for participation in Lifelong Learning and Youth in Action Programmes; and 3) revision of legal, organizational and resource capacity at the National Bank in view of its accession to the European Central Bank and European System of Central Banks.

Two of three projects directly implemented by the EC can be logically explained, i.e. such approach was applied for the purpose of more efficient attainment of results. However, there is no clear explanation

¹² Council Regulation (EC, Euratom) No. 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 248, 16.9.2002, pg. 1) and last round of amendments thereto (EC, Euratom) No. 1995/2006 of 13 December 2006 (OJ L 390, 30.12.2006, pg. 1).

¹³ Commission Regulation (EC, Euratom) No. 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No. 1605/2002 (OJ L 357, 31.12.2002, pg. 1) and amendments thereto No. 478/2007 of 23 April 2007 (OJ L 111, 28.4.2007, pg. 13).

offered for EC's decision on centralized implementation of the second project. On the contrary, it raises doubts that only reason behind centralized management of this project are previous negative experiences with the National Agency for European Educational Programmes and Mobility (hereinafter: the National Agency), when Brussels suspended financial assistance to the National Agency on the grounds of suspicious allocation of funds to youth organizations close to the ruling authorities.¹⁴

As regards project implementation modality, IPA 2009 included 19 projects on technical assistance, 2 twinning projects, 4 direct grants, 1 project on construction works and 5 procurement projects.

By 21 December 2013, 90% of funds committed under IPA 2009 have been contracted. Nevertheless, it should be noted that deadline for contract signing in compliance with the rule "n+3", where "n" is the programming year, i.e. 2009, was already extended. Therefore, instead of completing implementation of IPA 2009, financial assistance committed thereunder was contracted late.

IPA 2009 differs also in terms of project modifications, which unduly delay implementation of projects. In its official letter dated 1st June 2011, the Government requested modifications to several projects. The EC approved these modifications as late as end of 2012, which ultimately resulted in extension of relevant deadlines by one year.

IPA 2010 amounted to around 37 million EUR, intended for 31 project contracts, of which 9 were technical assistance, 9 were twinning projects, 3 were direct grants, 3 projects concerned construction works,

and 7 were procurement projects. In reality, this programme is known for the highest number of twinning projects in the fields of: public administration reform, capacity building for EU membership negotiations, anticorruption, freedom of movement for workers, veterinary policy, public revenue and custom duties, and environment.

Final deadline for contracting IPA 2010 was December 2013, but the Government yet again requested extension by one year (December 2014). The EC has still not taken a decision upon this request. To present, only one contract has been signed (procurement of vaccines for the benefit of the Food and Veterinary Agency, in total amount of 1.18 million EUR). In case the EC does not approve requested deadline extension, Macedonia risks de-commitment of around 36 million EUR.

This programme was also subjected to extensive modifications of already developed project fishes for the following beneficiaries: 1) Food and Veterinary Agency; 2) Ministry of Information Society and Administration; 3) Public Revenue Office; 4) Ministry of Interior; 5) Ministry of Culture; and 6) Ministry of Justice.

Financial savings in the amount of around 2 million EUR have been accrued and are primarily due to payment of entry tickets for participation in Community Programmes and Agencies. After relevant consultations between SEA and the EU Delegation in Skopje, a decision had been taken for these funds to be re-allocated in support of regional economic development, and in support of the farming sector, in particular by obtaining accreditation for new measures. Be that as it may, it should be noted that final approval of all modifications is still pending, including re-allocation of funds saved under different projects. In other words, all projects programmed under IPA 2010 are at risk.

¹⁴ For more information, see the Nineteenth Quarterly Accession Watch Report titled "Killer Assumption", available at <http://mcet.org.mk/mk/documents.asp>

National IPA 2011 amounted to 29 million EUR and programming thereof, for the first time, applied the sector-wide approach. This programme is comprised of 6 sectors, those being: 1) Public Administration Reform (addressed with following projects: 1 technical assistance, 1 twinning project, 1 procurement and 1 grant scheme); 2) Justice, Internal Affairs and Fundamental Rights (by means of 3 twinning projects and 1 procurement); 3) Private Sector Development (1 technical assistance contract); 4) Agriculture and Rural Development (1 twinning project, 1 technical assistance contract and 2 procurement contracts); 5) Social Development (2 technical assistance contracts, 1 procurement contract and 1 construction works contract); and 6) Support and Other Activities (2 technical assistance contracts, 2 twinning projects, and 1 procurement contract).

Again, the Government is requesting modifications to project fiches in several sectors, as follows: 1) Freedom of Expression; 2) Rule of Law; 3) Agriculture and Rural Development; 4) Public Administration Reform and e-Governance; 5) Local Integration of Refugees, Internally Displaced Persons and Minorities; and 6) Implementation of Legal Framework on Receivership and Voluntary Liquidation of Companies.

At the moment, activities are underway in relation to the procurement plan, which is still in initial stages of development, but spending of funds has not started.

National IPA 2012 and 2013 was developed by applying the sector approach and financial assistance committed under this programme amounts to around 28 million EUR in 2012 and around 27 million EUR in 2013. The EC has adopted, i.e. approved the programme, but the Financing Agreement is not signed. Projects planned should be contracted within a period of 3 years from the Financing Agreement's signing and should be implemented within a period of 2 years from being contracted.

As was the case before, this programme is also comprised of 7 sectors, those being: 1) Public Administration Reform; 2) Justice, Internal Affairs and Fundamental Rights; 3) Strengthening Operational and Institutional Capacity of the Customs Administration; 4) Private Sector Development; 5) Environment and Climate Change; 6) Agriculture and Rural Development; and 7) Support and Other Activities, especially by means of capacity building for efficient management and auditing of EU funds.

Expectations are that the Government would again pursue modifications to projects programmed under relevant sectors.

To present, no funds allocated under this programme have been contracted and disbursed.

1.2. Large share of funds for consultants

Analysis of annual programmes provides the conclusion that among all project implementation modalities, the Government primarily relies on several, most prominent being technical assistance, on the detriment of other modalities such as, for example, budget support. In other words, the Government considers technical assistance to be the most adequate model for institution building (i.e. IPA Component I).

Technical assistance projects (or service contracts) are, most often or exclusively, awarded to foreign consulting companies at open calls for proposals, and they come to Macedonia to implement project activities.

Twinning projects are also considered institution building instruments, but in these cases assistance is exclusively provided by counterpart institutions from EU Member States. Most often, this modality is applied in cases of relatively new institutions that need to be developed and transformed into EU institutions. However, the national institution requesting twinning projects must have achieved particular level of development in order to be able to benefit from assistance provided by its counterparts from EU Member States. In other words, the institution in question must have sufficient number of employees, adequate operational budget and established track record. Twinning projects are an excellent instrument for establishment of closer relations with EU Member States and can be used by Macedonian institutions for membership lobbying. Selection of twinning partners or counterpart institutions/organizations is pursued by means of open calls. There are two types of twinning projects: regular twinning projects and so-called “light” or mini twinning project that can last for shorter period of time (around 6 months), unlike regular twinning project that might last up to 2+1 years.

Grant schemes or direct grants imply project awarding to other social actors, most often, but not exclusively, civil society organizations. Grants can be disbursed directly (without launching call for proposals) and as grant schemes, announced by means of calls for proposals. Direct grants under IPA have been awarded to renowned international organizations, such as UNICEF, International Organization for Migration (IOM), Council of Europe, etc.

Construction works are common for projects that imply infrastructural endeavours. Most often, these projects are accompanied with grant schemes and technical assistance. Examples thereof are infrastructural projects for municipalities implemented under IPA 2007, whereby technical assistance concerned development of selection and

application criteria, including supervision of construction works under infrastructural grants awarded to municipalities.

Finally, procurements are organized and implemented in cases of equipment needed (most often, software and hardware) for successful implementation of particular project. Procurements are rarely implemented as individual or stand-alone projects and often they are part of another, most commonly, technical assistance project. Examples thereof are identified in projects benefiting the Ministry of Interior and the Customs Administration.

Other project implementation modalities include budget support, by means of which IPA funds are channelled to the state’s central budget and are used to support implementation of particular reform projects. However, the EC does not favour this type of assistance due to its lack of capacity for monitoring and overseeing and therefore budget support is usually conditioned by standing arrangements with the International Monetary Fund, in which case it is IMF that assumes responsibility for overseeing disbursement of funds.

Table 4 below provides an overview of most important modalities for utilization of IPA funds in the period 2007-2011. Relevant procurement plans have not been developed for IPA 2012 and 2013; however, we firmly believe that valid and relevant conclusions can be inferred even in the absence of such data.

Year	Amount (in mil. EUR)	PROJECTS				
		Technical assistance	Twinning	Grant	Construction works	Procurements
2007	41.64	18	4	1	16	8
2008	41.12	22	4	4	1	17
2009	39.31	19	2	4	1	5
2010	37	9	9	3	3	7
2011	29	7	7	1	1	6
2012	28	/	/	/	/	/
2013	27	/	/	/	/	/
Total	243.06	75	26	13	22	43

Table 4: Project implementation modalities under IPA Component I in the Republic of Macedonia

As shown in the table, most frequently used modality in the Republic of Macedonia is technical assistance. In other words, among total of 179 projects, technical assistance accounts for as many as 75 projects, while the least frequent modality are grants. Such distribution of project modalities might be odd, given that technical assistances implies that funds are disbursed to foreign consultants implementing project activities (with most funds spent on their salaries). On the other hand, in cases of grant schemes IPA funds are disbursed to in-country actors and they are fully absorbed, i.e. spent by civil society organizations from Macedonia.

According to our research study,¹⁵ IPA 2008 grant scheme intended for civil society organizations financed 14 projects in total amount of 0.7 million EUR. More specifically, funds disbursed under this grant scheme, for a period of one year, secured salaries and salary contributions for around 30

persons, while additional 1,000 persons benefited from additional income, in average amount of 100 EUR.

This does not mean that the Government should fully abandon technical assistance and that IPA is intended to secure jobs or temporary engagement for unemployed people, since its primary goal is to support implementation of reform processes in the beneficiary country. On this account, technical assistance has been and will be needed, given the fact that the state and its institutions lack capacity to fulfil certain commitments and tasks. Be that as it may, the Government can and should be more creative and anticipate mandatory partnership with local organizations/entities under relevant Terms of Reference, whereby at least 15% of project budget funds should be managed by in-country partners. In other words, in cases of technical assistance projects worth 1 million EUR, 100,000 EUR thereof should be budgeted to the benefit of local organizations/entities. This would render projects more sustainable, knowing that certain expertise will remain in the country and will contribute to capacity building of local organizations, especially in terms of EU project management.

¹⁵ For more details, see Eighteenth Quarterly Accession Watch Report titled "Win-Win Policy", available at http://mcet.org.mk/ckfinder/files/Izvestaj%2018%20mk_web2.pdf

Moreover, such projects would have an added value identified in fast Europeanization of the society as a whole, particularly due to direct involvement of non-state actors in implementation of IPA projects.

1.3. Endless modifications

Another prominent characteristic of IPA Component I is the fact that almost every year, relevant programmes are subjected to modifications, i.e. changes. Such changes are a result of two major problems: 1) authorities' short-term perspectives, because they are mainly pre-occupied with matters until the next election cycle, instead of being committed to strategic development of the Republic of Macedonia; and 2) modest capacity of civil servants who, in absence of adequate long-term National Development Plan (NDP) and planning tools, cannot develop plans for a period longer than two years.

Unfortunately, EU funds are programmed for a longer period of time and relevant procedure applied in that regard does not include copy-pasting of projects. For example, it should be noted that projects planned or programmed under IPA 2009 will actually be implemented in 2012. There are no doubts that civil servants are experts in their respective fields, but they cannot take political decisions (on financing one project instead of another). Political decisions must be taken by political leaders, thereby enabling civil servants to perform their tasks and duties.

On the contrary, funds committed will be subject to continuous modifications, as is the case in Macedonia. Moreover, modifications show that projects have been poorly programmed in the first place. At the same time, modifications are time-consuming as they need to be approved by Brussels, i.e. by competent Directorates General. Ad-

ditional complications are created by the fact that requests for modifications concerning particular year/programme often result in delayed implementation of projects anticipated under next programmes, as they trigger new round of modifications to future projects. Practices like this create a vicious circle which, sooner or later, results in late implementation of projects or exposes them to risks, especially to risk for de-commitment of funds. In continuation, we enlist modifications requested and made to IPA 2011, which are duly analysed and commented:

1. **Freedom of Expression.** Modification requested concern change of the beneficiary institution due to changes made to domestic legislation (i.e., Broadcasting Council should be replaced with Agency for Audio and Audio-Visual Media Services), which is indicative of ruling authorities' ease in pursuing changes to relevant legislation without making due consideration of possible consequences created by such changes.

Another modification request concerns re-allocation of twinning project funds to procurement of equipment for the Agency's mobile monitoring units. In that, the amount of technical assistance is increased (933,000 EUR), while the amount of twinning activities is reduced (800,000 EUR), which ultimately results in increased project budget of 1,733,333 EUR. Here it should be noted that share of IPA funds is the same (1,460,000 EUR) and national co-financing is increased to 273,333 EUR, instead of 140,000 EUR, as initially planned.

Unclear is the Agency's need for such mobile monitoring units, especially knowing that e-Government is defined among the Government's top priorities. In truth, media monitoring can be achieved without the institution's physical presence, i.e., the competent institution could contract another organization/entity to perform these services.

Last but not least, these funds had been allocated for the benefit of media, on request made by the Macedonian Centre for European Training (MCET) in the course of programming consultations. Although these funds were initially envisaged to support the twinning project benefiting the Association of Journalists in Macedonia, which should have strengthened this association and built its capacity to fight monopoly positions of particular TV outlets, the funds in question are programmed for completely different purpose. From this time distance, the question is raised: “Do we make more harm than good allowing funds to be abused by the Government and, unfortunately, by the EC?”

2. **Rule of Law.** In addition to budgetary modifications (increase of procurement budget to 600,000 EUR and decrease of twinning budget to 942,500 EUR), this project also includes change of contents: revision of project goals and activities, in order to allow the Ministry of Justice to enter broad consultations with stakeholders.
3. **Agriculture and Rural Development.** Instead of initially planned “further support to the Agency for Financial Support in Agriculture and Rural Development (AFSARD) and its gradual transformation from IPARD Agency to Payment Agency with broad competences”, modifications anticipate “further strengthening of AFSARD and its preparation for the programming period 2014-2020”. This is indicative of lowered expectations from this institution, although the amount of financial assistance remains the same.
4. **Public Administration Reform and e-Governance.** This project fiche is not finalized on the account of negotiations with an international financial institution concerning project modality. This shows that the Government does not perceive IPA as strategic assistance, but rather as financial assistance that should compensate budget gaps created by credits and loans taken from financial institutions.

5. **Local Integration of Refugees, Internally Displaced Persons and Minorities.** Modifications are needed due to change of Senior Programming Officer (SPO) at the Ministry of Labour and Social Policy, which is a major problem in terms of institutional memory. Moreover, changes concern project timeline and introduce support for implementation of Local Action Plans developed under the Decade for Roma Inclusion. Again, the Government is stubbornly pursuing implementation of its National Roma Strategy with IPA funds, while budget funds allocated for that purpose disappear from the balance sheets with each new budget adjustment.

6. **Implementation of Legal Framework on Receivership and Voluntary Liquidation of Companies.** Modification requested concerns updating project activities and outcome, in order to align them with the new Law on Receivership. Unclear is why the Government requested such modification with this project, instead of simply changing relevant Terms of Reference.

The analysis presented above provides the conclusion that most modifications are a result of absence of actual and truthful strategic framework on reform implementation in particular policy areas, i.e. they are a result of inconsistent activities.

1.4. What does IPA General Auditor say?

On the occasion of oversight hearings held at the Parliament and concerning utilization of IPA funds in the Republic of Macedonia, the IPA General Auditor, Ms. Lepasava A. Velinov, submitted written responses to questions raised by MP Cvetanka Ivanova, which confirmed most problems identified and presented in our Quarterly Accession

Watch Report titled “IPA-Minding”. Namely, IPA Audit Authority has identified series of weaknesses and irregularities in utilization of IPA funds, as follows:

- Frequent change of employees in administrative bodies (IPA operating structures) due to inadequate human resource management.
- Funds are inadequately planned as part of operational programmes, which contributes to untimely start of procurement procedures and risk from de-commitment of IPA funds.
- Tender documents are of inadequate quality, which results in late launch of tender procedures and contracting.
- Partial compliance with terms and conditions defined under project implementation contracts, late start of project activities and inadequate monitoring of project implementation on the part of IPA operating structures.
- The Management Information System (MIS) is not functional.
- Accounting records are still developed in MS excel spreadsheets.
- Insufficient capacity for internal audit, i.e. control of IPA funds.
- Unrealistic deadlines are indicated in relevant action plans for addressing weaknesses identified by accredited administrative bodies tasked with IPA management and supervision.
- Dissemination of public information to final beneficiaries is inadequate and untimely.

All above-enlisted problems can be easily solved and exclusively depend on the will of ruling authorities. Political party recruitment and employment are particularly visible in IPA operating structures. Namely, once employees have been recruited and deployed to these structures, they undergo extensive training provided as part of IPA projects. Unfortunately, at the moment when their political party (VM-RO-DPMNE and DUI) perceives a particular need for profiled staff at another state administration body, new “waves” are announced with “bells and whistles” and IPA staff is re-deployed to other institutions, i.e. already trained staff is referred to posts that do not require skills and knowledge they have been equipped with.

Untimely programming of funds is a result of the poor budgeting process in the Republic of Macedonia, while poor quality of tender documents and inadequate project administration are indicative of insufficient capacity at relevant structures.

The greatest irony is seen in the fact that although the state is exceptionally proud of its e-Government activities and has spent enormous amounts (in millions) on procurement of computers, there is no actual political will for timely procurement of MIS. Defeating is also the fact that Macedonia lacks capacity to implement internal controls.

Failure to inform final beneficiaries is indicative of non-transparent practices pursued by the Government.

The EC has reiterated the fact that Ministry of Finance’s Central Financing and Contracting Department is understaffed, which ultimately threatens implementation of IPA funds. Furthermore, members of evaluation committees are appointed late. Another problem is identified in untimely provision of national co-financing for EU projects.

2. COMPONENT II: CROSS-BORDER COOPERATION

Ministry of Local Self-Government of the Republic of Macedonia (MLSG) is the competent national authority responsible for coordination and implementation of IPA Component II: Cross-Border Cooperation. As part of its competences, by late 2006 and early 2007, MLSG initiated activities for IPA programming, development of CBC operational programmes with Republic of Albania, Republic of Bulgaria and Republic of Greece. In addition, MLSG ensured Macedonia's participation in the SEE Transnational Cooperation Programme¹⁶ and is responsible for activities implemented under this programme as well.

In 2009, MLSG started developing CBC Operational Programme with Republic of Kosovo. This Programme was developed late due to 2007 political disagreements with the Republic of Serbia, which were resolved in the course of time.

– IPA CBC Operational Programme between Macedonia and Bulgaria, covering a 7-year period (2007-2013) and officially approved by the EC on 14th December 2007;

– IPA CBC Operational Programme between Macedonia and Greece, covering a 7-year period (2007-2013) and officially approved by the EC on 5th September 2008;

– Development of IPA CBC Operational Programme between Macedonia and Kosovo started in late 2009. Relevant operating structures established in Macedonia and Kosovo, together with relevant representatives, i.e. working group members, developed the Draft CBC Operational Programme by the given deadline (30th April 2010). The EC officially approved this programme on 8th December 2010.

Table below provides a breakdown of financial assistance under IPA Component II for the Republic of Macedonia, per year.

	2007	2008	2009	2010	2011	2012	2013
IPA Component II	4.538.387	3.947.288	4.126.242	4.495.361	4.495.268	3.595.773	4.456.889

Table 5: Financial envelope of IPA Component II: Cross-Border Cooperation for the Republic of Macedonia (in EUR)

Following is the list of CBC operational programmes covering the financial perspective 2007-2013, in order of their adoption:

– IPA CBC Operational Programme between Macedonia and Albania, covering a 7-year period (2007-2013) and officially approved by the EC on 18th December 2007;

Main goal pursued by IPA CBC Operational Programmes is sustainable development of border regions in support of broader efforts for EU cooperation and integration.

¹⁶ Programme is defined as part of objectives for the European Territorial Cooperation for the period 2007-2013 and includes all EU Member States, but also Non-Member States which benefit from IPA or the European Neighbourhood Policy Instrument (ENPI).

2.1. CBC Macedonia-Albania

First we analyse IPA CBC Macedonia-Albania. For the entire implementation period, this programme is centrally managed by the EU Delegations in Skopje and Tirana, which are responsible for grant awarding and contract signing with beneficiary organizations from both sides of the border.

Both IPA beneficiary countries have established the necessary operating structures (at competent line ministries) and tasked them with management of joint technical bodies, those being:

1. Joint Technical Secretariat seated in Struga, Republic of Macedonia;
2. Satellite Office in Elbasan, Republic of Albania.

Operating structures are responsible for launching and implementing calls for proposals, which include following activities: announcement of calls for proposals, collection and evaluation of project proposals, etc. CBC decision-making body is the Joint Monitoring Committee comprised of representatives from central and local level institutions, including civil society organizations, from both countries.

Total of three calls for proposals were launched and implemented under this programme.

First call for cross-border cooperation between Macedonia and Albania disposed with total of 1,020,000 EUR, of which 680,000 EUR were allocated for project activities in the Republic of Macedonia.

17 projects were approved and implemented, whereby 571,270.46 EUR of IPA funds were disbursed for project activities in the Republic of Macedonia.

Second open call for cross-border cooperation between Macedonia and Albania disposed with total of 3,525,000 EUR, of which 2,200,000 EUR were allocated for project activities in the Republic of Macedonia. Only 8 project contracts were signed under this open call, whereby 662,447.46 EUR were disbursed for activities in the Republic of Macedonia.

Evaluation of project proposals submitted to this call was time-consuming and resulted in failure to contract all funds available by the indicated deadline. Hence, around 1,500,000 EUR intended for beneficiary organizations in the Republic of Macedonia were lost, i.e. de-committed.

Third call for cross-border cooperation between Macedonia and Albania disposed with total of 4,995,000 EUR, of which 2,700,000 EUR were allocated for project activities in the Republic of Macedonia. 25 project contracts were signed under this call, whereby 2,680,203 EUR were contracted and disbursed to beneficiary organizations from the Republic of Macedonia.

CBC Macedonia – Albania				
Call for proposals	Total funds	Macedonia	No. of projects	Disbursed funds
1 st call	1.020.000	680.000	17	571.270,46
2 nd call	3.525.000	2.200.000	8	662.447,46
3 rd call	4.995.000	2.700.000	25	2.680.203

Table 6: Breakdown of financial assistance under IPA Cross-Border Cooperation between Macedonia – Albania (in EUR)

In the course of 2012, the EC decided to intervene in both countries, whereby annual allocations for CBC Operational Programmes 2012 and 2013 (in total amount of 1,700,000 EUR for Macedonia) were re-allocated from IPA Component II to IPA Component I: Transitional Assistance and Institution Building. According to 2012/2013 Annual Report on Financial Assistance for Enlargement, the reason indicated for this decision is “poor track record of the bilateral cross-border cooperation programme with Albania”.¹⁷ Unfortunate is the EC’s failure to design another, wiser solution targeting capacity building of operating structures and potential beneficiaries of CBC programmes, instead of pursuing re-allocation of funds.

Analysis of this programme provides the conclusion that it was predominantly implemented by means of so-called soft projects, which are often implemented by civil society organizations and/or chambers of commerce. Compared against other CBC operational programmes, participation of municipalities/municipal administrations in CBC Macedonia-Albania is very low. In cases where municipalities do appear as project holders, usually they are local governments from the programme’s south region (Bitola, Ohrid), which are more experienced and learned in implementing cross-border cooperation projects as part of CBC Macedonia-Greece.

As regards quality of projects implemented, it should be noted that start of programme implementation overlapped with partnerships building among relevant stakeholders and participants. Therefore, the most frequent type of activities concerned experience exchanges and establishment of cooperation fora.

¹⁷ http://ec.europa.eu/enlargement/pdf/key_documents/2013/2012_ipa_annual_report_with_annex_new_en.pdf

2.2. CBC Macedonia – Greece

For the entire financial perspective (2007 – 2013), CBC Macedonia - Greece was implemented pursuant to transitional agreements, whereby the EU Delegation in Skopje acted as the contracting authority responsible for programme implementation in the Republic of Macedonia and the relevant body on European Territorial Cooperation acted as the contracting authority responsible for programme implementation in the Republic of Greece.

On this account, relevant national institutions (operating structures at MLSG in the Republic of Macedonia and relevant body at the Ministry of Development, Competition and Transportation of the Republic of Greece) have established partnership relations and directly manage the joint technical bodies, those being:

1. Joint Technical Secretariat seated in Thessaloniki, Republic of Greece;
2. Satellite Office in Bitola, Republic of Macedonia.

Operating structures and management bodies are responsible for launching and implementing calls for proposals, dissemination of public information, collection and evaluation of project proposals, etc. CBC decision-making body is the Joint Monitoring Committee comprised of representatives from central and local level institutions, including civil society organizations, from both countries.

First call for cross-border cooperation between Macedonia and Greece disposed with total of 6,188,651 EUR for project activities in both countries. Funds intended for project activities in the Republic of Macedonia amounted to 2,251,302 EUR. Total of 18 projects were approved and implemented under this call.

Second call for cross-border cooperation between Macedonia and Greece disposed with funds in total amount of 14,010,347 EUR, of which 4,923,065 EUR were allocated for project activities in the Republic of Macedonia. Project contracts were signed with 20 beneficiary institutions. Total amount of funds disbursed to beneficiary organization from the Republic of Macedonia accounted for 4,850,623.78 EUR. To present, only one project is fully implemented and one project had been terminated by the EU Delegation in Skopje on the grounds of established irregularities in project implementation.

Third call for cross-border cooperation between Macedonia and Greece disposed with total of 7,514,217 EUR, of which 3,514,217 EUR were allocated for project activities in the Republic of Macedonia. Here, it should be noted that contract signing with selected applicant organizations is underway and funds intended for project activities in the Republic of Macedonia are expected to be successfully absorbed and implemented.

Having in mind that cross-border cooperation with Greece had already been initiated under the previous financial instrument called CARDS,¹⁸ partners participating in joint projects implemented under this programme are diverse. However, dominant share of projects and activities implied cooperation between municipalities from both sides of the border.

Significantly higher amount of funds made available under this programme allowed implementation of infrastructural projects, which are common for local governments. Hence, effects of activities implemented go beyond the borders of the programme's territory. It should be noted that projects implemented under this programme also include cooperation between academic institutions, health care facilities, fire-fighting brigades, etc.

CBC Macedonia - Greece				
Call for proposals	Total funds	Macedonia	No. of projects	Disbursed funds
1 st call	6.188.651	2.251.302	18	
2 nd call	14.010.347	4.923.065	20	4.850.623,78
3 rd call	7.514.217	3.514.217	/	/

Table 7: Breakdown of financial assistance under IPA Cross-Border Cooperation between Macedonia and Greece (in EUR)

¹⁸ Community Assistance for Reconstruction, Development and Stabilization (CARDS)
This financial instrument was used in the period 2002 - 2006.

2.3. CBC Macedonia - Bulgaria

For the entire financial perspective (2007 – 2013), CBC Operational Programme between Macedonia and Bulgaria was implemented by means of the so-called “shared management” system, whereby the relevant body in the Republic of Bulgaria is responsible for contract signing with project partners and project holders, irrespective of the fact whether they are seated in Macedonia or Bulgaria. Partnership relations between national institutions include operating structures established at MLSG, which acts as the responsible national body, and the relevant body at the Ministry of Regional Development in the Republic of Bulgaria. These operating structures are responsible for direct management of joint technical bodies, those being:

1. Joint Technical Secretariat seated in Kustendil, Republic of Bulgaria;
2. Satellite Office in Strumica, Republic of Macedonia.

National body and management body are responsible for launching and implementing calls for proposals, i.e. announcement of calls, collection and evaluation of project proposals, contract awarding and signing, first and second level financial supervision, etc. CBC decision-making body is the Joint Monitoring Committee comprised of representatives from central and local level institutions, including civil society organizations, from both countries.

First call for cross-border cooperation between Macedonia and Bulgaria disbursed funds programmed and committed for the period 2007-2009 and amounted to 6,172,804 EUR, of which 2,990,000 EUR were allocated for project activities in the Republic of Macedonia. Total of 35 projects were approved and funded under this call. Total amount of funds contracted with beneficiary organizations from the Republic of Macedonia accounted for 3,490,280 EUR.

Second call for cross-border cooperation between Macedonia and Bulgaria disposed with total of 8,036,291 EUR intended to support project activities on both sides of the border. IPA funds programmed for beneficiary organizations from the Republic of Macedonia amounted to 2,730,000 EUR. 33 projects were approved and implemented under the second call.

Third call for cross-border cooperation between Macedonia and Bulgaria disposed with total of 4,861,463.23 EUR, of which 2,397,616.39 EUR were allocated for project activities in the Republic of Macedonia. 27 project contracts were signed under the third call.

Implementation of CBC Macedonia - Bulgaria also started under the previous financial instrument, i.e. CARDS. Partners participating in joint projects implemented under this programme are more experienced. High number of municipalities covered by this programme appears as project holders and usually implement infrastructural or investment projects.

CBC Macedonia - Bulgaria				
Open call	Total funds	Macedonia	No. of projects	Disbursed funds
1 st call	6.172.804	2.990.000	35	3.490.280
2 nd call	8.036.291	2.730.000	33	/
3 rd call	4.861.463,23	2.397.616,39	27	/

Table 8: Breakdown of financial assistance under IPA Cross-Border Cooperation between Macedonia and Bulgaria (in EUR)

As was the case observed in terms of CBC Macedonia - Greece, this programme disposed with higher allocations and budget, which allowed implementation of projects with broader effects in the field.

Projects implemented under this programme include cooperation between academic institutions, sports clubs and various associations cherishing and fostering cultures and traditions in the border regions.

2.4. CBC Macedonia - Kosovo

For the entire financial perspective (2007 – 2013), CBC Macedonia - Kosovo is implemented under the centralized management system, whereby the EU Delegations in Skopje and Pristina are responsible for contract signing with beneficiary organizations from both sides of the border.

Both countries have established relevant operating structures (at competent line ministries) tasked with direct management of joint technical bodies, those being:

1. Joint Technical Secretariat seated in Kumanovo, Republic of Macedonia and
2. Satellite Office in Gnilane, Republic of Kosovo.

Operating structures are responsible for launching and implementing calls for proposals, starting from announcement of open calls, dissemination of public information, collection and evaluation of project proposals, etc. CBC decision-making body is the Joint Monitoring Committee comprised of representatives from central and local level institutions, including civil society organizations, from both countries.

According to 2012/2013 Annual Report on Financial Assistance for Enlargement, cross-border cooperation with Kosovo is advancing very slowly “with the exception of the concept design study for joint border crossing, contracted by the EU Office in Pristina in April 2012 [...] The Commission did not receive the necessary assurances that the two sides share the same political and economic interests regarding the new international border crossing [...] Therefore, in order to avoid decommitment of 2013 funds, the EC proposed that the programme be implemented through a single joint call for proposals to be launched before summer 2013¹⁹”.

Financing Agreements for this cross-border cooperation programme were signed in 2010, 2011 and 2012 and funds committed under these agreements were disbursed under the first call for proposals. Instead of early summer 2013, as initially anticipated, the first call for proposals was announced on 14th December 2013. Total amount of funds available under this call accounted for 3,190,000 EUR for both countries, whereby the Republic of Macedonia is entitled to 1,570,000 EUR. This call is currently in the stage of evaluation of project applications.

IPA 2013 funds will finance implementation of a strategic project for construction of joint border-crossing point Belanovce - Stancik. Total funds allocated for both countries and intended for construction of the said border-crossing point amount to around 1,200,000 EUR.

¹⁹ http://ec.europa.eu/enlargement/pdf/key_documents/2013/2012_ipa_annual_report_with_annex_new_en.pdf

2.5. SEE Transnational Cooperation Programme

To present, a total of 4 calls for proposals have been announced under the SEE Transnational Cooperation Programme. Partner organizations (applicants) from the Republic of Macedonia have participated in 18 projects approved under all open calls.

Under the first call for proposals, 453,020 EUR from the total of 61,577,332 EUR were allocated for the Republic of Macedonia. Ultimately, 5 partner organizations from our country were approved funding in total amount of 269,266 EUR.

8,000,000 EUR have been secured from IPA Component II, and 1,000,000 EUR have been secured from the European Neighbourhood Policy Instrument (ENPI) intended to support participation of Ukraine and Moldova. Under this call for proposals, 8 partner organizations from our country were approved funding in total amount of 1,012,610 EUR.

Budget available under the fourth call for proposals amounted to 50,000,000 EUR, of which 43,000,000 EUR have been secured from ERDF; 6,000,000 EUR have been secured from IPA Component II, and 1,000,000 EUR have been secured from ENPI intended to support participation of Ukraine and Moldova. This call did not receive any project applications from Macedonian organizations/entities.

SEE Transnational Cooperation Programme				
Call for proposals	Total funds	Macedonia	No. of projects	Disbursed funds
1 st call	61.577.332	453.020	5	269.266
2 nd call	55.235.103	500.000	5	396.650
3 rd call	39.000.000	1 million (IPA)	8	1.012.610
4 th call	50.000.000	6 million (IPA)	/	/

Table 9: Breakdown of financial assistance under SEE Transnational Cooperation Programme for the Republic of Macedonia (in EUR)

Budget disposed under the second call for proposals amounted to 55,235,103 EUR, of which 500,000 EUR were intended for project activities in the Republic of Macedonia. Again, 5 partner organizations from our country were approved funding in total amount of 396,650 EUR.

Budget available under the third call for proposals amounted to 39,000,000 EUR, of which 30,000,000 EUR have been secured from ERDF²⁰;

Total amount of funds approved under all calls for proposals and intended to support implementation of projects with partner organizations from the Republic of Macedonia accounted for 1,774,920 EUR.

²⁰ European Regional Development Fund – ERDF

2.6. Co-financing fund

The above presented analysis of IPA Component II: Cross-Border Cooperation in the period 2007-2013 provides several important conclusions. First and foremost, the share of funds contracted is satisfactory and accounts for more than 70% of funds committed, which is much better compared to the share of funds contracted under IPA Component I. However, truth to be told, funds have been de-committed under this component in amount of 1.5 million EUR. The fact that this is the only component that has not been accredited for decentralized management of funds speaks of other difficulties affecting implementation of cross-border cooperation programmes.

Implementation system applied to CBC programmes heavily complicates realization of projects, especially in cases of beneficiary organizations with low financial capacity. Notably, advanced financing of projects is set at 10% to 20% of project's total value. Grant beneficiaries are financing remaining portion of their project activities and only after project expenditure has been verified, they are reimbursed from IPA funds. Such practices result in major delay of project implementation and often some project activities are not implemented due to expiration of relevant project deadlines. Financial savings generated in this manner are later used for signing contracts with projects on the reserve list.

In order to unburden beneficiary organizations of obligations related to advance financing of project activities, the Ministry of Local Self-Government, in cooperation with the Ministry of Finance and the Macedonian Bank for Development Promotion, established a credit line intended for municipalities that appear as project holders in grant contracts signed under IPA CBC.

In order to cover broader scope of future project holders, this support system needs to be further developed and should be made available to other types of beneficiary organizations. Namely, the civil society could have significant benefits from co-financing secured by the central budget in the wake of the fact that IPA II, valid for the financial perspective 2014-2020, has committed around 5 million EUR to be disbursed as grant schemes for CSOs.

3. COMPONENT III: REGIONAL DEVELOPMENT

IPA Operational Programme for Regional Development (OPRD) is the baseline document defining terms and conditions for disbursement of EU financial assistance intended to support transport and environmental infrastructure projects. Four priority axes have been defined, and are accompanied with relevant measures and activities. Priorities in the transport sector include:

- 1. Priority axis 1:** completion of highway Corridor X, by means of measure 1.1. on upgrading remaining road sections to highway standards;
- 2. Priority axis 2:** upgrading and modernizing transport infrastructure, by means of measure 2.1. on upgrading railway infrastructure within SEE networks, and measure 2.2. on upgrading road infrastructure that is part of SEE networks;
- 3. Priority axis 3:** improving environmental protection infrastructure, by means of measure 3.1. on construction of waste water collection and treatment plants in compliance with EU requirements, and measure 3.2. on establishing integrated and financially sustainable solid waste management system.

3.1. Faking consultations

Contrary to the IPA Regulation and IPA Implementing Rules, civil society actors from the Republic of Macedonia were not involved in transparent and inclusive programming of IPA Component III 2007-2013. The so-called consultations with civil society actors that did take place were flawed and the final version of OPRD covering the period 2007-2009 was not a result of broad consultations with civil society, failing to incorporate their contributions and suggestions put forward in written in the course of consultations.

In reality, back in 2007 CSOs were invited to comment the contents of the Operational Programme for Regional Development 2007-2009. However, the invitation for comments was announced in early August, i.e. in the midst of the summer hiatus, and indicated a deadline for comment submission by end of August (less than 30 days from pre-scheduled consultations). As expected, only one civil society organization submitted its comments and contributions.

In addition, civil society consultations organized for this document were burdened by the fact that the document was available only in English language and did not include rationale and adequate introduction to the programming process. Hence, many CSOs were unclear about the manner in which the document had been drafted and about its importance in terms of IPA programming.

Only CSO that commented the contents of OPRD requested the Ministry of Transport and Communications (MTC) to extend the deadline for comment submission, but this request was denied. In truth, MTS closed the consultations and did not respond to the above-indicated request.

3.2. Legitimate selection

The call for member nomination from CSOs profiled in environmental protection for the OPRD Monitoring Committee in the Republic of Macedonia was electronically announced on 5th May 2008 by the Civic Platform of Macedonia. Civic Platform of Macedonia was established in 2004 and aimed to facilitate networking of civil society organizations profiled in different fields of work. However, the Civic Platform is not and cannot be considered legitimate representative of the entire civil society in the Republic of Macedonia.

Instead of notifying all active environmental organizations in the Republic of Macedonia, the Civic Platform, by e-mail, addressed 14 environmental CSOs, selected in advance by the Ministry of Environment and Spatial Planning (MESP) with a request to nominate candidates by 7th May the latest, which was an unrealistic deadline. Moreover, information circulated by e-mail indicated that Civic Platform's Secretariat is responsible for selection and appointment of civil society representative in the Monitoring Committee. Such behaviour is considered highly undemocratic, especially knowing that once environmental organizations have nominated candidates, they should also be given the right to vote.

First to react was the Centre for Environmental Research and Information "Eko Svest", which commented the selection process and demanded open and democratic selection to be pursued by the Ministry of Environment and Spatial Planning and the Civic Platform. Such initiative for organization of transparent and participatory selection process was welcomed and supported by many CSOs, requesting the process to be organized anew. Soon enough, a meeting was organized between environmental organizations and MESP, which resulted in development of new process with relevant nomination and selection

criteria and vetting committee. After having received and uploaded the nominated candidates on the Internet portal Eco.net, electronic voting was organized and completed by the indicated deadline. Finally, all active environmental organizations were notified about the candidate selected.

3.3. Highway section Demir Kapija - Smokvica

IPA Operational Programme for Regional Development of the Republic of Macedonia covers a 3-year period, i.e. 2007-2009. Despite broadly accepted practices for development of new operational programme covering the period 2010-2012 and even 2010-2013, no efforts have been made neither to develop new programme nor update the existing with relevant analyses, priorities and challenges.

In truth, the Operational Programme has been updated with 2 changes approved by the EC on 4.11.2010 and 7.12.2012 respectively, intended to extend document's validity until 2013. Key reason for programme extension is continuation of all activities defined therein. In continuation and for illustration purpose, we provide several examples of activities anticipated under IPA OPRD.

Macedonian Government proposed highway section Demir Kapija – Smokvica as priority for IPA funding. In that, this proposal was justified by the fact that the said highway section along Corridor X has only 2 lanes and that the agreement reached with the Republic of Greece after years-long negotiations anticipates highway upgrade to 4 lanes. Actually, construction of 4-lane highway section is expected to eliminate traffic congestion due to road narrowing immediately after Demir Kapija.

In 2009, the budget for this project amounted to 175 million EUR, of which 27 million EUR should have been secured as grant from the EC

(IPA Component III), 50 million EUR should have been secured as non-refundable grant from Greek Fund HIPERB, and the remaining funds should have been secured from the Budget of the Republic of Macedonia and credits and loans from international financing institutions (primarily, the European Investment Bank).

Unfortunately, non-refundable grant funds from the Republic of Greece intended for project implementation were withdrawn due to Macedonian Government's insistence to rename the highway "Alexander the Macedonian". In order to complete project's financial structure, the Government applied with EU banks to have the credit amount increased. Hence, 2009 loan from the European Investment Bank was planned in the amount of 87 million EUR.

In 2011, total value of this project increased to 316.9 million EUR, with the following financial structure.

Source	Amount (in M EUR)
Instrument for Pre-accession Assistance (IPA)	44.9
European Investment Bank (EIB)	65 ²¹
European Bank on Reconstruction and Development (EBRD)	107 ²²
Budget of the Republic of Macedonia	100
TOTAL	316.9

Table 10: 2011 financial structure for highway section Demir Kapija – Smokvica

This is double the amount indicated back in 2009, when the highway section's alternative route was selected on the basis of relevant cost-benefit analyses. Obvious is the serious burden of credit- and loan-taking practices that raise concerns about the need for the state

²¹ <http://www.eib.org/projects/loans/2007/20070316.htm>

²² <http://www.ebrd.com/english/pages/project/psd/2010/41981.shtml>

to enter borrowing arrangements for the purpose of financing a project whose effects would be enjoyed by European citizens and businesses, and not Macedonian citizens. Namely, construction of this highway section includes establishment of pay-toll systems, which would inevitably force local population to continue using the old road (that would still be functional). Of course, expectations are for pay-toll collected to fund repayment of credits and loans; however, knowledgeable of the fact that a parallel route would still be in use, and having mind the high poverty rate in Macedonia, certain is that citizens would avoid payment of pay-toll, which ultimately brings under question project's estimated rate of return. In addition to pay-toll, it is expected for credits to be repaid with funds collected from fuel excise and vehicle registration charges, which are considered budget revenue levied to Macedonian citizens. Hence the inevitable question: "If Macedonian citizens are not this project's intended beneficiaries, why should they carry the burden of repaying costs incurred for its construction?"

Having in mind the project scope, it is expected for the highway section to impact the environment. Namely, according to the Law on Environment Protection, endeavours of this type are subject to development of environmental impact assessment studies. Except for Macedonian legislation in effect, the project should also comply with relevant EU Directives, in particular because its implementation is financially supported by the EU.

According to EU *acquis* on environmental protection, this type of projects necessitates continuous involvement of the public throughout its development. Actually, the public (i.e. local population, stakeholders, civil society organizations, etc.) should be involved as early as needs assessment for development of environmental impact assessment study. Then, by means of information and public debates, the public should be informed of and involved in development of these

studies. In its essence, this procedure relies on the principle of participatory decision-making. It requires the public voice to be heard, their opinions to be taken into consideration and final decision to be acceptable for all stakeholders (as far as possible). Implementation of this procedure is an indicator of the state's maturity for democratic decision-making.

Environmental impact assessment study for this highway section was developed in 2007, followed by public hearings in summer 2008. Having in mind that consultations did not reflect good practices, as well as the EU Directive on Environmental Impact Assessment, in early 2009 the EC did not approve project funding and requested consultations to start anew. New round of public hearings and debates was organized in summer 2009, in compliance with recommendations made by CSOs and the EC. In conclusion, poorly organized public consultations resulted in project delay by one year.

3.4. Waste water treatment plant in Prilep

Similar is the situation observed in terms of the waste water treatment plant in Prilep. In this case, the problem is identified in MESP's insufficient capacity to draft relevant project design documents. At the time this project fiche was developed, water economy enterprises needed had not been established yet and evaluation of procurement procedures was time-consuming. All these resulted in many delays and prolonged deadlines.

Although the programme identified that priority projects under measure 3.1.2 imply construction of waste water treatment plant in one of four towns whose population exceeds 100,000 inhabitants, description of possible activities referred to the fact that projects would be implemented in

towns whose population exceeds 10,000 inhabitants. Later in the document, it is said that priority will be given to projects with already developed design documents and located in towns with established operating structure and project management capacity. Although clear reference has been made to development of selection criteria for project approval and funding and their discussion within the Sectoral Monitoring Committee, in reality this commitment was not complied with, which raises concerns about the manner in which priority projects had been selected for funding under this measure.

It has been proved that selection of the waste water treatment plan project fiche for Prilep did not fulfil the criterion on already developed project design documents or the criterion on existing operating structure that would implement project activities and manage infrastructure facilities. On several occasions, the EC has stressed poor capacity and lack of necessary structure in support of this project, which resulted in significant delays in project implementation.

Moreover, worrying are the EC's findings presented in 2012/2013 Annual Report on Financial Assistance for Enlargement where it is openly said that "the EU Delegation had to cancel the evaluation, following serious concerns about breach of the confidentiality of the process".²³

²³ Report from the Commission to the European Parliament, the Council and the European Economic and Social Committee "2012 Annual Report on Financial Assistance for Enlargement" (IPA, PHARE, CARDS, Turkey Pre-Accession Instrument, Transition Facility) from 12.9.2013, available at http://ec.europa.eu/enlargement/pdf/key_documents/2013/2012_ipa_annual_report_with_annex_new_en.pdf

3.5. Selection of projects

Priority axis 1 includes a relatively broad spectrum of possible actions in the traffic sector, allowing development of many and various projects under the Operational Programme. Unlike this sector, the section on environment is narrow in scope and focuses on waste and waste water management, hence limiting possibilities for other types of actions and activities, such as, for example, implementation of energy efficiency projects or renewable energy projects. This problem became visible in the course of OPRD implementation when due to delays and inability to implement activities planned, there were no reserve small-scale projects that would have been further developed and funded and would have absorbed funds allocated for the programming year in question. On several occasions, de-commitment of IPA funds under this component was successfully avoided, especially in regard to environmental projects, by means of proposing and funding projects in the transport sector, which were broader in terms possible activities.

This fact was confirmed in the EC's 2012/2013 Annual Report on Financial Assistance for Enlargement, where it is said that: "Thanks to the major Corridor X project and its disproportionately high weighting in the overall Operational Programme, some progress started to show in financial terms".²⁴

Similar is the situation observed under measure 3.2. OPRD identified priority projects in several regions: Skopje, Southwest, Polog, Northeast, Central and East Region. It should be noted that two of these regions were covered by the Government's decision on giving

²⁴ http://ec.europa.eu/enlargement/pdf/key_documents/2013/2012_ipa_annual_report_with_annex_new_en.pdf

under concession integrated waste management in 4 regions: Polog, Southwest, Southeast and Pelagonija (conclusion reached at government's meeting no. 116 from 20 October 2009). Instead of giving under concession construction of waste management systems, these projects would have qualified for funding under IPA Component III and their timely development would have contributed to programme's long-term implementation and timely absorption of funds committed. Unfortunately, reasons behind the government's decision remain unknown.

On the account of poor track record under IPA Component III, Directorate General REGIO, in consultation with Commission experts and JASPERS, proposed "a) technical solutions for speeding up the pipeline; and b) drawing the attention of the highest possible political level (Prime Minister) to the bottlenecks experienced by IPA so that appropriate additional national input in supervisory (and possibly financial) efforts can be secured. However, national authorities have not reacted with the necessary sense of urgency".²⁵

Be that as it may, Mile Janakievski, Minister of Transport and Communications, does not believe there is any need for hitting the panic button. In his presentation delivered during oversight hearings at the Parliament dedicated to IPA implementation and held on 8 October 2003, he said: "I would like to stress that by December 2013 and in compliance with the Action Plan, we would have absorbed 38% of IPA funds or total of 41.5 million EUR and even more, which provides for a solid absorption rate. It is more than certain that funds will be utilized by December 2017. Here I have the Action Plan with projects we are reconsidering at our internal staff meetings, so there is no risk for de-commitment of IPA funds intended to support projects in the

transport sector. Namely, in compliance with the programme, there are 14 active projects. As I said before, the biggest project is highway section Demir Kapija – Smokvica, in the amount of 45 million EUR, for which the Financing Contract was signed on 1 August 2012. As regards this project, I would like to stress that 28 % of funds have already been spent and 27% of construction works are completed, i.e. 21.8% of fund have been disbursed."

3.6. Affair AKTOR

At the press conference held on 9 March 2014, opposition SDSM raised serious concerns and doubts about illegal withdrawal of cash (in millions) intended for construction of the highway section Demir Kapija – Smokvica by the Greek company AKTOR that was awarded the contract on the relevant tender procedure. More precisely, every month between 1st and 10th, Greek nationals – in capacity of natural persons – are crossing the border and entering Macedonia for the purpose of withdrawing cash at "Stopanska banka" JSC in Negotino, although they are not engaged in construction works for this highway section. They arrive in groups, by bus, and withdraw cash in EUR denomination, which is later handed over to another person present at the bank, and leave back to Greece.

The opposition provided a list with 96 names of Greek nationals, nine of which have same surnames, but different names. Some of them have withdrawn cash on 2-3 occasions, while others entered Macedonia 4 times. On the basis of task performance contracts, these people have withdrawn cash in amount of 20,000, 40,000 and even 90,000 EUR. One-time cash withdrawals in amount of 120,000 EUR have also been reported.

²⁵ Ibid

In this manner, a total of 3.5 million EUR have been withdrawn in cash and each withdrawal occurred in the presence of Atina Zioga - accountant at AKTOR – who, according to allegations made by the opposition, received cash withdrawn.

Unfortunately, as any other corruption scandal in Macedonia involving the Government, this affair has not been resolved to present. Competent institutions issued statements whereby they committed to duly reconsider facts and matters, while the Prime Minister accused the opposition of hindering governmental efforts to clarify matters in the affair AKTOR.

Even the EU Delegation in Skopje negated any responsibility and urged national authorities to take all actions needed. According to EC's 2012/2013 Annual Report on Financial Assistance for Enlargement: "following submission of a valid bank guarantee letter, the contractor received the advance payment of over 20 million EUR, paid out by the National Fund in early December 2012".²⁶

On several occasions, the EU Delegation issued press releases and reiterated that affair AKTOR does not fall under its competences. Nevertheless, even if the National Fund made advance payment to AKTOR from national budget funds, the EC should have reacted given that it is a matter of IPA funds (which do fall under its competences). Another indicator of EU Delegation's unshaken stance as regards this scandal is seen in the last meeting held by the Sectoral Monitoring Committee, as this matter was not included on its agenda.

To present, national institutions have not issued any communication with updates about their progress in terms of clarifying the affair AKTOR.

²⁶ http://ec.europa.eu/enlargement/pdf/key_documents/2013/2012_ipa_annual_report_with_annex_new_en.pdf

4. COMPONENT IV: HUMAN RESOURCE DEVELOPMENT

IPA Component IV is intended to support human resource development in the Republic of Macedonia. To this end and as part of the Multiannual Indicative Financial Framework (MIFF), the EU has committed funds for every year of the financial perspective 2007-2013. IPA Component IV is managed in decentralized manner, i.e. by relevant IPA operating structures established in Macedonia and accredited by the EC.

In order to allow better overview of the state-of play under IPA Component IV in the Republic of Macedonia, following is the breakdown of financial assistance committed for the period 2007–2013, per year.

IPA Component IV: Human Resource Development (in million EUR)						
2007	2008	2009	2010	2011	2012	2013
3.2	116	7.1	8.4	8.8	10.38	11.20
Total: 55.08 million EUR						

Table 11: Financial assistance under IPA Component IV for the Republic of Macedonia in the period 2007-2013

Multiannual Operational Programme for Human Resource Development in the Republic of Macedonia 2007-2013 (OP)²⁷ provides details on individual projects and defines indicators used to measure the successful implementation of IPA Component IV. The EC, in cooperation with the Government of the Republic of Macedonia, developed and adopted this document in 2007. This document covers a 7-year period and translates relevant funds committed in the Multiannual Indicative Financial Framework (MIFF) into projects. Operational Programme for IPA Component IV is divided into three, i.e. four priority axis, those

²⁷ <http://cfcd.finance.gov.mk/content/resources/sites/CFCD/misceleniousFiles/HRD/>

being: 1) employment (42%); 2) education and training (20%); 3) social inclusion (30%); and 4) technical assistance (8%). Measures are defined for each priority axis and are expected to contribute towards attainment of established indicators.

Remaining portion of funds committed under IPA Component IV was programmed in 2013 and was followed up with civil society consultations. Unfortunately, materials provided in advance and subject of discussion at these consultations did not include the most important information, i.e. project budget. On the question raised about the missing budget information, governmental representatives explained that, in their opinion, such information is not important, which again confirms the arrogant behaviour demonstrated by ruling authorities towards the civil society.

Situation observed in terms of absorption of funds committed and programmed under IPA Component IV is the following: by the end of 2013, only 24 contracts have been signed in total amount of around 15.28 million EUR, which is an exceptionally low amount, compared to 55 million EUR made available to the Republic of Macedonia. In 2013, only three contracts were signed in total amount of 0.38 million EUR. Nevertheless, amount of IPA funds disbursed is even lower and accounted for 11.08 million EUR. Total amount of IPA funds intended for defined and approved measures (but not implemented) is 33.41 million EUR or 52.19% of the total financial envelope for IPA Component IV.

4.1. Priority axis 1

Priority axis 1 concerns employment measures aimed at attracting and keeping people in employment. These objectives will be attained by means of four measures, as follows:

Measure 1.1 anticipates further development of the Employment Agency of the Republic of Macedonia (EARM) and improving employment conditions, and will be achieved by two actions: 1) modernization of EARM (1.375 million EUR); and 2) support to EARM for implementation of active employment measures (twinning projects in total amount of 1.2 million EUR, procurements in total amount of 300,000 EUR and construction works in total amount of 900,000 EUR).

Measure 1.2 supports implementation of the National Employment Strategy and the Joint Assessment Paper, and will be achieved by means of two actions: 1) support for the National Employment Policy (1.8 million EUR); and 2) promotion of social dialogue (direct grant for the International Labour Organization - ILO in the amount of 1.2 million EUR).

Measure 1.3 targets labour market integration of young people, women and long-term unemployed and will be pursued by means of: 1) support for employment of young people, women and long-term unemployed I (direct grant to EARM in the amount of 1.3 million EUR); and 2) support for employment of young people, women and long-term unemployed II (direct grant to EARM in the amount of 2.5 million EUR, and two direct grants to UNDP, in the amount of 300,000 EUR and 5 million EUR, respectively).

Measure 1.4 targets transformation of informal into formal employment and will be implemented by means of: 1) support for the fight against unregistered work (technical assistance in the amount of 1.3 million EUR); and 2) procurements in total value of 300,000 EUR).

Below is the breakdown of projects implemented under this priority axis.

Priority 1: Attracting and keeping people in employment		
Measure	Operation	Value
1.1. Further development of the Employment Agency and improving employment conditions	Modernization of EARM	1.375 million EUR
	Support to EARM for implementation of active employment measures	twinning project - 1.2 million EUR, procurements - 300,000 EUR and construction works - 900,000 EUR
1.2. Implementation of the Employment Strategy and the Joint Assessment Paper	Support to the national employment policy	1.8 million EUR
	Promotion of social dialogue	direct grant to ILO - 1.2 million EUR
1.3. Labour market integration of young people, women and long-term unemployed	Support for employment of young people, women and long-term unemployed I	direct grant to EARM - 1.3 million EUR
	Support for employment of young people, women and long-term unemployed II	direct grant to EARM - 2.5 million direct grants to UNDP - 300,000 EUR + 5 million EUR
1.4. Transforming informal into formal employment	Support for the fight against unregistered work	technical assistance - 1.3 million EUR and procurements - 300,000 EUR

Table 12: Measures and actions under priority axis I

Remaining funds committed to this priority axis have already been programmed, but relevant project amounts are not disclosed in public. Be that as it may, implementation of following projects in almost certain: measure 1.1 on promotion of employability and adjustment to labour market changes, will include projects on: 1) promotion of alternative child care (technical assistance project); 2) training for job seekers (direct grant); 3) support for self-employment (direct grant); 4) active labour market (direct grant); 5) fostering social entrepreneurship (direct grant); 6) human resource management at public enterprises (technical assistance project); 7) management and monitoring of the grant scheme on local level social inclusion and employment (technical assistance project); and 8) grant scheme.

Projects defined under measure 1.2 on capacity building for employment policy implementation include: 1) support to employment policy (twinning project); 2) refurbishment of 12 regional employment agencies (procurements and construction works); 3) earmarked funds for procurements and construction works; 4) support to health and safety at work, including measures against unregistered work (technical assistance project); and 5) social dialogue (direct grant).

Total amount of funds committed under this priority axis accounts for 18.1 million EUR.

4.2. Priority axis 2

Priority axis 2 concerns education and training, i.e. investment in human capital by means of better education and skills. These objectives will be attained by means of three measures, those being:

Measure 2.1 on modernization of the education and training system, which will be pursued by: 1) support to modernization of the education and training system (twinning project in the amount of 2.1 million EUR and procurements in the amount of 863,000 EUR); and 2) strengthening the synergy between education and labour market (technical assistance I in the amount of 2.3 million EUR and technical assistance II in the amount of 550,000 EUR, including procurements in the amount of 500,000 EUR).

Measure 2.2 concerns access to quality education for ethnic communities, with two actions defined, as follows: 1) support to integration of ethnic communities in the education system (1.1 million EUR); and 2) access to quality education by enabling an intercultural learning environment for all ethnic communities (direct grant to UNICEF in the amount of 3.66 million EUR).

Measure 2.3 on development of adult education and life-long learning, which will be pursued by support for capacity building of the Centre for Adult Education and development of adult education programs, including literacy and primary education completion programs for excluded people (twinning project in the amount of 1.72 million EUR).

Below is the breakdown of projects implemented under this priority axis.

Priority 2: Education and training		
Measure	Operation	Value
2.1. Modernization of the education and training system	Support for modernization of the education and training system	twinning project - 2.1 million EUR and procurements - 863,000 EUR
	Synergy between education and labour market	technical assistance - 2.3 million EUR + 550,000 EUR and procurements - 500,000 EUR
2.2. Access to quality education for ethnic communities	Support for integration of ethnic communities in the education system	1.1 million EUR
	Quality education by enabling an intercultural learning environment for all ethnic communities	direct Grant to UNICEF - 3.66 million EUR
2.3. Development of adult education and life-long learning	Capacity building of the Centre for Adult Education and development of adult education programs, including literacy and primary education completion programs for excluded people	twinning project - 1.72 million EUR

Table 13: Measures and actions under priority axis 2

Remaining funds committed to this priority axis have already been programmed and are broken down as follows: projects defined under measure 2.1 on strengthening the synergy between education and labour market include: 1) improving implementation of the National Qualification Framework (NQF) (twinning project); 2) support for implementation of NQF (procurements); 3) modernization of VET and adult education in line with lifelong learning (technical assistance project); 4) establishment of integrated monitoring and evaluation system for VET and adult education (procurements); 5) support to the integrated system for VET and adult education (procurements); 6) governance and quality performance of education institutions (technical assistance project); 7) integrated monitoring and evaluation system in the education sector (procurement); 8) developing cooperation between higher education institutions, research centres, private businesses and competent public authorities (twinning project); 9) post-secondary education (technical assistance project); 10) strengthening overall capacity in the education system for better alignment with labour market demand (technical assistance project); 11) support to education institutions for better alignment with labour market demand (procurement); and 12) human resource development on local level (construction works).

Projects defined under measure 2.2 on enabling access to quality education for ethnic communities include: 1) quality education through inclusion and enabling an intercultural learning environment (direct grant); 2) IT equipment for integration of children with disabilities (procurement); and 3) support system for inclusion of all children in the education system (technical assistance project).

Total amount of funds committed under this priority axis accounts for 13.3 million EUR.

4.3. Priority axis 3

Priority axis 3 concerns social inclusion and promotion of inclusive labour market. These objectives will be attained by means of three measures, those being:

Measure 3.1 on fostering social inclusion of groups and areas at disadvantage, which is pursued by means of: 1) support for social inclusion and inclusive labour market (technical assistance in the amount of 1.5 million EUR); 2) modernization and upgrading of social work centres (procurements in the amount of 690,000 EUR and construction works in the amount of 640,000 EUR); and 3) support for social inclusion (grant scheme in total amount of 3.5 million EUR).

Measure 3.2 on integration of ethnic communities includes following activities: A) integration of ethnic minority women in the labour market (technical assistance in the amount of 488,000 EUR); and B) implementation of grant scheme in total amount of 1.5 million EUR.

Measure 3.3 aims at empowering relevant actors and is pursued by means of two actions: 1) empowering relevant local actors I (technical assistance in the amount of 150,000 EUR); and 2) empowering relevant local actors II (framework agreement in the amount of 180,000 EUR).

Below is the breakdown of projects implemented under this priority axis.

Priority 3: Social inclusion		
Measure	Operation	Value
3.1. Fostering social inclusion of people and areas at disadvantage	Fostering social inclusion and inclusive labour market	technical assistance - 1.5 million EUR
	Modernization and upgrading of social work centres	procurements - 690,000 EUR and construction works - 640,000 EUR
	Fostering social inclusion	grant scheme - 3.5 million EUR
3.2. Integration of ethnic communities	A – Integration of ethnic minority women in the labour market B – Implementation of grant scheme	A. technical assistance - 488,000 EUR B. grant - 1.5 million EUR
3.3. Empowering relevant actors	Empowering relevant local actors I	technical assistance - 150,000 EUR
	Empowering relevant local actors II	framework agreement - 180,000 EUR

Table 14: Measures and actions under priority axis 3

Remaining funds committed to this priority axis have already been programmed. In that, the total amount of funds is published, i.e. 5.2 million EUR, but the budgets of individual projects have not been disclosed in public. Projects anticipated under measure 3.1 on fostering social inclusion of vulnerable people in disadvantaged areas and anti-discrimination include: 1) promotion of social inclusion (technical assistance project); 2) support for Roma community members (technical assistance project); 3) addition to procurements and construction works; and 4) local level social inclusion and employment II (direct grant).

Total amount of funds committed under this priority axis accounts for 36.6 million EUR.

4.4. Again, technical assistance is given primacy

Unlike IPA Component I, where majority of projects are expected to be implemented as technical assistance, project fishes defined under IPA Component IV should be primarily implemented as grant schemes. In fact, from the first round of consultations on National IPA 2007, the EU Delegation in Skopje convinced civil society representatives that this component is almost entirely envisaged as grant schemes and would enable numerous possibilities for funding CSO activities. From this perspective, unfortunately, such guarantees were merely a delusion on the part of EU enthusiasts (in the case of Macedonia) and on the part of Macedonian enthusiasts (civil society).

While it is only natural for IPA Component I to be implemented by means of technical assistance due to its focus on institution building according to the example set by EU institutions and because relevant expertise is unavailable in the country, IPA Component IV pursues human resource development and it is only logical for the country to rely on domestic entities and their potential. Action taken contrary to this logic would imply devaluation of the country's education system.

Analysis of project implementation modalities, both in place and anticipated for future projects, provides the conclusion that technical assistance (30) is again the most frequent modality used, followed by procurements (17), construction works (6) and twinning projects (11). As regards grant schemes, direct grants (8) are used more often and imply disbursement of funds to renowned international organizations (for example, UNICEF, UNDP, etc.), on the detriment of grant schemes, which imply calls for proposals open for various organizations and social actors (CSOs, professional associations, education institutions, public institutions, various education and training centres, academies, research centres, etc.). Below is the overview of project implementation modalities under IPA Component IV.

IPA Component IV			
Project modality		Programmed	Recently programmed
Technical assistance	– 30	17	13
Procurements	– 17	8	9
Construction works	– 6	2	4
Direct grants	– 8	2	6
Grant schemes	– 3	2	1
Twinning projects	– 11	8	3

Table 15: Overview of project implementation modalities under IPA Component IV

4.5. Too many doubts, too little hope

On the other hand, the analysis of performance track record of the Central Financing and Contracting Department (CFCD) at the Ministry of Finance in terms of administering grant schemes provides a straightforward answer as to why the EC is reluctant to pursue grant schemes in the Republic of Macedonia.

Namely, the first CFCD-administered grant scheme was intended for capacity building related to labour market integration of women and disposed with around 1.6 million EUR. Call for proposals was launched in June 2010, but contract signing with organizations whose applications have been approved took place as late as November 2012. In other words, the Ministry of Finance needed whole 2 years and 5 months to sign 7 contracts under the first grant scheme.

General impression is that the first attempt on the part of public administration in Macedonia to administer grant scheme was a major failure, in particular knowing that the EU Delegation in Skopje returned the evaluation report on several occasions, requesting additional explanations and at one point suspended the evaluation process. After it suspended the evaluation process, the EC provided comments aimed at addressing problems identified.

Similar is the situation observed under the second grant scheme intended for social inclusion, in total amount of 3.5 million EUR. Call for proposals was launched on 23rd August 2013 and defined a deadline for submission of project proposals by 24th October 2013. By the cut-off date for this report (July 2014), applicant organizations have not been notified about receipt of their applications, let alone about the current status of the grant scheme.

Such behaviour on the part of public administration bodies is unacceptable and speaks volumes about non-transparent practices of IPA operating structures, which is contrary to IPA Regulation and IPA Implementing Rules. In that, the attitude of public administration bodies in this regard has resulted in major mistrust in the system on grant administration and management. Having in mind the non-transparent procedure on project approval and grant awarding, many CSOs quite righteously raise concerns about possible nepotism and favouritism and are reluctant to spend time and resources to participate in calls for proposals where grant beneficiaries are known in advance.

Otherwise, how can we explain results from the first grant scheme implemented, under which grants were approved to following beneficiary organizations:

1. Macedonian Centre for International Cooperation (in the amount of around 250,000 EUR);
2. Coordinamento delle Organizzazioni per il Servizio Volontario (in the amount of 184,000 EUR);
3. Macedonian Enterprise Development Foundation (in the amount of 223,000 EUR);
4. Economic Chamber of Northwest Macedonia (in the amount of 165,000 EUR);
5. Foundation SEED (in the amount of 216,000 EUR);
6. Centre for Informal Education "Triangle" (in the amount of 250,000 EUR); and
7. Internationaler Bund e.V.(IB) Verbund Wuttemberg (in the amount of 288,000 EUR).

As enlisted above, grants have been awarded to five domestic organizations. It should be noted that two sister organizations have been awarded grants: the Macedonian Enterprise Development Foundation and the Macedonian Centre for International Cooperation, which appears as founder of the former grant beneficiary. Be that as it may, the Foundation is also represented in the Sectoral Monitoring Committee, together with the Centre for Informal Education "Triangle". At the time when the call for nomination of candidates for this IPA-related body was announced, the Ministry of Labour and Social Policy advised all interested parties that membership therein and grant applications for open calls announced would be considered conflict of interests.

Does this mean that only "politically correct" organizations have guaranteed access to these funds? This opinion is shared by many CSOs and there is little hope that something would be changed in the future.

Unlikely is also that the EU Delegation in Skopje intends to take any activities aimed at preventing such behaviour, especially having in mind the lack of logic behind certain actions pursued recently. For example, analysis of the situation in regard to the Employment Agency of the Republic of Macedonia (EARM) provides a straightforward conclusion that this institution is burdened with serious workload. While EC's Progress Reports in continuation reiterate limited capacity at this institution, the EC stands firmly at its decision to programme immense amount of funds to be implemented by EARM.

Moreover, in its 2012/2013 Annual Report on Financial Assistance for Enlargement, the EC has identified deficiencies in EARM's financial management on whose account DG Employment has decided to interrupt payments under IPA Component IV on two occasions (November and December 2012). Around 4.8 million EUR have been blocked and, according to this Annual Report, "the decision to interrupt payments

once more under this component is a cause of great concern for the Commission".²⁸ In spite of that, the EC and the Government of the Republic of Macedonia proceeded with programming significant amount of funds to the benefit of this institution in the next period.

Be that as it may, most of problems identified under this component concern de-commitment of funds, which was duly noted in MCET's previous Accession Watch Report from July 2012.²⁹ Continuous delays, in particular related to programming of financial assistance, have resulted in delays under procurements and project implementation, and led to de-commitment of 6.06 million EUR under IPA 2010. Risk of additional de-commitment of IPA funds in the course of 2014 is more than likely. More specifically, funds committed under IPA 2011 must be disbursed and spent by the end of 2014. It is almost certain that these funds will not be spent within the given timeline and Macedonia will yet again lose funds.

5. COMPONENT V: RURAL DEVELOPMENT

EU's Common Agricultural Policy (CAP) is implemented by a system comprised of farmer subsidies and other programs. It was first introduced in 1962 and has been subject to significant changes in the course of time.³⁰

In the early stages, six founding Member States individually pursued intense interventions in their respective agriculture sectors, especially targeting agriculture produce, maintaining prices of raw agricultural products and organization of farms. Continuous interventions imposed barriers to trade in cattle on the grounds of different rules applied by the countries in their respective interventions, which was also reflected in free trading arrangements. Some Member States, France in particular, and their professional agricultural organizations insisted on maintaining intensive state interventions in the agriculture sector. At that time, the situation could only be resolved by means of policy alignment at the level of the European Community. In 1962, three underlying principles of CAP were introduced: market unification, primacy of the Community and financial solidarity. From that moment CAP became the central element of EU institutional system.

CAP is often explained as result of political compromise between France and Germany. Namely, German industry profits from its presence on the French market and, in turn, Germany contributes to payments for French farmers. To present, Germany is the biggest net contributor in

²⁸ http://ec.europa.eu/enlargement/pdf/key_documents/2013/2012_ipa_annual_report_with_annex_new_en.pdf

²⁹ <http://mcet.org.mk/ckfinder/files/AW12%20Q04-11%20-%20MK.pdf>

³⁰ 1957 Treaty of Rome provided the basis for the common market, and defined general goals of CAP. CAP principles were established at the Stresa Conference in Italy, held in July 1958. CAP's creation was proposed in 1960 by the EC, after the six founding states have adopted the commission's mechanisms, and entered in effect in 1962.

the EU Budget. Nevertheless, France is also a significant net-contributor, with the biggest beneficiaries thereof being agriculture-oriented states, such as Spain, Greece and Portugal. In the meantime, urbanized Member States, especially those whose agricultural sectors account for small shares of their respective economies (the Netherlands and UK), are among small beneficiaries, on the account of which CAP is unpopular with their governments. In case of new Member States, transitional rules are applied and aimed at limiting amount of subsidies disbursed from the EU Budget.

5.1. Modern-day challenges in Europe

From its beginnings to present, CAP has significantly evolved. Crucial reforms in the course of time have rendered CAP different from its initial idea when it was designed as produce-oriented policy. In 2003, major reform efforts resulted in introduction of single payment scheme³¹ also known as single farm payment scheme.³² Recent reform efforts from 2014, under the auspices of the EU Commissioner Dacian Ciolos³³ will enter in effect from the financial perspective 2014-2020.

Member States are at liberty to choose whether they will establish individual farm payments or regional payments. Farmers are entitled to single payment provided their farms are flexible in terms of agricultural produce, except for fruits, vegetable and table potatoes. In addition, they are obliged to maintain their arable land in solid agricultural and environmental condition. At the same time, farmers are required to comply with environmental

protection, food safety, phytosanitary standards and animal health and well-being standards. In case they fail to comply with these standards, CAP payments are proportionally reduced.

Direct assistance and expenditure market together accounted for 31% of EU's total budget in 2010. Together with 11% of funds intended for rural development, CAP accounts for 42% of EU Budget.³⁴ Since 1984, when it accounted for 71% of EU's total budget, funds allocated for CAP are marked by continuous decrease and are expected to account for 39% of EU's total budget in 2013.³⁵

Intervention mechanisms have been significantly downsized. For example, the EC intervenes only in relation to foodstuff wheat, butter and skimmed powder milk. Various additional measures have been introduced and are intended to assist farmers in reorganizing their farms according to market demands and addressing new challenges. Among broad spectrum of measures, contracts have been revoked and measures are introduced for farming, milk quotas are increased until they are revoked in 2015, and market interventions are transformed into actual safety network. Moreover, modulation is increased, which means reduced direct payments to farmers, with funds being channelled to the Rural Development Fund.

Given the fact that milk quotas will be revoked from April 2015, cattle breeders are preparing for this transition by annual increase of their quota by 1% for the period 2009/10 and 2013/14. In Italy, an increased quota by 5% was introduced as early as 2009/10. In the period between two farming seasons (2009/10 and 2010/11), farmers surpassing their milk quotas by more than 6% have to pay fines that are by 50% higher compared to standard fines.

³¹ Single Payment Scheme (SPS)

³² Single Farm Payment Scheme (SFPS)

³³ Dacian Ciolos

³⁴ http://ec.europa.eu/budget/figures/2011/2011_en.cfm

³⁵ http://europa.eu/rapid/press-release_MEMO-13-631_en.htm

In 2000, the rural development policy was introduced and is known as CAP's "second pillar". This policy aims to encourage economic, social and environmental development of villages. 11% of EU's total budget is allocated for this policy comprised of three objectives:³⁶

Improving competitiveness of agriculture and forestry sectors, by supporting reorganization, development and innovations;

Improving environment and countryside, by supporting land management and fight against climate change (for example, projects on preserving water quality, sustainable land management, planting trees for prevention of land sliding and floods, etc.);

Improving quality of life in rural areas and encouraging diversification of rural economy.

This includes the LEADER methodology³⁷ for rural development, which anticipates establishment of local action groups (LAG). Essence behind this methodology is for local communities to be involved in development of their rural area. LAGs unite local partners under the shared goal for creating and implementing development strategies for their communities.

³⁶ http://enrd.ec.europa.eu/en/home-page_en.cfm

³⁷ The acronym LEADER comes from the French phrase for "links between actions for developing the rural economy". The idea is to create strong partnerships and encourage cooperation, which leads to innovation and the best local solutions to local problems.

As regards future CAP reforms that overlap with the next financial perspective, the EC has identified seven major challenges³⁸ which CAP should duly address:

1. food production;
2. globalization;
3. environment;
4. economic issues;
5. territorial approach;
6. diversification; and
7. simplification.

5.2. Common Agriculture Policy 2014-2020

CAP has always been subject of changes in order to respond to challenges of modern day times. Significant reforms have been made in the past, especially in 2003 and 2008, and aimed to modernize and transform agriculture into market-oriented sector. Strategy Europe 2020 offers new perspectives. By responding to new economic, social, climate and technology challenges, CAP can contribute to intelligent, sustainable and inclusive growth. Moreover, CAP must make due consideration of agricultural wealth and diversity in EU Member States.

³⁸ http://europa.eu/rapid/press-release_SPEECH-10-400_en.htm?locale=en

Prior to establishment of initial policy guidelines in this sector, on 12th April 2010, EU Commissioner Ciolos initiated a public debate about the future of CAP, its objectives, principles and contribution to Strategy Europe 2020, as introduction to broader consultations in the decision-making process. Public debates were focused on four key questions:

- Why do we need Common Agriculture Policy at EU level?
- What are societal objectives of agriculture in its vast diversity?
- Why are CAP reforms needed and how to proceed with reforms and simultaneously fulfil society's expectations?
- What tools are needed for the future CAP?

Based on public debate outcomes and exchanges with the Council and the European Parliament, on 18th November 2010, the EC published its communication³⁹ titled "CAP towards 2020",⁴⁰ which provides an overview of possibilities for CAP's future and initiated a debate with other institutions and stakeholders. Several steps have been taken in that regard:

- On 12th October 2011, the EC submitted a series of proposals⁴¹ aimed at making CAP more efficient policy for competitive and sustainable agriculture and vivid rural areas;

- After almost two years of negotiations between the Commission, European Parliament and the Council, on 26th June 2013, political agreement⁴² was reached for CAP reform;
- On 16th December 2013, the EU Council of Agriculture Ministers formally adopted four basic regulations⁴³ on reformed CAP, including transitional rules for 2014. These regulations are pending approval by the European Parliament in November.
- On 20th December 2013, four basic regulations and transitional rules were published in the EU Official Journal, whereby the new policy gained its form and contents⁴⁴.
- In order to fully implement the political agreement on CAP reform reached in June and September 2013 between the European Parliament, the Council and the EC, Commission services have drafted delegated acts. On 11th March 2014, the EC adopted the first package of delegated acts.⁴⁵

³⁹ http://ec.europa.eu/agriculture/cap-post-2013/communication/index_en.htm

⁴⁰ The CAP towards 2020

⁴¹ http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/index_en.htm

⁴² http://ec.europa.eu/agriculture/cap-post-2013/agreement/index_en.htm

⁴³ http://ec.europa.eu/agriculture/cap-post-2013/legislation/index_en.htm

⁴⁴ http://ec.europa.eu/agriculture/policy-perspectives/policy-briefs/05_en.pdf

⁴⁵ http://ec.europa.eu/agriculture/cap-post-2013/implementation/index_en.htm

5.3. CAP and EU accession

As regards EU accession and agriculture and rural development policies, two aspects are of crucial importance: economic and administrative capacity. Economic capacity concerns alignment of acceding country's general preconditions and situation with the membership criteria:

- Existence of functional market economy based on clear property rules, functional markets, price liberation and macroeconomic stability;
- Capacity to cope with competitive pressures and market forces within the Union, including import of agricultural produce and foodstuff;

Administrative capacity concerns the state's ability to adequately implement legislative and administrative provisions on EU level in the field of agriculture and rural development, as follows:

- Adequate administrative capacity, starting from agriculture policy making, relevant analyses, efficient implementation of financial assistance and adequate controls;
- Adequate capacity for development and implementation of pre-accession measures for rural development (IPARD) and relevant rural development programmes;
- Legislation alignment and establishment of administrative capacity in areas such as organic farming, quality policies and other relevant areas;
- Establishment of market mechanisms per agricultural produce (such as selling standards, pricing information, quota management, functional organizations of producers, etc.).

Chapter on Agriculture includes numerous mandatory rules, majority of which are directly enforceable regulations. Adherent application and implementation of these rules on the part of public administration bodies is of key importance for proper functioning of CAP. This includes laws that govern management systems, including payment agencies and integrated administration and control systems. EU membership implies integration of broad range of agricultural produce, such as fruit and vegetables, sugar canes, produce of animal origin and special crops, under a common market organization.

CAP implementation, management and control require harmonization, reorganization and strengthening of relevant administrative structures (for example, the Payment Agency, integrated administration and control system, etc.). In some cases, relevant EU law imposes detailed specification of necessary administrative structures. For other CAP elements, terms like "competent authority" are used to designate adequate administrative structures. EU Member States have discretionary right to decide about the type of institution tasked with successful implementation of laws and policies. Nevertheless, EU law defines objectives and functions to be performed by said national administrative authorities.

In 2000, the EU introduced autonomous trade measures (ATM) with exceptional unlimited duty-free access to EU market for almost all products originating from the Western Balkans, without quantitative limitations, and thereby allowed duty-free access to the EU market. These measure cover almost all primary agriculture produce, except for particular fish products, veal meat, vine and sugar, for which custom duties have been reduced within preferential quota or amount to zero. Majority of these provisions are directly transposed into relevant agreements with the signing of Stabilization and Association Agreements (SAAs).

5.4. IPA as framework for CAP

The EU has several instruments for financial assistance. One of the main pillars of financial assistance are the four Structural Funds⁴⁶ intended to address particular needs at the level of regions, states or at EU level. They function by means of multiannual programmes whose development implies participation of wide range of stakeholders. Scope of these structural funds is focused on specific interrelated areas that create common developmental value. Highest amount of funds within EU's 7-year financial perspective is allocated for Structural Funds and is indicative of their importance in implementation of EU policies.

IPA is the EC's financial instrument for enlargement in the period 2007-2013. IPA's overall goal is to secure pre-accession assistance in particular areas. It helps beneficiary countries to progress in compliance with EU policies and standards including, where appropriate, the EU acquis, with a view to become full-fledged members.⁴⁷

Under IPA Component I, financial support priorities related to agriculture and rural development targeting national administrations are diverse and, to great extent, depend on the specific context in the beneficiary country. As for candidate countries, the main focus is on legislation alignment and adequate administrative capacity building for implementation of EU acquis, i.e. CAP. For example, technical assistance can be provided for establishment of direct payment systems (together with control mechanism and payment agencies), organic pro-

duction certification systems, organization of single market and drafting rural development plans.

Under IPA Component V: Rural Development, candidate countries receive earmarked assistance through the Instrument on Pre-accession Assistance for Rural Development (IPARD). IPARD objectives are defined as follows:

- Improving market efficiency and implementing EU standards;
- Preparatory measures for implementation of agricultural and environmental measures and strategies on local rural development; and
- Developing rural economy.

These objectives should be attained by implementation of various measures defined under three priority axes, as follows:

Priority axis 1: improving market efficiency and implementing EU standards includes the following measures:

1. Investments for restructuring and modernizing agricultural holdings in compliance with EU standards;
2. Investments in processing and marketing of agriculture and fishery products aimed at restructuring and modernizing in compliance with EU standards;
3. Support for establishment of producer groups.

Priority axis 2: preparatory actions for implementation of agricultural and environmental measures and leader approach:

1. Preparation for implementation of actions related to environment and nature;
2. Preparation and implementation of local rural development strategies.

⁴⁶ ERDF – European Regional Development Fund; ESF – European Social Fund; EAGGF – European Agriculture Guidance and Guarantees Funds and FIFG – Financial Instrument for Fishery Guidance.

⁴⁷ Council Regulation of 17 July 2006 on establishing an Instrument for Pre-accession Assistance - IPA (1085/2006) Brussels: Official Journal of the European Union L 210/82, 31.7.2006

Priority axis 3: development of rural economy includes the following measures:

1. Development and improvement of rural infrastructure;
2. Development and diversification of rural economic activities and measures; and
3. Improvement of training.

Next was the candidate-country status for EU membership⁴⁹ in December 2005, which opened perspectives for Republic of Macedonia's access to all IPA components.

Table below provides an overview of IPA funds committed to individual enlargement countries.

IPA (in million EUR)	2007	2008	2009	2010	2011	2012	2013
Croatia	141	146	151	154	157	160	163
Macedonia	59	70	82	92	98	105	117
Turkey	497	539	566	654	782	900	936
Bosnia and Herzegovina	62	75	89	105	107	109	112
Serbia	190	191	195	198	202	206	215
Montenegro	31	33	33	34	34	35	35
Albania	61	71	81	93	94	96	98
Kosovo	68	185	106	67	69	70	74
Regional Programmes	109	136	166	144	180	175	190
Administration	45	52	48	53	75	81	85
Total	1.263	1.498	1.517	1.594	1.798	1.937	2.025

Table 16: IPA Multiannual Indicative Financial Framework, per country and per year

Technical assistance is envisaged for relevant administration bodies in order to build their capacity for implementing IPARD programmes (Monitoring Committee, translations, expertise, development of measures).

Republic of Macedonia and EU agricultural and rural development policies are directly related to the state's status in terms of EU accession. First step in this regard was the signing of SAA in April 2001.⁴⁸

⁴⁸ Stabilization and Association Agreement signed between the Republic of Macedonia and the European Communities and their Member States, "Official Gazette of the Republic of Macedonia" – International Agreements, no. 28/2001.

⁴⁹ Council Decision No. 2006/57/EC of 30 January 2006 on the principles, priorities and conditions contained in the European Partnership with the Republic of Macedonia and Council Decision No. 2004/518/EC of 14 June 2004 on the principles, priorities and conditions contained in the European Partnership with the Republic of Macedonia.

In Macedonia, IPA Component V is comprised of 3 priority axes:

1. Improving market efficiency and implementing EU standards;
2. Preparatory actions for implementation of agricultural and environmental measures; and
3. Development of rural economy.

Allocation and disbursement of funds committed is pursued according to IPA Regional Development Operational Programme (IPARD) covering the period 2007-2013.⁵⁰ IPARD defines support measures for agriculture and rural development, investment envelopes per individual measure and acceptable investment costs, financing measures, definition of beneficiaries, and eligibility criteria for financial assistance.

IPARD aims to improve competitiveness of agricultural produce and foodstuff, by financing adequate measures in support of agriculture and rural development, and their alignment with EU standards, as well as sustainable environment and social and economic development of rural areas, by encouraging economic activities and increasing possibilities for employment and has defines the following priorities:

1. Improving competitiveness and sustainability of agricultural holdings for processing and marketing of agriculture products, by investments intended to improve technology and market infrastructure, in order to increase added value of agricultural produce and implement EU standards on quality, food health and safety, as well as animal health and wellbeing and environmental protection.
2. Improving quality of life for rural population, increasing income in rural areas and creating possibilities for new jobs by development and diversification of economic actions of agricultural holdings and beyond them, in order to decrease disparity among regions and against urban areas.

In the meantime, several financial modifications have been introduced and concern alignment in terms of implementation of relevant regulations.⁵¹

⁵⁰ Pursuant to Article 36, paragraph 5 of the Law on the Government of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia" no. 59/00), and in relation to Article 3 of the Framework Agreement between the Republic of Macedonia and the European Commission on the rules governing cooperation in relation to Commission's financial assistance for the Republic of Macedonia committed under the Instrument for Pre-accession Assistance (IPA) ("Official Gazette of the Republic of Macedonia" no.18/08) and to Article 3 of the Agreement between the Government of the Republic of Macedonia and the European Commission on the rules governing cooperation in relation to Commission's financial assistance for the Republic of Macedonia and implementation of assistance committed under IPA Component V (IPARD) ("Official Gazette of the Republic of Macedonia" no. 165/08).

⁵¹ For example, compliance with Article 185 (2) of the Regulation (EC) No. 718/2007 of 12 June 2007 for implementing the Regulation (EC) No. 1085/2006 on establishment of the Instrument for Pre-accession Assistance (IPA), third modification.

Following measures are considered eligible for financial support (by means of adequate codification):

Measure 101: investments for restructuring and modernizing agricultural holdings in compliance with EU standards;⁵²

Measure 103: investments in processing and marketing of agriculture and fishery products aimed at restructuring and modernizing in compliance with EU standards;⁵³

Measure 302: diversification and development of rural economic activities.⁵⁴ This measure concerns investment in rural areas in compliance with the Decree on Criteria for Definition of Rural Areas and list of rural areas in the Republic of Macedonia.

Funds intended for implementation of this programme are co-financed in the following manner: 25% from the Budget of the Republic of Macedonia and 75% from the EU Budget for the relevant fiscal year. Financial assistance from EU Budget is paid in the amount of 75% of total value of funds paid to beneficiaries, upon previous full financing from the Budget of the Republic of Macedonia. For this purpose, total of 85.7 million EUR have been allocated under the EU Budget.

Programme beneficiaries are all private entities wishing to pursue investments in compliance with programme measures defined and whose investment activities imply economic sustainability of at least 5 years after completion of investments financed by the programme. Private entities also include legal entities whose total capital includes state shares in the amount of up to 25% of equity for the entire investment duration and in a period of at least 5 years after completion of investments financed by the programme.

⁵² Includes following sub-measures and individual investments: reconstruction of existing vineyards (10111); reconstruction of existing orchards (10121); construction and reconstruction of fixed greenhouses (excluding plastic tunnels) (10131); construction and reconstruction of fixed greenhouses (10132); construction and reconstruction of facilities for post-harvest activities within fixed glasshouses and greenhouses (excluding plastic tunnels) (10133); modernization of open-field vegetable production (10134); construction and reconstruction of stables for dairy cows, sheep and goat (10141); procurement of specialized milking and cooling equipment (10142); construction and reconstruction of farm buildings for sows and pigs for fattening (10151); establishment of new poultry farms for broilers and modernization of existing poultry farms (10152).

⁵³ Includes following sub-measures and individual investments: investments for purchase of equipment for improving wine product quality (10311); investments for construction and reconstruction of buildings for establishment of fruit and vegetable collection centres (10321); investments for purchase of equipment for improving and modernizing production technologies in fruit and vegetable processing enterprises (10322); investments for establishing and modernizing milk collection centres (10331); investments in modernizing and technological upgrading of dairy establishments with specialized production (10332); investments for establishing slaughter facilities for poultry (10341); modernizing and technological upgrading of existing slaughter lines for cattle, pig and poultry (10342); investments for environmental protection at meat processing enterprises and slaughter houses (10343).

⁵⁴ Includes following sub-measures: investments for establishing on-farm and off-farm processing capacities (30211); investments for establishing and modernizing collection centres for mushrooms and medical/oil herbs and spices and facilities for mushroom cultivation (30212); investments for establishing workshops for traditional handicraft activities and agriculture machinery repair workshops (30213), as indicated on the list of traditional crafts published on the website of the Agency for Financial Support in Agriculture and Rural Development; investments for reconstruction of on-farm houses for rural tourism activities complemented with recreational facilities (30221), in compliance with minimum quality standards on rural accommodation published on the website of the Agency for Financial Support in Agriculture and Rural Development; investment for construction of catering premises, outdoor accommodation (camping sites) and recreational facilities (30222).

Payment of financial assistance to beneficiaries is made by the Agency for Financial Support in Agriculture and Rural Development (AFSARD) on the basis of pre-approved applications with signed financial agreements on supporting rural development and approved payment orders.

5.5. IPARD management structure

IPA Component V is administered under decentralized management system, i.e., by relevant national authorities. Its goal is to prepare the Republic of Macedonia for implementation of EU agriculture and rural development policies after becoming a full-fledged Member State. IPA management structures are integrated within existing IPA national structures comprised of: Competent Accrediting Officer (CAO), National Fund (NF), National Authorizing Officer (NAO), National IPA Coordinator (NIPAC), IPA Audit Authority, etc. Particularly important is the function performed by the Audit Authority. It is the single authority competent for liaison with the EC on all issues related to IPARD and concerning distribution of EU texts and guidelines on its competences and responsibilities. IPA Audit Authority is operatively and functionally independent from the management and control system and works in compliance with international auditing standards.

IPARD operating structure includes other individual institutions exclusively tasked with its implementation on national level. Operating structure is established for the purpose of IPARD management and implementation in compliance with the principles on stable financial management of IPA funds. It is comprised of IPARD management body, IPARD Agency and IPARD Monitoring Committee.⁵⁵

IPARD management body is responsible for programme management and implementation in compliance with the principles on effective and quality utilization of IPA funds. It performs its competences and responsibilities through relevant organizational units within the Ministry of Agriculture, Forestry and Water Economy (MAFWE).⁵⁶ IPARD management body is responsible for efficient and quality implementation of IPARD funds by pursuing the following functions:

- Monitoring effectiveness and quality of IPARD implementation;
- Assessing IPARD with a view to improve quality, effectiveness and consistency of IPA funds, as well as IPARD Implementing Strategy;
- Developing annual and final reports with a view to secure effective and efficient implementation of IPARD measures;
- Coordination, guiding and monitoring performance of IPARD Monitoring Committee, especially in terms of securing necessary documents on monitoring quality of programme implementation;
- Enabling access to IPARD-related information and its implementation, especially by emphasizing EU's role and by securing transparency of EU assistance.

⁵⁵ Agreement between the Government of the Republic of Macedonia and the European Commission on the rules governing the EC's financial assistance for the Republic of Macedonia and implementation of financial assistance under IPA Component V (IPARD) ("Official Gazette of the Republic of Macedonia" no. 165/2008

⁵⁶ Pursuant to the Decision of the Government of the Republic of Macedonia from 18.11.2005, IPARD management body in Macedonia is the Department on Rural Development at the Ministry of Agriculture, Forestry and Water Economy.

Tasks and responsibilities of IPARD management body include: programming and monitoring IPARD assistance through the IPARD Monitoring Committee; developing annual and final reports on implementation of IPARD measures; establishing, maintaining and updating information and reporting system for all structures, bodies and authorities related to IPARD implementation; establishing system on financial and statistical information on progress achieved under IPARD; adjusting and fine-tuning IPARD following consultations with IPARD Agency and in agreement with IPARD Monitoring Committee; developing annual action plans on implementation of anticipated activities in compliance with technical assistance measures.

IPARD management body⁵⁷ consults with and receives information from the EC, following consultations with IPARD Monitoring Committee, about initiatives taken and initiatives on dissemination of public information about the EU's role in IPARD.

AFSARD⁵⁸ is responsible for IPARD implementation in compliance with principles on sound financial management.⁵⁹ Its tasks and responsibilities include:

- Drafting and launching calls for proposals and publication of eligibility criteria for financial support;
- Selection and verification of applications and payments in compliance with IPARD criteria and mechanisms and relevant national and EU rules;

- Verification of applications for project approval in terms of eligibility criteria and contract terms and conditions;
- Signing contacts with final beneficiaries;
- Payments to final beneficiaries;
- Returning funds from defaulting final beneficiaries;
- Administrative checks and controls in the field;
- Monitoring project progress;
- Dissemination of public information;
- Reporting on irregularities;
- Submission of information and data to NAO, NF and IPARD management body;
- Accounting activities;

IPARD Monitoring Committee is established with a view to monitor effectiveness and quality of IPARD implementation for the purpose of attaining programme objectives. It is comprised of 21 members (including the chairperson) with voting rights.⁶⁰ EC representatives, National Authorizing Officer, Director of the IPARD Agency and head of IPARD management body attend meetings of this committee, but do not have voting rights.

⁵⁷ With a view perform its tasks and responsibilities, IPARD management body is accredited by NAO and the European Commission.

⁵⁸ Law on Establishing the Agency for Financial Support in Agriculture and Rural Development, "Official Gazette of the Republic of Macedonia" no. 72/2007

⁵⁹ With a view to disburse IPA funds, IPARD Agency is accredited by NAO and the European Commission.

⁶⁰ <http://www.ipard.gov.mk/mk/category/category?id=30>

5.6. IPARD calls

AFSARD launches the open calls⁶¹ for all interested natural and legal persons in the Republic of Macedonia to submit applications for financial assistance under IPARD 2007–2013. On 15th February 2014, the call for applications was announced for following measures: 101 – investments for restructuring and modernizing agricultural holdings for implementation of EU standards; 103 – investments in processing and marketing of agriculture and fishery products for implementation of EU standards; and 302 – diversification and development of economy activities in rural areas.

Table below provides an overview of applications submitted and approved and relevant rate of approval.⁶²

Call for applications	Applications submitted	Applications approved	Rate of approval (%)
01/2009	133	24	18.0
01/2010	112	36	32.1
01/2011	74	40	54.1
02/2011	60	26	43.3
03/2011	92	27	29.3
01/2012	65	14	21.5
Total	536	167	31.2

Table 17: Overview of applications submitted and approved and rate of approval

⁶¹ Pursuant to Article 14 paragraph 2 (a) of the Law on Ratification of the Agreement between the Government of the Republic of Macedonia and the European Commission on the rules governing the EC's financial assistance for Republic of Macedonia and implementation of financial assistance under IPA Component V (IPARD) ("Official Gazette of the Republic of Macedonia" no. 165/2008) and pursuant to Section V, paragraph (5) of the Programme on Implementation of Financial Assistance under IPA Component V (IPARD) for the financial perspective 2007–2013 ("Official Gazette of the Republic of Macedonia" no. 93/2013).

⁶² http://www.ipard.gov.mk/files/attachment/0000/0276/GODISEN_IZVESTAJ_ZA_SPROVEDUVANJE_NA_IPARD_2011_mk_.pdf

IPARD Agency and IPARD measures were accredited in December 2009, although the programme should have started implementation in early 2007. As early as the announcement of the first call (01/2009), problems⁶³ started emerging and concerned: complicated application procedure and associated high costs; non-objective assessment criteria concerning attainment of programme objectives and priorities, i.e. absence of indicators on success and possibilities for malpractices in approval of financial assistance. Truth to be told, these problems could be easily identified from programme's onset and if the Government had consulted relevant stakeholders, most of these shortfalls would have been eliminated.

Formally, programme implementation is regulated by means of decree adopted by the Government.⁶⁴ In reality, numerous objective and subjective shortcomings have been identified, starting from late accreditation of IPARD operating structures, serious shortcomings identified in terms of human resources that prevented timely and adequate staffing of relevant structures, establishment of effective programme implementation without de-commitment of funds, and establishment of cooperation with other competent institutions.

⁶³ Court of Auditors - Special Report No. 2/2004 concerning pre-accession aid (2004/C295/01);

⁶⁴ Decree on the method and procedure for utilizing financial assistance intended for measures on rural development and financed under IPA Component V ("Official Gazette of the Republic of Macedonia" no. 112/2009).

Risks identified in terms of IPA Component V⁶⁵ include:

- Understaffing and employees' leaving IPARD operating structures;
- Possible return of funds in compliance with the rule "n+3";
- Insufficient cooperation with the Ministry of Environment and Spatial Planning, which is the technical body, compared to obligations of the IPARD Agency;
- Inadequate use of database on reference prices.

IPA Audit Authority⁶⁶ has indicated several shortcomings, including:

- Inconsistency of documents published by technical bodies;
- Understaffing at the sector on project approval;
- Weaknesses of verification lists for application completeness and acceptability;
- Errors in calculation of budget available for the call for applications;
- IPARD Agency provided inadequate information on changes made to documents such as: guidelines for filling in business plans, business plans (excel spreadsheets) and requirements for measures 101, 103 and 302;

- Failure to update registers kept by the technical bodies;
- Non-compliance with memoranda signed with the technical bodies;
- Insufficient capacity at the control sector;
- Approval of payments is pursued with insufficient number of employees, disrespect for established procedures on processing and approving payment orders without securing relevant documents;
- Payments to final beneficiaries in the second quarter are made beyond the 3-month period from receipt of payment orders.

Findings of the auditing task force deployed by DG Agriculture to the Republic of Macedonia⁶⁷ include:

- Having in mind implementation experiences, organization of procedures at IPARD Agency should better reflect all acceptability requirements defined in the IPARD programme, including the list of acceptable costs.
- Insufficient compliance with the principles of sound financial management, verification and comparability of applications, establishment of conflict of interests, verification of origin, etc.
- There is need for further strengthening of irregularities management within IPARD monitoring and control system.

⁶⁵ http://www.ipard.gov.mk/files/attachment/0000/0276/GODISEN_IZVESTAJ_ZA_SPROVEDUVANJE_NA_IPARD_2011_mk_.pdf (pg. 48)

⁶⁶ http://www.ipard.gov.mk/files/attachment/0000/0276/GODISEN_IZVESTAJ_ZA_SPROVEDUVANJE_NA_IPARD_2011_mk_.pdf (pp. 50-51)

⁶⁷ Ibid (pg. 51)

In addition to continuous decrease of applications submitted (as shown on Table 17), the factual situation is marked by significant number of withdrawals from contracts signed. Namely, according to management body's procurement and implementation plans, evident is that:

- Rate of contracts signs under the programme (2007-2011) is 12%, with a payment rate of 2%;
- Almost 20% of contracted funds are disbursed;
- Realization rate under the 2011 payment plan is almost 50%.

These data concern 2011, as the last year for which MAFWE developed and published Annual Report on Implementation of IPARD 2007-2013 in the Republic of Macedonia.⁶⁸

All these shortcoming have resulted in extremely low absorption of financial assistance available and reallocation of funds committed under IPA Component V to IPA Component I,⁶⁹ i.e. funds intended for agriculture and rural development were awarded to be managed by the World Bank, on request from the Government of the Republic of Macedonia, most probably due to likely de-commitment of funds. Moreover, 2013 Progress Report refers to the fact that unused 7.39 million EUR from IPA 2009 were de-committed.

Analysis of utilization of IPARD funds is a major challenge, due to lack of available, transparent and relevant data published by competent author-

ities thereby providing space for discretionary interpretation and data manipulation. For example, in early 2014 Fatmir Besimi, Deputy Prime Minister for EU Integration, reported⁷⁰ a utilization rate of 8.9% under IPA Component V, only to follow with statement that Macedonia has used 17.8% of funds, Croatia has used 23.2% of funds and Turkey has used 12.5% of funds. Of course, presentation of these rates was neither clarified nor explained. Do these data concern contracts signed, projects implemented, payments made or something else?

Similar behaviour is demonstrated by other officials, such as Ljupco Dimovski, Minister of Agriculture, Forestry and Water Economy, and his Deputy Minister, Zoran Konjanovski. They abused the opportunity given during oversight hearings at the Parliament on "IPA Utilization in the Republic of Macedonia" held on 29 October 2013 for personal political promotion, widely ignoring the reality and the seriousness of actual situation in terms of implementation of IPA Component V in the Republic of Macedonia.

While Minister Ljupco Dimovski praised himself at the parliamentary hearing, as part of its 2012/2013 Annual Report on Financial Assistance for Enlargement, the EC reiterated the fact that auditors contracted by DG AGRI have established deficiencies in management and control system, which has led to temporary interruption of payments (for a period of 4 months) in March 2012. Audits revealed serious deficiencies, notably in the internal control standards, and lack of sufficient administrative capacity with regard to the National Fund, IPARD Agency and IPA Audit Authority. In that context, the National Authorizing Officer was requested to perform additional checks and IPARD Agency had to examine all projects approved under IPA Component V (more than 500). Irregularities were identified in 47 projects and concerned selection processes and authorization of payments.

⁶⁸ <http://www.ipard.gov.mk/mk/category/category?id=17>, last accessed on 2 June 2014.

⁶⁹ Article 5 of the COMMISSION IMPLEMENTING DECISION adopting a National programme-Part II on The former Yugoslav Republic of Macedonia for the year 2013.

⁷⁰ <http://a1on.mk/wordpress/archives/275061>

Furthermore, the EC reported that this has influenced negatively on the amount spent in 2012 under IPARD (only 2 million EUR from total envelope of 85 million EUR), and resulted in de-commitment of large share of funds under IPA 2009, i.e. 7.3 million EUR.

If above-indicated performance is sufficient for praise, what would national authorities say and how would they act when tangible results are achieved.

Maybe competent authorities should be reminded of findings presented in EC' 2013 Progress Report for the Republic of Macedonia,⁷¹ as follows:

- Integrated administration and control system, land parcel identification system are interrelated and operational, however data from different system are incompatible.
- Institutional capacity to manage and maintain functioning integrated administration and control system is insufficient.
- Despite additional staffing, institutional capacity remains a significant concern.
- Steps have been taken to improve the capacity of the Payment Agency responsible for both national support schemes and measures under IPARD; staffing and equipment are still insufficient;
- Progress in preparation for implementation of other IPARD measures (technical assistance and rural infrastructure) has been limited and efforts have to be intensified.

- Absorption capacity for IPA Component V remains a significant concern.
- An unused 7.39 million EUR under IPARD 2009 was de-committed.

Or findings presented in the section on organic production:

- Organic producers receive top-up payments worth an additional one third of conventional production. Despite payments, organic production capacity declined.
- Administrative capacity remains insufficient.

⁷¹ http://www.sep.gov.mk/data/file/Progres%20report%202013/2013-mk/mk_rapport_2013_MK4_21_10_2013.doc

5.7. Pink eyeglasses

Absorption capacity under IPA Component V continues to create problems for the Republic of Macedonia. It is a result of numerous factors, such as inadequate programming, poor administrative capacity at all levels, withdrawal from contracts signed due to significantly more complicated rules compared to those applied in cases of national budget funds and financial assistance under other programmes, as well as poor cooperation between institutions with shared competences.

Evident is that in addition to the initially low interest, every new year, beneficiaries demonstrate declining interest in submitting applications for IPARD funds. Despite declining number of applications submitted, significant number of beneficiaries has withdrawn from contracts signed.

Under such circumstances, implementation of this component is at risk of possible de-commitment of funds allocated, in compliance with the “n+3”.

Additional problems are defined in terms of transparency. Notably 2012 and 2013 Annual Reports on Implementation of IPARD in the Republic of Macedonia have not been published and raise concerns about possible further deterioration of the situation.

In addition to de-commitment of significant share of funds (7.39 million EUR only under IPA 2009), valid is the impression of DG AGRI on insufficient application of the principles on sound financial management, as well as verification of accuracy and comparability of applications, identification of conflict of interest, verification of origin, etc.

In 2013, share of funds (18 million EUR) from IPA Component V have been reallocated to IPA Component I. Actually, funds intended for agriculture and rural development in the Republic of Macedonia were awarded to be managed by the World Bank, on request from the Government of the Republic of Macedonia, possibly due to the pending de-commitment of significant amounts of funds allocated under this component.



CONCLUSIONS AND RECOMMENDATIONS

Analysis of past absorption of IPA funds provides several obvious conclusions. First, despite successful fulfilment of terms and conditions for accreditation and conferral of management powers under all components, except for the second component on cross-border cooperation, Republic of Macedonia and its operating structures have underperformed in delivery of results. This situation resembles an average student in Macedonia graduating top of his class, but unable to complete any practical task.

It has been proved that decentralized management of IPA funds was pursued as end in itself, which allowed the Government to advertise itself in the state where debate has become an abstract noun. Government is using any opportunity to praise itself, while governmental officials abused time and space given in the course of parliamentary oversight hearings on “IPA Utilization in the Republic of Macedonia” for the same purpose.

All these are indicative of: 1) lack of political will to pursue EU integrations; 2) state administration in Macedonia lacks capacity and has no intention or plan on capacity building for successful implementation of IPA-funded projects, starting from programming to evaluation of projects; and 3) failure to react to numerous misinformation in relation to IPA funds allow the conclusion that the EC is approving on-going practices and unlikely is that it would take measures to correct irregularities.

Evidence on non-existing political will is identified in refusal to implement the EC's recommendations and continuous de-commitment of non-refundable assistance provided under IPA, due to which the Government is taking loans and credits from other financial institutions. De-commitment of IPA funds is a clear sign that state administration tasked with implementation of IPA-funded projects and IPA operating structures lack sufficient capacity to address and resolve this problem. Similar to practices established by state administration bodies where by "silence means approval" is also valid in relation to the EC. Refusal to issue general statement, even in cases of possible abuse of IPA funds such as, for example, affair AKTOR, implies support of disinformation about IPA and IPA-related issues provided by the Government.

Another major problem is non-transparency. Until recently, official governmental websites did not host any information on IPA. This is particularly the case with the Central Financing and Contracting Department which, according to the IPA Regulation, should be transparent. Transparency does not only mean publication of information, but publication of user-friendly and easily understandable information for ordinary citizens. Moreover, transparency requires government-organized debates with all stakeholders and possibility for confrontation of arguments.

IPA programming approach pursued by ruling authorities is nothing short of a surprise. Namely, on several occasions it has been reiterated that due to problems in absorption of IPA funds, programming would apply "more strategic" approach, meaning that projects will be intended for institutions and policy areas with relevant capacity in place. Here, the question is raised: Is that strategic planning? Does this mean that institutions and policy areas that have capacity will continue to be given primacy in programming? And finally: What about institutions that lack capacity? Who and how will their capacity be built?

Non-strategic programming and implementation of IPA funds is also visible in terms of modalities applied for implementation of IPA projects. Odd is the fact that among all possible modalities for implementation of IPA projects, most commonly used (accounting for almost two thirds) is technical assistance, on the detriment of grant schemes. In other words, it is illogical for the state to return money back to the EU by contracting foreign experts as part of technical assistance that is considered preferred modality of project implementation, instead of aspiring to have these funds invested in-country and for the benefit of domestic consulting companies or other public organizations. Of course, one should not undermine importance of technical assistance, but it should be applied in a different manner.

Relations between the Government and civil society are deteriorating, instead of being improved. This is visible in many situations. Government's refusal to participate in events organized by CSOs on issues important for Macedonia's EU accession is indicative of ruling authorities' alienation from their citizens. Moreover, civil society representatives were cruelly attacked by MPs in the course of parliamentary oversight hearings on "IPA Utilization in the Republic of Macedonia". Continuous attacks on critically-minded CSOs and attribution of labels such as "Sorosoids", "traitors", "Bruxelgarians" (Bruxellois + vulgar-

ians), etc., supported by pro-governmental media outlets (which, truth to be told, are increasing in number), renders relations government-civil society extremely tense.

Finally, it should be noted that Republic of Macedonia is continuously losing IPA funds. Past resistance to address issues concerning insufficient institutional capacity has started yielding “results” in terms of irreversible de-commitment of financial assistance. Hence, for example, under IPA Component II: Cross-Border Cooperation, Macedonia has already lost 1.5 million EUR and additional 560,000 EUR under IPA 2009. Fortunately, 1.7 million EUR have been saved by reallocating them to IPA Component I. Under IPA Component III, almost all projects are late, while the affair AKTOR threatened construction of Corridor X highway section Demir Kapija – Smokvica. As regards IPA Component IV, 6.06 million EUR under IPA 2010 have already been de-committed and, by end of 2014, this amount will be significantly higher. As regards IPA Component V, 7.39 million EUR from IPA 2009 have been de-committed and, for the purpose of preventing additional burning of funds, 18 million EUR have been transferred to IPA Component I and later awarded to be managed by the World Bank. The final tally shows that Macedonia has irreversibly lost 15.51 million EUR and, for the time being, managed to save 19.7 million EUR from being “burnt”.

In order to improve absorption of IPA funds, the Government and the EC must immediately implement several important recommendations, as follows:

1. **All bodies tasked with IPA administration and implementation must immediately increase their transparency.** Central Financing and Contracting Department (CFCD) at the Ministry of Finance must act as the central institution responsible for dissemination of public information. Having in mind that aver-

age citizens find it difficult to navigate and understand IPA-related information, when such information is available, CFCD should draft information in reader-friendly and understandable manner. New media and information technology should be used with a view to increase transparency of EU financial assistance. Such initiatives are deemed much more creative, functional and cheaper compared to current initiatives pursued by the Government and the EC (information displayed on buses and billboards resemble commercial advertising, instead of proper communication of IPA objectives to citizens).

Same is valid for the Secretariat for European Affairs (SEA), the Government of the Republic of Macedonia and the EU Delegation in Skopje.

Equally important is dissemination of information on IPA programming, designing, implementation, monitoring and evaluation to journalists, especially in the wake of IPA II programming. As regards journalist capacity and knowledge on EU and IPA matters, the Macedonian Centre for European Training has developed and delivered training for journalists on issues related to Macedonia’s EU accession, including IPA. Unfortunately, trained journalists have been fired from the media outlets and replaced by employees that do not understand the EU Agenda.

2. **Civil servants recruited at IPA operating structures must be adequately rewarded and regularly trained.** Capacity building is one thing, but keeping employees is another. Macedonia cannot afford to lose trained personnel that guarantees quality administration and implementation of EU financial assistance. They need to be targeted with regular training, especially in 7-year intervals when the EU reviews and redesigns its financial instruments. Staff salary should reflect their efficiency in terms of successful absorption of EU financial assistance.

3. Immediate efforts are needed to improve ruling authorities' cooperation with the civil society. This is necessary not only in compliance with EU requirements, but also for the purpose of developing democracy. As regards IPA, there are many domestic CSOs that successfully and competently monitor developments concerning IPA programming and absorption. Civil society representatives participating in the work of relevant Sectoral Monitoring Committees can make significant contribution to improved transparency.

The Government and SEA must immediately establish closer relations with IPA Mechanism and should include legitimately selected representatives thereof in sector working groups tasked with IPA II programming. Unfortunately, instead of welcoming efforts and initiatives on the part of hundred CSOs for contributing in development of the Country Strategy Paper, SEA is contemplating announcement of open call for appointment of civil society representatives, in the absence of well-developed criteria.

Finally, the Government's (and SEA's) cooperation with civil society is necessary in compliance with the Commission's new approach to enlargement, i.e. opening of accession negotiations for Chapter 23 (Judiciary and Fundamental Rights) and Chapter 24 (Justice, Freedom and Safety). Chapter 23 is also known as Chapter related to Council of Europe and civil society's role and participation therein cannot and must not be undermined. Sooner the Government realizes this fact, the better results will be achieved by the Republic of Macedonia.

4. Fund for co-financing EU projects should be established. In the Eighteenth Quarterly Accession Watch Report "Win-Win Policy",⁷² we advocated for establishment of Fund for Democracy Development that would finance civil society projects. In the wake of recent events related to programming of IPA II, creation of such fund becomes a must. Notably, EU's financial perspective 2014–2020 allocates 5 million EUR to support the civil society. In comparison, for entire implementation of IPA I (2007 – 2013) only 4.5 million EUR were allocated for this purpose. In order to facilitate absorption of these funds, the Government should make efforts to secure co-financing for EU projects (for more information, see Quarterly Accession Watch Report "Win-Win Policy").

5. IPA II should be implemented with more grant schemes and less technical assistance projects. This type of programming is not only necessary with a view to secure support for in-country organizations and entities, but also due to benefits concerning Europeanization of the Macedonian society as a whole. Namely, EU funds are governed by many rules and regulations which, inter alia, imply that projects implemented result in capacity building of in-country organizations. Higher number of such projects would result in better accession in the EU.

Moreover, technical assistance projects could be modified. When announcing relevant Terms of Reference, successful contractors should be obliged to have in-country partners and pre-defined amount of project budgets should be administered by these partner organizations. This solution is considered beneficial because: 1) it makes projects more sustainable, because relevant knowledge remains in the country; 2) by project implementa-

⁷² http://mcet.org.mk/ckfinder/files/Izvestaj%2018%20mk_web2.pdf

tion, in-country organizations acquire skills on administering EU projects; and 3) closer relations are developed between EU and Macedonian organizations.

6. ***Capacity building efforts are needed for potential beneficiary organizations.*** SEA should design a plan on mapping potential beneficiaries of IPA funds, and should organize and deliver adequate training, grouped per sector. Training can be tailored to the needs of particular target groups and should be delivered by qualified trainers, instead of civil servants. Civil servants have necessary knowledge of IPA, but lack skills on knowledge transfer.
7. ***Parliament of the Republic of Macedonia must hold responsible relevant officials that have failed to submit written responses to questions raised by MPs.*** Of course, this is also valid in case of other stakeholders that should have provided written responses, but did not comply. Based on the analysis of the parliamentary hearings, majority of those who did not comply with this obligation are governmental officials and representatives of relevant institutions.

If it fails in this task, Parliament of the Republic of Macedonia would only confirm public perceptions that oversight hearings are organized merely as “entertainment for the audiences”, and are void of any essential impact and influence. The opposition’s absence from the Parliament makes this legislative house fragile and failure to respond would only confirm that the Parliament is merely another instrument in the hands of the executive branch of government.

