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## **WORKING DOCUMENT**

on ECA Special Report 21/2016 (Discharge 2015): EU pre-accession assistance for strengthening administrative capacity in the Western Balkans: A meta- audit

Committee on Budgetary Control

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## Introduction

Since the accession of Croatia in 2013, the EU Western Balkans enlargement policy has dealt with six countries: Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro and Serbia.

From 2007 until 2014, the EU financial assistance to the Western Balkans through the Instrument for Pre-accession Assistance (IPA) amounted to 5.1 billion euros and was allocated in the context of national and regional programmes.<sup>1</sup> Roughly a quarter of national programme funding went towards strengthening administrative capacity in the key sectors of the rule of law and public administration reform<sup>2</sup>, including public finance management.

In addition to this, the political dialogue contributed towards strengthening administrative capacity in the six Western Balkan countries, the legal and financial beneficiaries of the IPA.

## Audit Scope and Objectives

The Court assessed whether the Commission's management of the IPA in the Western Balkans was effective and whether it actually did strengthen administrative capacity in the region.

The Court's review mainly covered the 2007-2013 programming period (IPA I), but also took developments under the new programming period (2014-2020) into account (IPA II).

The Court focused on two sectors namely (i) the rule of law (fundamental rights, justice and home affairs) with a specific emphasis on the fight against corruption and organised crime and (ii) the public administration reform covering public finance management. Out of the 902 mio euro related to rule of law and public administration reform projects, the Court examined 52 national projects for a total of 109 mio euro (or 12%) and three regional programmes representing 330 mio euro contracted (or 28%) out of a total of 1.16 billion euros.

A particular feature of this meta-audit was that the Court mainly assessed data from its previous special reports and Commission evaluations reports relating to the Western Balkan region.

## Court's Findings and Observations

### *I - Did the Commission manage well the IPA in the Western Balkans?*

With regard to the Commission's management, the Court considered that the objectives of national programmes under IPA I were often broad, not always specific and measurable through specific targets but noted that the Commission moved towards a clearer and more measurable sector-based approach. The regional programmes' objectives were generally specific including measurable targets and an explicit regional integration objective.

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<sup>1</sup> Regional programmes supported by the Commission concern the activities of the Regional Cooperation Council (RCC), the Regional School for Public Administration (ResPA) and the Western Balkans Investment Framework (WBIF).

<sup>2</sup> Other sectors are also covered in each IPA programme such as the environment, transport, rural and social development while cross-border and multi beneficiary programmes for the six Western Balkans countries as a region are also supported.

Programmes and projects were based on needs assessments but some beneficiaries' assessments (Albania, Kosovo and Bosnia and Herzegovina) in particular for the rule of law sector showed shortcomings.

The Court also noted that the absorption of IPA I funding was hampered by weak administrative capacity in some countries (some western Balkans countries had difficulties to make payments) but under IPA II more focus is being put on improving the countries public finance management systems. Moreover, the Court observed that, in the case of decentralised implementation, strict requirements linked to the management of EU funds were not systematically applied at programme level (Bosnia and Herzegovina and for the former Yugoslav Republic of Macedonia) and at project level (Albania and Serbia).

Despite some shortcomings<sup>1</sup> in the reporting for its results-oriented monitoring (ROM), the Court found that the Commission was effective in monitoring the implementation of IPA projects and the delivery of outputs. It was also partly effective in following up on the conclusions and recommendations of IPA evaluations notably to make greater use of conditionality<sup>2</sup>. Finally, despite shortcomings in the donor coordination at the country level due to a lack of leadership and administrative capacity within the national structure (Albania Bosnia and Herzegovina and Kosovo), the Court found that the Commission was able to support effectively the improvement of donor coordination between the Western Balkan countries.

## ***II - Did the IPA strengthen the administrative capacity in the Western Balkans?***

With regard to administrative capacity in the Western Balkans, the IPA generally delivered the outputs that were contractually planned in both national and regional programmes and the Court observed that its support for the rule of law and public administration reform was partly sustainable. Out of 29 projects reviewed by the Court, 15 were unsustainable due to insufficient budget and staffing, poor coordination and a lack of political will.

In the case of rule of law projects, the Commission did not apply conditionality sufficiently prior to authorising contracts. The Court found that relatively little IPA I funding was provided in key areas of the rule of law, such as media freedom and civil society, public prosecution and the fight against corruption and organised crime. Moreover, the beneficiaries' lack of political will to reform institutions, insufficient budget and staffing, as well as poor coordination also affected project sustainability.

In the area of public administration reform, the Commission managed to convert many project outputs into sustainable results despite widespread corruption and political interference in civil service recruitment and career management. Out of the 23 projects reviewed by the Court, 14 were qualified by the Court as sustainable. The remaining were unsustainable due to their lack of budget and staffing and above all the beneficiary's lack of political will to reform institutions. Whilst not an explicit IPA objective, the Commission could have encouraged

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<sup>1</sup> The ROM approach showed three weaknesses: (i) the IPA projects reviewed by the Court were below the threshold for ROM reports with the result that politically sensitive projects were not monitored, (ii) none of the assessed report measure compliance with conditionality and (iii) the project sustainability was not measured due to the absence of ex post project monitoring.

<sup>2</sup> The Commission has done a cross-sector evaluation of the IPA and two thematic evaluations regarding the rule of law and the fight against corruption.

beneficiaries more to use IPA as a learning tool for strengthening the rest of their public administration.

Enhancing regional cooperation and strengthening administrative capacity in the region as a whole is of high importance and has been encouraged by the Commission, notably through various policy dialogue structures such as the Western Balkans Investment Framework. However, during the period audited, the Court found that Regional Cooperation Council did not have a significant impact on the ground. For the Regional School of Public Administration (ReSPA), it was too early to establish whether it improved administrative capacity in the Western Balkans.

The Court considered that the political dialogue in the Western Balkans, through specialized working groups on the independence of the judiciary or on weaknesses in public prosecution and corruption in the judiciary and police, had a limited impact on the rule of law while the political dialogue on public administration reform did achieve some progress.

### **Summary of the Commission Replies**

The Commission pointed out that the conditionality has been applied where appropriate in order to achieve the maximum impact of the enlargement policy objectives while acknowledging the difficult political contexts.

As regards the levels of funding, the Commission precised that the funding has been provided to the relevant sectors taking into account the limited number of large-scaled investments and the limits in the existing absorption capacity.

### **Court's recommendations**

In the light of its findings, the Court makes a number of measurable concrete recommendations both to improve the setting of objectives and the design and implementation of IPA projects in the Western Balkans and encourage greater commitment by the six Western Balkans national authorities towards strengthening their administrative capacity:

1. Under IPA II, the Commission should set specific objectives based on ranked priorities and measurable targets. To simplify management requirements, when the Commission identifies a weak administrative capacity, it should apply indirect management selectively, taking into account the volume of the funds involved and the complexity and political sensitivity of projects to be decentralised;
2. The Commission should apply relevant conditions at sector, programme and project level and follow up on them. For instance, it could apply, where appropriate, a net reduction in future IPA allocations, suspend payments, cancel projects not yet contracted and systematically monitor project compliance with predefined conditions. The Commission should systematically monitor sensitive programmes and projects and carry out external evaluations of interventions in priority sectors in the Western Balkans;
3. In the context of the political dialogue and under IPA I and II, the Commission should engage the beneficiary countries in stronger political commitment so that they establish a convincing track record of effective investigation, prosecution and final convictions in cases of high-level corruption and organised crime. To this end, it should require each of

the beneficiaries to build up their track records further. This should be done in the framework of the political dialogue and should be reflected into future national IPA allocations and other potential sources of EU funding. Furthermore, upon availability of political commitment, and better absorption capacity, the Commission should better target resources in key areas of the rule of law where we noted a significant need for support: the fight against corruption and organised crime (with a particular focus on the public prosecution) and media freedom;

4. Under IPA I and II, the Commission should support regional cooperation. In particular, it should ensure that its financial contributions to the RCC and ReSPA yield measurable and sustainable results on the ground.

### **Rapporteur's recommendations for possible inclusion in the Commissions' annual discharge report**

[The European Parliament]

1. Welcomes the special report under the form of a meta-audit presenting an overview of the European Commission's management of pre-accession assistance in Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro and Serbia and sets out its observations and recommendations below;
2. Acknowledges that the European Commission has to operate in a difficult political context and encounters many weaknesses within beneficiaries' public institutions such as excessive bureaucracy, a high staff turnover, low efficiency, lack of accountability and corruption;
3. Calls all the stakeholders both to pay particular attention to the definition of qualitative national strategies as well as national and regional programmes that would include clear, realistic and measurable objectives and to better link the design of programmes in the beneficiary country to these strategies and respective needs assessments;
4. Supports the efforts of the Western Balkans countries' authorities to pursue efforts in key areas of good governance and towards their public administration reform, including the area of financial control in the context of public finance management (PFM); invites all actors to intensify the efforts for developing or consolidating strategies to coordinate the implementation of public finance management reform;
5. Considers as crucial to reinforce the application of the principle of conditionality, particularly by verifying in advance the beneficiary's capacity to do what is required for a high-quality project and in specific measurable terms;
6. Regrets that about half of the EU funded projects for strengthening public administration reform and rule of law were not sustainable; stresses the importance of developing sustainability, especially for projects dedicated to the reinforcement of administrative capacity; regrets that the sustainability was not ensured in many cases due to inherent factors such as the lack of budget, staffing and above all the beneficiary's lack of political will to reform institutions; calls on the Commission to build on the achievements of successful projects with quantifiable added value and to secure sustainability and viability of the projects by setting it as a pre-condition of the projects when implementing IPA II;

7. Believes that there is still room for improvement to bring certain key sectors up to the EU standards such as rule of law, public administration reform and good governance; is of the opinion that the assistance provided to these areas should be increased, more effective and sustainable-driven due to the close link with the enlargement strategy and political criteria;
8. Calls on the Commission to focus on the fight against corruption, organized crime, public prosecution and the development of transparency and integrity requirements within the public administration as a matter of priority; reiterates the need for a more continuous and stringent strategy and greater political commitment by the national authorities in order to ensure sustainable results in this respect.