

Special Report

**EU pre-accession assistance  
for strengthening  
administrative capacity  
in the Western Balkans:  
A meta-audit**



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(pursuant to Article 287(4), second subparagraph, TFEU)

The ECA's special reports set out the results of its performance and compliance audits of specific budgetary areas or management topics. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This performance audit was produced by Chamber III — headed by ECA Member Karel Pinxten — which is responsible for external action, security and justice. The audit was led by ECA Member Istvan Szabolcs Fazakas, supported by Márton Baranyi, Attaché of his private office, Francis Joret and Sabine Hiernaux-Fritsch, Support and Quality Control; Dennis Wernerus, Head of Task; Nicola Berloco, Balazs Kaszap, Alina Milasiute, Thomas Haellstroem and Nikolaos Zompolas, Auditors.



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# Abbreviations and acronyms

05

**BIRN:** Balkan Investigative Reporting Network

**ECA:** European Court of Auditors

**EEAS:** European External Action Service

**ICJ:** International Court of Justice

**IPA:** Instrument for Pre-accession Assistance (I: 2007-2013, II: 2014-2020)

**MIPD:** Multi-annual indicative planning document

**RCC:** Regional Cooperation Council

**ReSPA:** Regional School of Public Administration

**ROM:** Results-oriented monitoring

**SAA:** Stabilisation and association agreement

**SIGMA:** Support for improvement in governance and management

**UNSCR:** United Nations Security Council Resolution

**WBIF:** Western Balkans Investment Framework

**I** From 2007 until 2014, EU financial assistance to the Western Balkans through the Instrument for Pre-accession Assistance (IPA) amounted to 5.1 billion euros. It was allocated in the context of national and regional programmes. 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. 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.

**II** We 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. We mainly covered the 2007-2013 programming period, but also took developments under the new programming period (2014-2020) into account.

**III** A particular feature of this meta-audit was that we mainly assessed data from our previous special reports and Commission evaluations. We assessed the entire IPA programming process (Part I) and examined 52 national projects and three regional programmes (Part II).

**IV** We concluded that the EU pre-accession assistance was broadly effective and that IPA I partly strengthened administrative capacity in the region, despite considerable shortcomings inherent to the national authorities in the Western Balkans.

**V** With regard to the Commission's management, IPA I objectives were not always specific and measurable. Programmes and projects were based on needs but some beneficiaries' assessments in the rule of law sector showed considerable shortcomings. The absorption of IPA I funding was hampered by weak administrative capacity in some countries and, in the case of decentralised implementation, strict requirements linked to the management of EU funds.

**VI** Under IPA I, the Commission did not systematically apply strict conditions and follow up on them. Despite some shortcomings in the reporting for its results-oriented monitoring, the Commission was effective in monitoring the implementation of IPA projects. It was also partly effective in following up on the conclusions and recommendations of IPA evaluations. Finally, despite considerable beneficiary shortcomings, it was able to support donor coordination.



## Executive summary

### VII

With regard to administrative capacity in the Western Balkans, the IPA generally delivered the outputs that were contractually planned and its support for the rule of law and public administration reform was partly sustainable.

### VIII

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

### IX

In the area of public administration reform, the Commission managed to convert many project outputs into sustainable results. Whilst not an explicit IPA objective, it could have encouraged beneficiaries more to use IPA as a learning tool in the rest of their public administration.

### X

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 the Western Balkans Investment Framework. However, during the period audited, the 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.

### XI

The political dialogue in the Western Balkans had a limited impact on the rule of law in a number of cases. It did achieve some progress with regard to public administration reform.

### XII

The report sets out 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.

## 01

Since the accession of Croatia in 2013, the EU Western Balkan enlargement policy has dealt with six countries: Albania, Bosnia and Herzegovina, Kosovo\*, the former Yugoslav Republic of Macedonia, Montenegro and Serbia (see **Figure 1**).

\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

Figure 1

### Political map of the Western Balkans



\* This designation is without prejudice to position on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

Source: European Commission.

## 02

After an economic and political crisis in the 1980s and the rise of nationalism, Yugoslavia broke up in the 1990s along its republics' borders, at first into five countries, leading in several of these to armed conflict. Later on Montenegro (2006) and Kosovo (2008) also declared independence. As for Albania, it was a completely isolated communist dictatorship until 1991 and had to build its public administration from scratch. Although these six European countries have historically been affected by serious ethnic, political and economic conflicts, they all aspire to join the EU, where they have a unity of purpose. Indeed, all the six Western Balkan countries are **candidates** or **potential candidates** for joining the EU (see **Table 1** and **Box 1**).

Table 1

## Status of the Western Balkan countries in view of EU accession

	Candidate status (since year)	Status accession negotiations
Albania	2014	No negotiations
Bosnia and Herzegovina	<i>Potential candidate</i>	No negotiations
Kosovo	<i>Potential candidate</i>	No negotiations
the former Yugoslav Republic of Macedonia	2005	No negotiations
Montenegro	2010	22 chapters opened, two closed
Serbia	2012	Two chapters opened

Source: European Commission.

Box 1

## Joining the EU

Existing EU principles, policies, laws, practices, obligations and objectives are often referred to in the EU institutions as the *acquis*. At the heart of accession negotiations, the *acquis* consists of 35 different accession chapters to be negotiated between the EU and each candidate country. For instance, chapter number 23 covers judiciary and fundamental rights and chapter number 24 covers justice, freedom and security.

The Intergovernmental Conferences are the bodies that take decisions on opening and provisionally closing chapters, in line with a negotiating framework agreed by the Council. From 2012 and 2014, respectively, Montenegro and Serbia began to meet in these Conferences. There was no decision by the Council on the setting-up of an accession negotiation framework for Albania and the former Yugoslav Republic of Macedonia, so no Intergovernmental Conferences started with them. As potential candidate countries, Bosnia and Herzegovina and Kosovo were not eligible to start accession negotiations.

## 03

The EU's aim of incorporating these countries in the EU has been at the core of EU–Western Balkan relations since 2000 (see **Annex I**). Since 2007, the Commission has provided them with financial assistance through the Instrument for Pre-accession Assistance (IPA)<sup>1</sup>, as shown for IPA I in **Figure 2**.

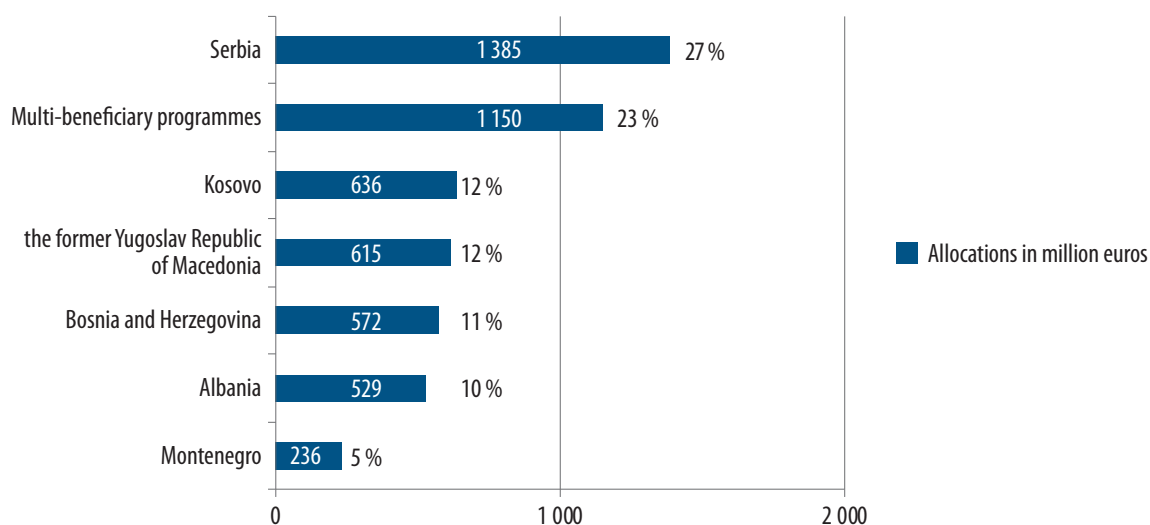
## 04

Within each IPA programme, the EU supported various sectors, such as the rule of law<sup>2</sup>, public administration reform, the environment, transport, rural development and social development. It also supported cross-border and multi-beneficiary programmes for the six Western Balkan countries, as a region.

- 1 Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA I) (OJ L 210, 31.7.2006, p. 82) and Regulation (EU) No 231/2014 of the European Parliament and the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II) (OJ L 77, 15.3.2014, p. 11).
- 2 Fundamental rights, justice and home affairs, including the fight against corruption and organised crime.

Figure 2

## IPA I allocations to the Western Balkans (2007-2013)



Note: Percentages rounded up.

Source: European Commission, 31 December 2015.

## Introduction

### 05

IPA support for the rule of law in the beneficiary countries was designed to bring a wide range of sensitive state bodies, such as ministries, agencies, police forces and the judiciary, closer to the EU's fundamental rights and the *acquis*. The IPA also contributed towards ensuring that better national legislation was drafted and adopted.

### 06

IPA support for public administration reform, including public finance management, also addressed sensitive areas like merit-based recruitment and quality training in the public administration and the full budget cycle, including tax collection, budgeting, procurement, public internal financial control, external audit and statistics.

### 07

In addition to this, the Commission supported, through the design of regional programmes, the activities of regional organisations such as the Regional Cooperation Council (RCC), the Regional School for Public Administration (ResPA), as well as interventions through the Western Balkan Investment Framework (WBIF). Although it was not the WBIF's main objective to strengthen administrative capacity in the Western Balkans, it did contribute towards it.

### 08

The Commission's annual progress reports evaluate the candidate and potential candidates' progress towards EU accession. In particular, with regard to the Western Balkans, these reports mentioned the prevalence of corruption and organised crime and weaknesses with respect to the independence of the judiciary system<sup>3</sup>. The Commission monitors the situation in each country through monitoring and expert visits and political dialogue meetings.

### 09

The 'Political Guidelines for the next European Commission' stated that no country will join the EU before 2020<sup>4</sup>. However, with this new timeframe and given that the Western Balkan countries are already strategically important partners, the Commission has the opportunity to achieve long-term strategic objectives and prepare for future EU accession, not only as individual countries, but also as a region, in the framework of a harmonised process and a coordinated regional approach<sup>5</sup>.

- 3 See progress reports on Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro and Serbia, 2012-2015.
- 4 Opening statement by candidate President Juncker in the European Parliament opening session, 15 July 2014, paragraph 9.
- 5 See Council conclusions on the enlargement and stabilisation and association process, 15356/15, 15 December 2015.

# Audit scope and approach

12

## 10

Considering the findings of previous special reports, our objective was to assess whether the Commission contributed towards strengthening administrative capacity in the Western Balkan region through the IPA programme. We addressed two main questions:

(a) Did the Commission manage well the IPA in the Western Balkans?

(b) Did the IPA strengthen administrative capacity in the Western Balkans?

## 11

Our scope was the 2007-2013 period (IPA I), but we also took into account the first stages of the 2014-2020 period (IPA II). We focused on two sectors relevant to the strengthening of administrative capacity in the Western Balkans:

(a) rule of law (fundamental rights, justice and home affairs), with a particular emphasis on the fight against corruption and organised crime; and

(b) public administration reform, including public finance management.

## 12

As shown in **Table 2**, out of 902 million euros of rule of law and public administration reform projects, we examined 52 projects for a total of 109 million euros contracted (12 %)<sup>6</sup>. Out of a total of 1.16 billion euros in regional programmes, we examined three of them for a total of 330 million euros contracted (28 %)<sup>7</sup>.

6 **Annex II** contains the full list of these audited projects.

7 **Annex III** lists these programmes.

Table 2

### IPA (2007-2013) to the Western Balkans for administrative capacity

IPA programmes for administrative capacity in the western Balkan countries	Contracted amounts		Percentage audited	Number of projects/ programmes audited
	Total	Audited		
National programmes, rule of law projects	485	60	12 %	29
National programmes, public administration reform projects	417	49	12 %	23
<b>TOTAL</b>	<b>902</b>	<b>109</b>	<b>12 %</b>	<b>52</b>
Regional programmes	1 160	330	28 %	3
<b>GRAND TOTAL</b>	<b>2 062</b>	<b>439</b>	<b>21 %</b>	

Note: Amounts in million euros; percentages rounded up.

Source: ECA based on European Commission data, 30 June 2015.

## Audit scope and approach

### 13

An important part of our work was assessing what EU programmes and projects had achieved in terms of results as defined in the regulation laying down common rules and procedures for the implementation of the Union's instruments for financing external action<sup>8</sup>.

<sup>8</sup> Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action, 12th recital in the preamble and Article 12 (OJ L 77, 15.3.2014, p. 95).

### 14

As part of our meta-audit approach, we firstly reviewed a series of ECA special reports and the Commission's evaluation reports relating to the Western Balkan region (see **Table 3**). Taking into account the audit scope of the meta-audit and the reports reviewed, we then identified audit gaps, which led to substantial additional audit work performed between March and December 2015. This additional audit work included a desk review of Commission progress, monitoring, expert and meeting reports and interviews of staff from the Commission, the European External Action Service (EEAS), EU delegations, relevant national authorities in the Western Balkans and the RCC.

Table 3

### Previous audit and evaluation reports used

Sources	Document references
ECA SPECIAL REPORTS	<p>20/2016 Strengthening administrative capacity in Montenegro: progress but better results needed in many key areas</p> <p>11/2016 Strengthening administrative capacity in the former Yugoslav Republic of Macedonia: limited progress in a difficult context</p> <p>19/2014 EU Pre-accession assistance to Serbia</p> <p>18/2014 EuropeAid's evaluation and results-oriented monitoring systems</p> <p>18/2012 European Union assistance to Kosovo related to the rule of law</p> <p>14/2011 Has EU assistance improved Croatia's capacity to manage post-accession funding?</p> <p>12/2009 The effectiveness of the Commission's projects in the area of Justice and Home Affairs for the Western Balkans</p> <p>5/2007 The Commission's management of the CARDS programme</p>
EVALUATIONS	<p>IPA support for the fight against corruption, August 2015</p> <p>The principles of public administration, SIGMA baseline measurements (Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo, Montenegro, Serbia), April 2015</p> <p>Meta-evaluation of IPA assistance, September 2013</p> <p>IPA — Interim evaluation and meta-evaluation of IPA assistance, evaluation of multi-beneficiary programmes, June 2013</p> <p>Rule of law, judicial reform and the fight against corruption and organised crime in the Western Balkans, February 2013</p>

Source: European Court of Auditors.

## Part I — Did the Commission manage well the IPA in the Western Balkans?

### 15

We assessed the Commission's management of the IPA throughout the instrument's programming cycle and on the basis of the following audit criteria:

- (a) Did the IPA have specific and measurable objectives?
- (b) Were programmes and projects based on clear needs?
- (c) Was assistance actually paid out (absorption)?
- (d) Were strict conditions for assistance applied (conditionality)?
- (e) Was implementation monitored and were results evaluated effectively?
- (f) Was donor assistance coordinated effectively?

### During IPA I, objectives were not always specific and measurable

### 16

The EU's Financial Regulation stipulates that specific and measurable objectives must be set for all sectors of activities covered by the budget<sup>9</sup>. The IPA regulations<sup>10</sup> and the Commission's multi-annual indicative planning documents (MIPDs) all addressed the importance of the rule of law and public administration reform in the Western Balkans.

### National programmes often had broad objectives

### 17

During IPA I, objectives were so broad in scope that they were often not specific and measurable through specific targets<sup>11</sup>. However, in the case of Montenegro and Serbia, whose accession negotiations started in 2012 and 2014 respectively, the Commission defined clear and measurable rule of law objectives which, if not met, could block enlargement negotiations<sup>12</sup>.

- 9 Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).
- 10 Council Regulation (EC) No 1085/2006 as implemented by Commission Regulation (EC) No 718/2007 of 12 June 2007 and Regulation (EU) No 231/2014 as implemented by Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014.
- 11 ECA analysis of the European partnership agreements, SAAs, DG Neighbourhood and Enlargement Negotiations, Annual Activity Reports (2013, 2014). The meta-evaluation of IPA assistance (September 2013, p. 20) mentioned broad objectives that 'did not often contain sufficiently measurable targets'.
- 12 Management Plan 2015, DG Neighbourhood and Enlargement Negotiations, p. 4 and 18; COM(2012) 600 final of 10 October 2012 'Enlargement strategy and main challenges 2012-2013', p. 4.



## 18

Moreover, since 2010, the Commission has moved from supporting mostly individual projects to a clearer and more measurable sector-based approach<sup>13</sup>, under which programmes and projects clearly fit into sector-based strategies. The Commission planned to fully apply the sector-based approach during the implementation of IPA II<sup>14</sup>.

### Regional programmes generally had specific and measurable objectives

## 19

The objectives of the regional programmes that we examined were generally specific and included measurable targets. Given the history of conflict among the western Balkan countries, regional programmes generally had an explicit regional integration objective that matched the IPA's objectives of supporting post-conflict reconciliation, confidence-building and reconstruction<sup>15</sup> (see **Box 2**).

- 13 COM(2011) 666 final of 12 October 2011 'Enlargement strategy and main challenges 2011-2012', p. 20.
- 14 Instrument for Pre-Accession Assistance (IPA II), multi-country indicative strategy paper (30 June 2015) and the indicative strategy papers for Albania and Montenegro (18 August 2014), the former Yugoslav Republic of Macedonia and Serbia (19 August 2014), Kosovo (20 August 2014) and Bosnia and Herzegovina (15 December 2014).
- 15 13th recital in the preamble and Article 2(g) to Council Regulation (EC) No 1085/2006.

### Box 2

#### The Western Balkans Investment Framework (WBIF)

The WBIF clearly aimed at providing finance and technical assistance for strategic investments and its objectives were measurable through clear indicators (e.g. number of project applications, technical assistance paid, financing granted)<sup>16</sup>.

<sup>16</sup> <https://www.wbif.eu>

### Programmes and projects were based on needs, but some beneficiary assessments showed considerable shortcomings

## 20

During the programming of IPA I, the Commission drafted planning documents (MIPDs), which identified key sectors for IPA support. The national authorities produced their own needs assessments, under either their own initiative or encouragement from the Commission.

## Needs assessments at Commission level

### 21

The MIPDs were usually based on the priorities identified in the progress reports and accession partnerships. They were not based on assessments of the beneficiary countries' baseline for assessing administrative capacity in different sectors (e.g. the rule of law) nor did they consider the countries' actual political will for reform. At project level, the examined projects were clearly based on needs identified by the Commission and agreed with the beneficiary countries.

### 22

During the programming of IPA II, at country level, indicative strategy papers (2014-2020) replaced the IPA I planning documents. They paid more attention to the beneficiaries' capacity to commit to sector reform at political level and manage IPA funding.

## Needs assessments at beneficiary level

### 23

Whereas all the western Balkan countries had a comprehensive national strategy with a needs assessment addressing the public administration reform sector, this was not the case for the rule of law in Albania and Kosovo. In Bosnia and Herzegovina, the justice reform strategy was adopted very late (see **Box 3**).

#### Box 3

### The 2014-2018 justice reform strategy in Bosnia and Herzegovina

The adoption of this strategy was part of the EU policy dialogue with the national authorities, notably through a structured dialogue on justice. The justice reform strategy was only adopted in 2015, as it was delayed by political divergences among the authorities in Bosnia and Herzegovina. In particular, Republika Srpska (see **Figure 3**) systematically challenged the needs assessed by the Commission under IPA. This undermined the relevance of national needs assessments, particularly in the case of projects which aimed to foster coordination between anti-corruption activities, police bodies and local public authorities.

Figure 3

Political map of Bosnia and Herzegovina



Source: Eurostat.

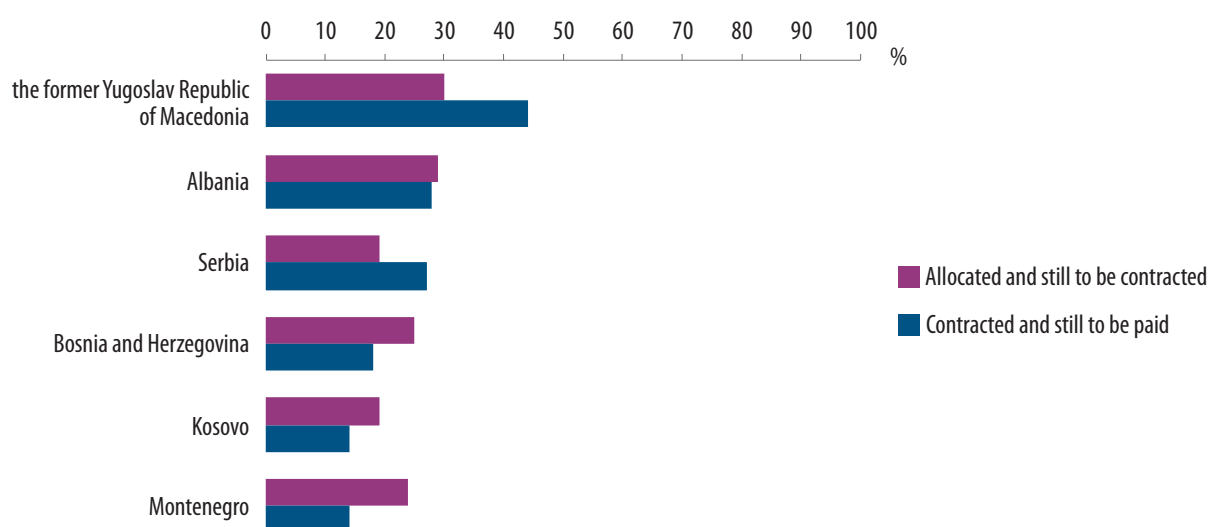
### Absorption process of IPA funding was sometimes hampered by weak administrative capacity

#### 24

In some western Balkan countries, it was difficult to make payments on contracted amounts under IPA I (see **Figure 4**), mainly due to weak administrative capacities.

Figure 4

#### Absorption as a percentage of allocations still to be contracted and as a percentage of contracted amounts still to be paid, IPA I (2007-2013)



Source: ECA calculation based on Commission data, 31 December 2015.

## 25

Based on an examination of different IPA operating structures in the Western Balkans, this can partly be explained by the fact that the Commission decentralised significant parts of IPA management to the national authorities<sup>17</sup>. As we observed in the former Yugoslav Republic of Macedonia and Serbia (see **Box 4**) as well as in Albania, this required a learning period and a more demanding management structure<sup>18</sup>.

17 As of 1 January 2014, the term 'decentralised management' has been replaced by 'indirect management by third countries'.

18 Among other requirements, decentralised management implied the accreditation of a national authorising officer, the establishment of an IPA operating structure and an audit authority, as well as *ex ante* control by the EU Delegation on all decentralised IPA projects. See Articles 11 to 31 of Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA) (OJ L 170, 29.6.2007, p. 1).

### Box 4

## Experience with decentralising management under IPA I

### The former Yugoslav Republic of Macedonia

The Commission decentralised management in compliance with the Financial Regulation<sup>19</sup> and the IPA I regulations, but these regulations did not require it to assess whether the national authorities were ready to manage the volume and complexity of the funds to be decentralised<sup>20</sup>. Following decentralisation, the national administration struggled to keep deadlines and present contracting documents of adequate quality. In many cases, this resulted in the loss of projects designed to fund key reforms, and further losses are expected<sup>21</sup>.

### Serbia

The establishment of an audit authority and the operational body for managing IPA projects was affected by longstanding and serious weaknesses identified by the Commission's own audits. Decentralised management was not linked to a preliminary comprehensive assessment of public finance management at country level<sup>22</sup>, but was solely based on the compliance of Serbia's IPA structures with the internal control requirements set out in the Financial Regulation<sup>23</sup>.

19 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, p. 1), as amended from time to time.

20 ECA Special Report 11/2016 'Strengthening administrative capacity in the former Yugoslav Republic of Macedonia: limited progress in a difficult context', paragraph 47 (<http://eca.europa.eu>).

21 Ibid., paragraphs 48 and 50.

22 ECA Special Report 19/2014 'EU Pre-accession Assistance to Serbia', paragraph 79 (<http://eca.europa.eu>).

23 Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002.

## 26

Under IPA II (2014-2020), more focus is being put on improving the countries' public financial management systems as a whole. However, IPA II programmes were only adopted at the very end of 2014, due to delays in the new IPA legislative framework and procedures. Contracting and payments were further delayed by the beneficiary countries' ratification procedures. As a result, it was too early at the time of the audit to comment on contracted and paid amounts under IPA II.

### The Commission did not systematically apply strict conditions

## 27

The Commission's successive enlargement strategies repeatedly referred to 'strict conditionality'<sup>24</sup> but without defining the term specifically. Conditionality is the principle of setting certain conditions prior to contracting or payment, whether at political, programme or project level. If a beneficiary does not meet these pre-defined conditions, the Commission can take action such as suspending payment for an entire programme, reducing future assistance or cancelling a project.

## 28

At programme level, the Commission only applied strict conditions in very few cases, notably in Bosnia and Herzegovina (see **Box 5**) and in the former Yugoslav Republic of Macedonia<sup>25</sup>.

24 According to the Commission's enlargement strategy 2011-12, 'commitment, conditionality and credibility have been situated at the core of the accession process and its success' (p. 2) and conditionality would be rigorous, demanding and strict (p. 18 and 23). Its enlargement strategy 2012-13, referred to strict conditionality (p. 2, 3, 16 and 22), as well as its enlargement strategy 2014 (p. 2 and 19) and its enlargement strategy 2015 (p. 12).

25 A suspension of payments, as envisaged under Article 46, Commission Regulation (EC) No 718/2007.

### Box 5

#### Strict conditionality at programme level, Justice in Bosnia and Herzegovina

In 2013, the EU integration process in Bosnia and Herzegovina came to a halt. The country's political representatives appeared unable or unwilling to reach the consensus necessary to move forward on the pre-accession path. This was exemplified by the country's inability or lack of political will to enforce a European Court of Human Rights judgment<sup>26</sup>. This led the Commission to apply conditionality by reducing the 2013 IPA I allocation by 45 million euros and imposing further reductions of allocations under IPA II<sup>27</sup>. When Bosnia and Herzegovina failed to adopt a new overall justice sector reform strategy endorsed by all four constitutional entities, including the Republika Srpska (see map in **Figure 3**), the Commission suspended ongoing budget support in the field of justice.

26 In *Sejdić and Finci v Bosnia and Herzegovina* (December 2009), the European Court of Human Rights found that Bosnia and Herzegovina had violated the plaintiffs' right to be elected just because they belonged to ethnic minorities.

27 From 2014 until 2017, 165 million euros were allocated to that country, as compared to 331 million euros from 2007 until 2010.

## 29

At project level, the Commission did not systematically apply strict conditions, as shown by the examples given in **Box 6**. Although in 2011 ECA had recommended paying greater attention to ensuring that project proposals in the other pre-accession countries were sufficiently mature for implementation<sup>28</sup>, it was not always ensured by the Commission. This affected project performance in several countries<sup>29</sup>.

28 ECA Special Report 14/2011 'Has EU Assistance improved Croatia's capacity to manage post-accession funding?', paragraph 53 (<http://eca.europa.eu>).

29 See the evaluation on the rule of law, judicial reform and the fight against corruption and organised crime in the Western Balkans, February 2013, p. 240.

## Box 6

## Strict conditionality not applied during IPA I

## Albania

For seven out of the 15 projects audited, the Commission did not set strict conditions at the contracting stage<sup>30</sup> and prior to effecting payments. This was not only the case for projects featuring complex objectives (such as strengthening anti-corruption measures), but also those aiming at relatively straightforward results, like the Tirana Justice Palace project (see **Annex II**, project 10). For this project, the necessary permits were not in place and alleged land ownership irregularities caused further difficulties. After negotiating with the Ministry of Justice for 4.5 years, the Commission cancelled the project and reallocated part of the funding to measures that were not related to the rule of law sector.

## Serbia

The Commission paid inadequate attention to conditionality, sequencing in project design and legal inconsistencies. This often threatened the smooth and timely implementation of the projects<sup>31</sup>. After 2012, project proposals were sometimes postponed or downscaled due to missing permits or a failure to submit required feasibility studies.

30 See **Annex II**, Albanian rule of law projects No 2, 3, 4, 5, 9 and 10 and public finance management project No 2.

31 Special Report 19/2014 'EU Pre-accession Assistance to Serbia', Box 5 and paragraphs 27 and 31 (<http://eca.europa.eu>).

### **The Commission was generally effective in monitoring implementation and partly effective in following up evaluations**

#### **30**

The Commission monitored sector reforms and project implementation both directly and through the six EU delegations in the Western Balkans. The highest level of monitoring took place at the twice-yearly joint monitoring committee meetings and, more regularly, at the sectoral monitoring committees. EU delegations also monitored implementation on the spot.

#### **31**

The Commission conducted sector and thematic evaluations as part of its evaluation cycle. These should not be confused with the annual progress reports on candidate and potential candidate countries, which are the Commission's official political assessments of these countries.

### **Generally, the Commission was effective in monitoring implementation**

#### **32**

Across sectors, the EU delegations monitored IPA projects effectively through:

- (a) legality and regularity checks based on management and information systems;
- (b) coordination meetings involving contractors and beneficiary administrations, including site visits;
- (c) the annual Authorising Officer by Sub-Delegation (AOSD) reports;
- (d) joint monitoring committee and sectoral monitoring committee meetings;
- (e) for riskier projects, internal quarterly monitoring tables.

#### **33**

The Commission monitored the implementation of the IPA and the delivery of outputs effectively<sup>32</sup>. In addition to the above monitoring tools, the results-oriented monitoring (ROM) reports followed a standard Commission methodology and mostly tracked the results of ongoing projects. However, the ROM approach showed three important shortcomings.

32 The audit team gathered evidence in this respect from the EU delegations in Albania, Bosnia and Herzegovina and Serbia.



## Observations

### 34

Firstly, as a considerable number of the IPA projects that we assessed involved contracts with a value of less than 1 million euros, they were below the threshold for ROM reports. As a result, not all politically sensitive projects were subject to results-oriented monitoring. Secondly, none of the assessed reports measured compliance with conditionality. Thirdly, the absence of *ex post* project monitoring<sup>33</sup> meant that project sustainability could not be measured.

## The Commission was partly effective in following up evaluations

### 35

With regard to the rule of law, the Commission conducted a comprehensive cross-sector evaluation of the IPA in the Western Balkans, as well as two thematic evaluations of IPA projects regarding the rule of law and the fight against corruption respectively<sup>34</sup>. In close cooperation with the Council of Europe and the Venice Commission<sup>35</sup>, the Commission sponsored a large number of expert visit reports on the judiciary, which pointed out, for example, that there was no track record for successful criminal convictions yet.

### 36

In spite of this, the Commission did not take advantage of its own evaluations or expert visit reports to make greater use of conditionality. It did not adjust ROM report indicators for rule of law projects, which tended to focus on the output indicators for ongoing projects. Indeed, the Commission stated that project follow-up in the IPA rule of law sector was often absent.

### 37

With regard to public administration reform, the Commission did not conduct a comprehensive evaluation of IPA support, but some evaluations did cover a limited number of IPA projects in that field.

33 Thematic evaluation of the rule of law, judicial reform and the fight against corruption and organised crime in the Western Balkans — Lot 3, Final Main Report, February 2013, p. 60.

34 Meta-evaluation of IPA assistance and evaluation of multi-beneficiary programmes, September 2013. Thematic evaluation of the rule of law, judicial reform and the fight against corruption and organised crime in the Western Balkans — Lot 3, Final Main Report, February 2013. Thematic evaluation on IPA support for the fight against corruption, final main report, August 2015.

35 The 'European Commission for Democracy through Law' is based in Venice, Italy, and, among other activities, provides legal advice to Council of Europe member states, in particular, helping them bringing their jurisdictions in line with European rule of law standards (<http://www.venice.coe.int>).

## Despite considerable beneficiary shortcomings, the Commission supported donor coordination effectively

### 38

The principle of country-led donors is set out in the Paris Declaration on Aid Effectiveness (2005)<sup>36</sup>. Under this principle, which also applies to IPA funding, each beneficiary country should set realistic targets in a small number of sectors and avoid overlapping donor aid. Throughout the region, the Commission effectively supported the beneficiary countries in their responsibility for leading donor coordination.

<sup>36</sup> COM(2007) 72 final of 28 February 2007 'EU code of conduct on the division of labour in development policy'.

## Donor coordination at regional level

### 39

The Western Balkans Investment Framework (WBIF) and the Regional Cooperation Council (RCC) are both funded by IPA regional programmes. Among their objectives, they aimed at improving donor coordination between the Western Balkan countries (see **Box 7**).

#### Box 7

### Regional donor coordination in the Western Balkans

#### WBIF

In the context of the WBIF infrastructure projects, the single infrastructure project pipeline submitted by all the Western Balkan countries in December 2015 facilitated the project appraisal and selection process.

#### RCC

One of the objectives of the RCC included the provision of a 'regional perspective' in donor assistance<sup>37</sup>. Except one meeting held in 2015, the Western Balkan countries did not use the RCC for donor coordination purposes.

<sup>37</sup> <http://rcc.int/pages/2/overview>. See RCC statutes.

## Donor coordination at beneficiary level

### 40

Donor coordination by the beneficiary country was effective in Serbia, partly effective in the former Yugoslav Republic of Macedonia and Montenegro and ineffective in Albania, Bosnia and Herzegovina and Kosovo (see **Box 8**). This was due to a lack of leadership and administrative capacity within the national structures responsible for donor coordination. However, we observed that the Commission supported the beneficiaries in ensuring some donor coordination.

#### Box 8

### Ineffective donor coordination at beneficiary level

#### Albania

We examined the donor activities of the Department for Development Programming, Financing and Foreign Aid. It did not have a clear organisational structure, was understaffed and did not run a donor database. Whereas the donor sector working groups had been dormant since 2013, the Commission-driven Donor Technical Secretariat led to effective complementarity and the division of labour among donors. Based on interviews with the donor community (USA, Italy, France), the EU Delegation in Tirana was generally praised for its efforts.

#### Kosovo

Effective donor coordination mechanisms were not operational by the end of 2011 and, in spite of different initiatives to coordinate donors within individual sectors ever since, the EU and other international donors have been calling for a more active role of Kosovo institutions in leading donor coordination and following it up at the technical level<sup>38</sup>. This is confirmed by recent internal Commission documents.

38 ECA Special Report 18/2012 'European Union assistance to Kosovo related to the rule of law', paragraphs 82 and 86 (<http://eca.europa.eu>).

## Part II — Did the IPA strengthen administrative capacity in the Western Balkans?

### 41

From 2007 onwards, IPA has been the only EU funding instrument established to strengthen administrative capacity in the western Balkans. In the sectors of the rule of law, on the one hand, and public administration reform, on the other, we assessed whether:

- (a) the Commission had effectively delivered the intended outputs;
- (b) IPA results beyond outputs were sustainable;
- (c) the political dialogue effectively addressed the strengthening of administrative capacity.

### The Commission effectively delivered the intended outputs

### 42

Across sectors, the examined projects under both national and regional programmes delivered outputs against what was contractually planned<sup>39</sup>. For instance, the Fier prison in Albania and Bosnia and Herzegovina's High Judicial and Prosecutorial Council information technology system were delivered on time and according to contract specifications (see **Pictures 1** and **2**).

<sup>39</sup> This observation is based on the audit sample assessed in 2015 (see **Annex II**). A similar observation was made in the Commission's meta-evaluation, p. 6 (2013).

Picture 1

## Completed prison cells, prison construction project, in Fier, Albania

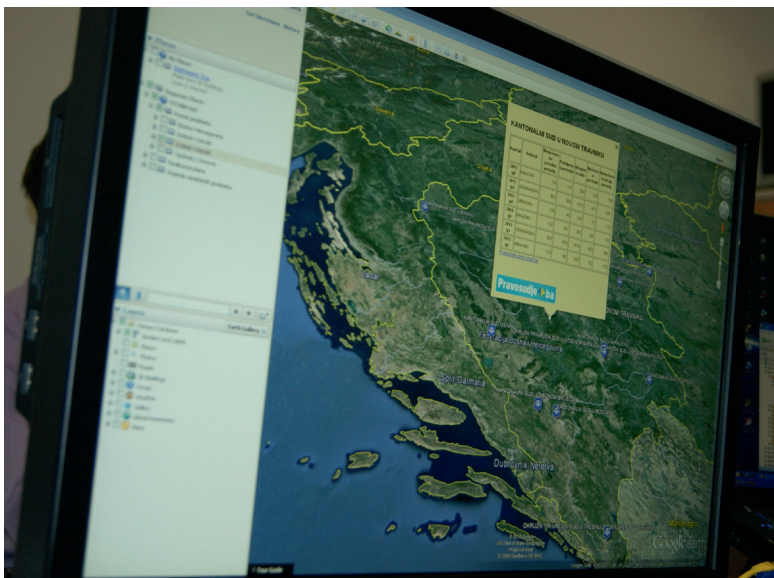


©Eriton Hasaj, 2014.

Source: European Commission (7th interim and final report, p. 33).

Picture 2

## The information technology project within the High Judicial and Prosecutorial Council, which supervises Bosnia and Herzegovina's judiciary from Sarajevo



©High Judicial and Prosecutorial Council BiH (HJPC BiH).

Source: European Commission (project final narrative report, p. 23).

## IPA for the rule of law and public administration reform was partly sustainable

### Rule of law projects were partly sustainable

#### 43

The Commission only partly managed to convert project outputs into sustainable results in the various areas of the rule of law sector that were supported by IPA (e.g. law enforcement, public prosecution, courts, anti-corruption agencies). Out of the 29 rule of law projects in the audit sample of national projects, 15 were unsustainable<sup>40</sup>. The reasons why results were unsustainable were often found to be at beneficiary country level and included insufficient budget and staffing, poor coordination and the lack of political will to reform institutions and carry out follow up.

#### 44

For these 15 projects, the Commission did not apply sufficiently relevant conditions prior to authorising contracts. IPA contracts could have included the condition that better safeguards were introduced in the judiciary reform sector. Failing this, the payment of annual IPA allocations could have been suspended until further notice.

#### 45

At regional level, RCC's 'South East Europe 2020 Strategy' prominently included justice and the fight against corruption<sup>41</sup>. Even though RCC was heavily reliant on IPA funding<sup>42</sup>, during the audited period and with regard to the rule of law, we did not observe significant activities of this international organisation of Western Balkan countries.

## The impact of IPA I on the fight against corruption and organised crime was limited

#### 46

Since 1995, Transparency International has ranked countries according to a world-wide corruption perception index<sup>43</sup> — the higher the ranking, the higher the level of perceived corruption. **Figure 5** shows the rankings of the six Western Balkan countries over the past 6 years, which corresponded to the latter part of the IPA I implementation period and beyond.

40 See **Annex II**, the rule of law projects in Albania (No 2, 3, 4, 5, 9 and 10), Bosnia and Herzegovina (No 11 and 14), the former Yugoslav Republic of Macedonia (No 21 and 22), Montenegro (No 23) and Serbia (No 25, 26, 27 and 28).

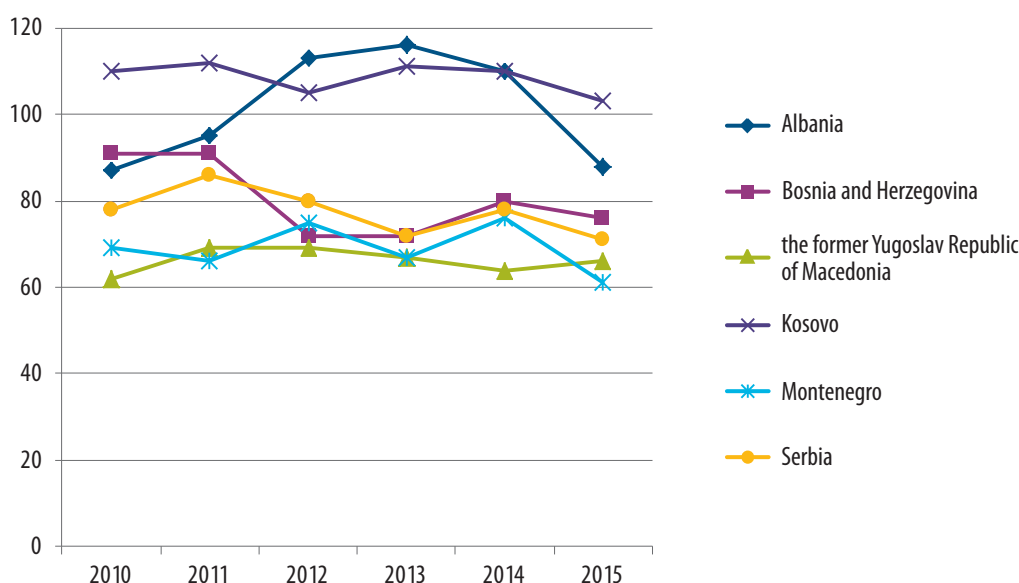
41 'South East Europe 2020 Strategy', RCC, p. 31 to 33.

42 For its administrative functioning and the implementation of its projects, RCC relies upon IPA funding (14 million euros paid from 2007 until 2013), as the minimum yearly membership fees of 50 000 euros per Board participant did not cover all its costs.

43 Transparency International defines corruption as 'the abuse of entrusted power for private gain'; see <http://www.transparency.org>. The World Bank's governance indicator 'Control of corruption' shows comparable rankings for the six Western Balkan countries; see <http://info.worldbank.org/governance/wgi>.

Figure 5

## Corruption perception index rankings for the western Balkans



Source: European Court of Auditors, based on Transparency International's corruption perception index (2010-2015).

## 47

In 2015, the corruption perception index ranked Albania and Kosovo at the 88th and 103rd position respectively, which put these countries on a par with Egypt and Ethiopia. The index ranked the other four Western Balkan countries between 60th and 80th from 2010 till 2015.

## 48

The annual progress reports, surveys and two thematic evaluations indicated that the Commission was aware that political interference in the work of the judiciary was widespread in the Western Balkans, as was high-level corruption and organised crime<sup>44</sup> (see **Box 9**). However, in Montenegro and Serbia, two countries with which the EU had opened accession negotiations<sup>45</sup>, the level of preparedness for judiciary reform was better than in the other four countries.

44 2012-2015 progress reports. Evaluation 'IPA support to the fight against corruption', August 2015. Evaluation 'Rule of law, judicial reform and fight against corruption and organised crime in the Western Balkans', February 2013.

45 2015 progress report, Montenegro, p. 14, 15, 18 and 19. 2015 progress report, Serbia, p. 11, 13, 14, 17 and 18.

Box 9

## Political interference, high-level corruption and organised crime in the Western Balkans

### Albania

The full independence and accountability of judges and prosecutors was not guaranteed. The slow administration of justice and judicial decisions that were not always enforced led to a negligible number of final convictions that effectively dismantled criminal organisations<sup>46</sup>.

### Bosnia and Herzegovina

Political commitment was not translated into successful convictions<sup>47</sup>. For instance, in a 2015 RCC survey, 90 % of the respondents surveyed in Bosnia and Herzegovina disagreed with the statement that their government was fighting corruption effectively.

### Kosovo

Disputed appointments, unclear mandates and a consistent shortage of national funding undermined the activities of key rule of law institutions in Kosovo. The investigations into cases of corruption at a high level were rare and did not result in final convictions. Furthermore, the involvement of Kosovo citizens in organised crime in the region threatened regional inter-ethnic stability<sup>48</sup>.

<sup>46</sup> 2015 progress report, Albania, pp. 4 and 51.

<sup>47</sup> 2015 progress report, Bosnia and Herzegovina, p. 16.

<sup>48</sup> 2015 progress report, Kosovo, pp. 12, 15, 16 and 18.

## 49

For monitoring purposes, the Commission asked each beneficiary country for track record tables of effective investigation, prosecution and final convictions in judicial cases involving high-level corruption and organised crime. Depending on the country, the high-level corruption and organised crime cases included in these varied from a few (Serbia) to zero (Kosovo), which does indicate a lack of political will.



## 50

According to the Commission, the lack of political will was often reflected in the insufficient financial and human resources allocated to the relevant institutions, which limited the ambition and absorption capacity of IPA I. The two examples given in **Box 10** show that the impact of IPA I projects on the fight against corruption and organised crime was only limited.

## Box 10

## IPA I project results in the fight against corruption

**Project against corruption, Albania**

The purpose of the 'Project against corruption in Albania' was to support the Albanian government in implementing its anti-corruption strategy (2007-2013). Not only did it fail to deliver on measurable targets, but its sustainability was also affected by the fact that the national anti-corruption coordinator was not independent and coordinated policies at national and local level without adequate budget or staff.

**State Commission for Preventing Corruption, the former Yugoslav Republic of Macedonia**

This project aimed to strengthen the work of the main body responsible for preventing corruption. However, it did not address the fact that the State Commission for Preventing Corruption was not in a position to exercise its mandate effectively in the face of inadequate commitment by the national authorities, a lack of independence on the part of its senior management and insufficient resources<sup>49</sup>.

49 ECA Special Report 11/2016 'Strengthening administrative capacity in the former Yugoslav Republic of Macedonia: limited progress in a difficult context', paragraph 28 and Box 3 (<http://eca.europa.eu>). Evaluation 'IPA support for the fight against corruption', August 2015, p. 30 and 120.

## The Commission used little IPA funding in key rule of law areas

## 51

Free media and a strong civil society are key drivers for raising public awareness of corruption and organised crime<sup>50</sup>; they often encourage anti-corruption agencies and the public prosecution to act. These, in turn, contribute directly to a track record of effective investigation, prosecution and final convictions in judicial cases of high-level corruption and organised crime. In the context of the rule of law in the Western Balkans, the pervasive problems with judiciary independence and the effectiveness of the fight against corruption and organised crime (see paragraphs 46 to 50), combined with the Commission's own views on the importance of the media, civil society, anti-corruption agencies and public prosecution<sup>51</sup>, were sufficient grounds for sustained support in these key areas.

50 Transparency International, 'Corruption fighters' Tool kit: civil society experiences and emerging strategies', 2002 ([http://www.transparency.org/whatwedo/publication/corruption\\_fighters\\_toolkit\\_civil\\_society\\_experiences\\_and\\_emerging\\_strategi](http://www.transparency.org/whatwedo/publication/corruption_fighters_toolkit_civil_society_experiences_and_emerging_strategi)).

51 For instance, see Communication from the Commission to the European Parliament and the Council, Enlargement Strategy and Main Challenges 2011-2012, COM(2011) 666 final, in particular pp. 3, 7, 23, 39, 41, 45, 54, 58, 60 and 67.

## 52

However, under IPA I, the Commission allocated relatively little funding to media freedom and civil society in the Western Balkans (0.5 % of total allocations)<sup>52</sup>. For instance, Albania received no national allocations for media freedom and civil society in the context of the fight against corruption. Likewise, the Commission allocated little funding to the fight against corruption and organised crime (2 %) and support for public prosecution services (1 %).

## Public administration reform projects were generally sustainable

## 53

Building and maintaining administrative capacity were particularly challenging, mainly because of widespread corruption and constant political interference in civil service recruitment and career management. This resulted in high staff turnover and a lack of qualified staff in the national authorities<sup>53</sup>. In this context, the Commission managed to convert many project outputs into sustainable results, which IPA I had supported (e.g. civil service reform, customs, public procurement, public internal financial control, audit).

## 54

Out of the 23 projects in the audit sample of national projects, 14 were sustainable<sup>54</sup>. Where they were not, it was mainly because of insufficient budget and staffing, poor coordination and, most important of all, the beneficiary's lack of political will to reform institutions and follow up on reform. In some cases, prior to authorising contracting, the Commission could have predefined additional conditions with regard to legislation and project terms of reference, but had failed to do so (see **Box 11**).

52 ECA analysis, Commission data, July 2015.

53 Meta-evaluation of IPA assistance, September 2013, p. 19. Progress reports 2012-2015.

54 See **Annex II**, public administration reform projects in Albania (No 3, 4 and 5), Bosnia and Herzegovina (No 6, 7 and 9), the former Yugoslav Republic of Macedonia (No 12 and 14), Montenegro (No 17 and 18) and Serbia (No 20, 21, 22 and 23).

### Box 11

## IPA and public administrative reform

### Bosnia and Herzegovina

In that country, budgets were adopted late and budget coordination and planning remained poor<sup>55</sup>. Furthermore, at the state level, the entities and Brčko District had their own budgets and laws on civil service and administration and the public administration remained fragmented. This hampered the sustainability of a country-wide administrative coordination project and a public finance statistics project.

55 The SIGMA baseline measurement 2015, Bosnia and Herzegovina (pp. 2, 39, 94 and 95) described this specific context.

## 55

With regard to regional programmes (see *Annex III*), the WBIF was designed as a blending instrument for infrastructure projects in the Western Balkans<sup>56</sup>. Between 2008 and 2014, 2.8 billion euros in project loans were contracted, as compared with 305 million euros in EU funding<sup>57</sup>. The WBIF was a good instrument for improving donor coordination and providing technical support to national authorities in charge of infrastructure (e.g. preparing project pipelines, drafting project finance documentation), thereby strengthening the beneficiary's administrative capacity. We examined a typical example of a WBIF project (see *Box 12*).

56 Blending is the combination of loans from financial institutions with grants and enables the Commission to leverage IPA funds by attracting loans from financial institutions. See ECA Special Report 16/2014 'The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies' (<http://eca.europa.eu>).

57 WBIF annual and monitoring reports (<https://www.wbif.eu/Library>).

## Box 12

## The Ionian-Adriatic pipeline project

This 3.5 million euros regional project, sponsored by the European Bank for Reconstruction and Development, consisted of technical assistance for a feasibility study for a gas interconnection pipeline from Albania to Croatia. The project deliverable (a technical report) was completed on time and provided technical expertise to the Albanian Ministry of Energy and Industry. It will be used for the gas pipeline's masterplan and future construction.

## 56

Governed by the six western Balkan countries, the Regional School of Public Administration (ReSPA) is an international organisation based in Danilovgrad, Montenegro. It received 2.4 million euros in IPA technical assistance, equipment and furniture and an annual allocation of 1.2 million euros in IPA funding to support its operational activities<sup>58</sup>.

58 Based on contracts signed from 2008 to 2014, Commission, June 2015.

## 57

Whereas its aim was to contribute to an effective and professional public administration in the Western Balkan countries, public officials from these countries made little use of ReSPA's training offer<sup>59</sup>, which was not commensurate with the volume of IPA and national funds invested in ReSPA over nearly a decade<sup>60</sup>. The Commission made proposals to improve ReSPA's results, including by ensuring coordination between IPA regional and national assistance<sup>61</sup>. Although these proposals had been acted upon at the time of the audit, it was too early to establish whether ReSPA actually improved administrative capacity in the Western Balkans.

### The Commission could have encouraged beneficiaries to use the IPA as a learning tool

## 58

We found that the Commission's approach to IPA I was mainly restricted to the IPA structures specifically set up for the purpose of managing IPA funds<sup>62</sup>. It could also have actively encouraged the national authorities to use the good practice developed in these IPA structures as a learning tool for strengthening other parts of the public administration outside these structures<sup>63</sup>, although this was not a specific IPA objective. However, it did not do so, and, as a result, the IPA's contribution towards strengthening administrative capacity remained confined to bodies closely associated with IPA public administration reform. **Box 13** and **Box 14** show two high-profile examples where the beneficiaries failed to apply good practice that could have been learnt from IPA.

59 Based on feedback from Albanian authorities to the ECA (June 2015), ECA Special Report 11/2016, paragraph 37 (Box 1). ECA Special Report 20/2016 'Strengthening administrative capacity in Montenegro: progress but better results needed in many key areas', paragraph 19 (Box 2) (<http://eca.europa.eu>).

60 Meta-evaluation/multi beneficiary programme evaluation, June 2013, p. 19, 20, 24 and 25.

61 ECA Special Report 20/2016 'Strengthening administrative capacity in Montenegro: progress but better results needed in many key areas', paragraph 20 (<http://eca.europa.eu>).

62 In relation to the IPA benefiting the wider public administration and not only IPA structures, the Commission evaluations recommended that IPA management units should be absorbed into the operational structure of beneficiaries rather than being standalone bodies. Meta-evaluation of IPA assistance, September 2013. This issue was also raised by the ECA in 2014 in the context of its Special Report 19/2014, paragraph VI.

63 See ECA Special Report 11/2016 'Strengthening administrative capacity in the former Yugoslav Republic of Macedonia: limited progress in a difficult context', paragraphs 55 and 72 (<http://eca.europa.eu>).

## Box 13

### The 'Skopje 2014' project, the former Yugoslav Republic of Macedonia

This was announced in 2010 as an 80 million euro project. However, in 2015, total costs were estimated at seven times this amount, or 560 million euros. This large-scale urban project in the capital city consisted of the erection of buildings and monuments (see Picture 3). It did not benefit from IPA funding. This project did not follow EU public procurement rules; there was a lack of transparency during the tender process (e.g. fees were paid for artworks that were not specified before the tender) and the alleged irregularities in the tender awards had neither been audited externally, nor investigated<sup>64</sup>.

64 BIRN, 'True cost of Skopje 2014 Revealed', 27 July 2015. BIRN, 'Accountability questions dog authors of Skopje 2014', 14 August 2015. Progress Report 2014, p. 25. Evaluation 'IPA support to the fight against corruption', August 2015, p. 40.

## Picture 3

### Parts of the 'Skopje 2014' project: Artworks in the Vardar river and public buildings on its embankment



Source: European Court of Auditors.

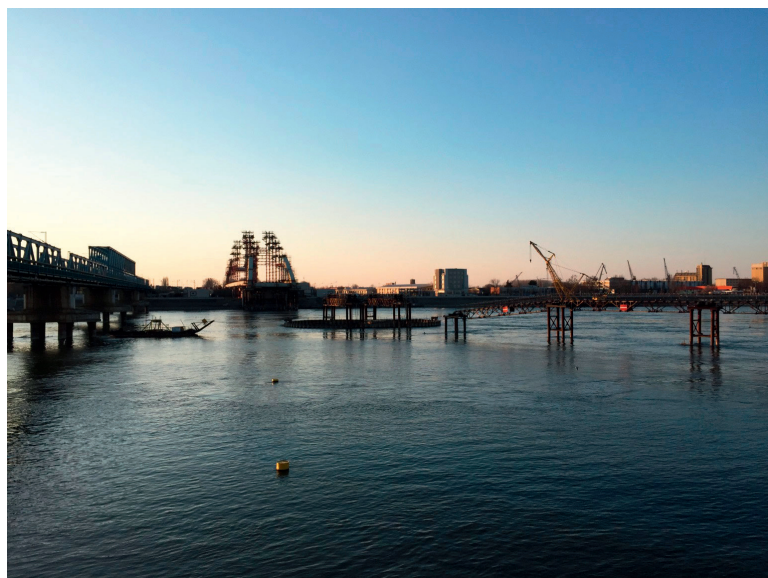
## Box 14

### The Žeželj Bridge project project, Serbia

In Serbia's Autonomous Region of Vojvodina, the IPA financed parts of the Žeželj Bridge project costs. The new bridge was supposed to be completed by November 2013 in order to replace a heavily congested and hazardous rail-road bridge in the city centre of Novi Sad, which was a temporary construction built after the previous bridge was bombed during the war against Kosovo. Because of excessive administrative burden and weak coordination (e.g. the delegation of key tasks of the Serbian authorities to external parties, the incompatibility of Serbian procedures with international engineering procedures, problems with setting project milestones), considerable delays were accumulated in 2015 and the Serbian authorities failed to complete project phases not funded by the IPA (**Picture 4**).

Picture 4

### Location of the future Žeželj Bridge to cross the Danube river in Novi Sad



Source: European Court of Auditors.

### The political dialogue addressed administrative capacity

#### 59

The IPA's achievements very much depended on the progress achieved by the various policy dialogue structures. The political dialogue was either at intergovernmental level or at joint parliamentary level. The intergovernmental level comprised the EU Council and Member States, the EEAS, the Commission and the six governments of the Western Balkans. The relevant joint parliamentary committees of the European Parliament and the six parliaments of the Western Balkans made up the joint parliamentary level. **Table 4** summarises the most important political dialogue structures involving the Commission and relevant to this audit.

Table 4

**Dialogue structures involving the Commission and the Western Balkans**

	Political dialogue	Start
Albania	High-level dialogue on key level priorities	12 November 2013
Bosnia and Herzegovina	High-level dialogue on the accession process	27 June 2012
	Structured dialogue on justice	6 June 2011
Kosovo	Structured dialogue on the rule of law	30 May 2012
the former Yugoslav Republic of Macedonia	High-level accession dialogue	29 March 2012
Montenegro	Start accession negotiations	29 June 2012
Serbia	Start accession negotiations	21 January 2014
All western Balkan countries	Stabilisation and association councils	Multiple dates

Source: European Court of Auditors.

**60**

These dialogue structures aimed to stimulate the political will to strengthen the rule of law, encourage administrative reform and improve public finance management, especially in the years 2014-2015. Depending on the country's political status with respect to EU membership (potential candidate, candidate or candidate with active chapter negotiations), the political dialogue structures gave rise to specialised working groups.

**The political dialogue on the rule of law had a limited impact****61**

The Commission effectively set up working groups, notably on the independence of the judiciary, weaknesses in public prosecution and corruption in the judiciary and the police. Furthermore, in the case of Montenegro and Serbia with which the Council approved the opening of accession negotiations (see **Table 4**), the stabilisation and association process, the action plans on Chapters 23 and 24 and the IPA have given them a certain level of preparedness towards the reform of the judiciary and the fight against corruption and organised crime.



## 62

In countries with which accession negotiations had not yet started, the effect of the EU–Western Balkan working groups in generating political will to promote the rule of law was limited, as shown in **Box 15**.

### Box 15

#### Limits of political dialogue regarding the rule of law

##### Bosnia and Herzegovina

Due to the political and institutional challenges, the political dialogue was partly ineffective. There was some progress in establishing functional and sustainable institutions<sup>65</sup>, but little progress in the area of judicial system reform. The judiciary continued to suffer from persistent flaws in terms of independence, political interference and inefficiencies<sup>66</sup>.

##### Kosovo

Although the rule of law was the top priority in Kosovo<sup>67</sup>, progress in the fight against corruption and organised crime suffered from important setbacks, as evidenced by various reports<sup>68</sup>. The political dialogue had so far been ineffective in addressing the prevailing sense of impunity in this country, notably due to a lack of judicial independence, as well as limited results in the fight against corruption and organised crime<sup>69</sup>.

<sup>65</sup> Progress report 2015, pp. 9 and 12.

<sup>66</sup> Progress report 2015, pp. 12, 15, 16, 17.

<sup>67</sup> MIPD 2011–2013, Kosovo.

<sup>68</sup> In the 2014 progress report: 'Particular attention should be paid to improving the rule of law (...) and to intensifying the fight against organised crime and corruption'.

<sup>69</sup> 2015 progress report, pp. 12, 15, 16 and 18. Cover note, 2014 progress report.

#### The political dialogue on public administration reform achieved some progress

## 63

The political dialogue on public administration reform took place in the framework of the stabilisation and association agreements (SAAs). In partnership with the beneficiary public administrations in the whole Western Balkan region, the Commission successfully set up 'public administration reform special groups'.



### 64

These special groups systematically addressed the strategic framework for public administration reform, public service and human resources management, policy development and coordination, service delivery to citizens and businesses, accountability of the public administration, as well as public finance management. They were established in 2010 in the former Yugoslav Republic of Macedonia, in 2012 in Albania, in 2013 in Kosovo in 2014 in Montenegro and Serbia and in 2015 in Bosnia and Herzegovina.

## 65

Based on the findings of previous special reports, Commission evaluations and additional audit work performed in 2015, our objective was to assess whether the Commission, through the IPA programme, had contributed towards strengthening administrative capacity in the Western Balkan region. Our scope was IPA I (2007-2013), but we also took into account the first stages of IPA II (2014-2020). We focused on the key sectors of the rule of law and public administration reform.

## 66

We concluded that the EU pre-accession assistance was broadly effective and that IPA I partly strengthened administrative capacity in the region, despite considerable shortcomings inherent to the national authorities in the Western Balkans.

## 67

With regard to the Commission's management, IPA I objectives were not always specific and measurable. Programmes and projects were based on needs but some beneficiaries' assessments in the rule of law sector showed considerable shortcomings (paragraphs 16 to 23).

## 68

The absorption of IPA I funding was hampered by weak administrative capacity in some countries and, in the case of decentralised implementation, strict requirements linked to the management of EU funds (paragraphs 24 to 26).

### **Recommendation 1** **Objectives. Indirect management**

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Under IPA II, the Commission should set specific objectives based on ranked priorities and measurable targets.

In order 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.

## Conclusions and recommendations

### 69

Under IPA I, the Commission did not systematically apply strict conditions and follow up on them. Despite some shortcomings in its ROM reporting, it was effective in monitoring the implementation of IPA projects. It was also partly effective in following up on the conclusions and recommendations of IPA evaluations. Finally, despite considerable beneficiary shortcomings, it was able to support donor coordination effectively (paragraphs 27 to 37).

### Recommendation 2 Conditions. Monitoring. Evaluation

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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.

### 70

With regard to administrative capacity in the Western Balkans, the IPA generally delivered the outputs that were contractually planned and its support for the rule of law and public administration reform was partly sustainable (paragraphs 42 to 57).

### 71

In the case of rule of law projects, the Commission did not apply conditionality sufficiently and relatively little IPA I funding was provided in key areas of the rule of law, such as media freedom, public prosecution and the fight against corruption and organised crime. The beneficiaries' lack of political will to reform institutions, insufficient budget and staffing, as well as poor coordination also affected project sustainability (paragraphs 43 to 52).

### 72

In the area of public administration reform, the Commission managed to convert many project outputs into sustainable results. Whilst not an explicit IPA objective, it could have encouraged beneficiaries more to use IPA as a learning tool in the rest of the public administration (paragraphs 53 to 58).

## Conclusions and recommendations

### Recommendation 3 Track record. Resources

---

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.

### 73

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 the Western Balkans Investment Framework (paragraphs 19, 39, and 55).

### 74

However, during the period audited, the Regional Cooperation Council did not have a significant impact on the ground. For the Regional School of Public Administration, it was too early to establish whether it improved administrative capacity in the Western Balkans (paragraphs 39, 45 and 57).

### Recommendation 4 Regional cooperation

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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.

## Conclusions and recommendations

### 75

The political dialogue in the Western Balkans had a limited impact on the rule of law in a number of cases. It did achieve some progress with regard to public administration reform (paragraphs 59 to 64).

### Recommendation 5 Political dialogue

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The Commission should use political dialogue to support the delivery of results pertaining to the rule of law and public administration reform under the IPA.

This report was adopted by Chamber III, headed by Mr Karel PINXTEN, Member of the Court of Auditors, in Luxembourg at its meeting of 12 July 2016.

*For the Court of Auditors*



Vítor Manuel da SILVA CALDEIRA  
*President*

### Key events for understanding EU–Western Balkan relations

<b>2000</b>	<ul style="list-style-type: none"> <li>1 June – The Santa Maria da Feira European Council states that all the countries involved in an SAA process are potential candidates for EU membership.</li> </ul>
<b>2001</b>	<ul style="list-style-type: none"> <li>1 April – Former Yugoslav President Slobodan Milosevic, wanted on charges of war crimes, abuse of power and corruption, is arrested.</li> <li>13 August – The Ohrid Framework Agreement seals the peace deal between the government of the former Yugoslav Republic of Macedonia and the country's ethnic Albanian community.</li> </ul>
<b>2003</b>	<ul style="list-style-type: none"> <li>20 June – The Thessaloniki European Council confirms the EU perspective for the Western Balkans.</li> </ul>
<b>2004</b>	<ul style="list-style-type: none"> <li>22 March – The former Yugoslav Republic of Macedonia applies for EU membership.</li> <li>1 April – The SAA with the former Yugoslav Republic of Macedonia enters into force</li> </ul>
<b>2005</b>	<ul style="list-style-type: none"> <li>16 December – The Council confirms the former Yugoslav Republic of Macedonia as a candidate country.</li> </ul>
<b>2006</b>	<ul style="list-style-type: none"> <li>3 June – After a successful referendum, Montenegro declares its independence.</li> </ul>
<b>2007</b>	<ul style="list-style-type: none"> <li>1 January – IPA I enters into force</li> <li>26 February – In Bosnia and Herzegovina vs. Serbia and Montenegro, the ICJ rules that the Srebrenica massacre was an act of genocide, whilst clearing the respondent for responsibility for the massacre.</li> </ul>
<b>2008</b>	<ul style="list-style-type: none"> <li>17 February – Kosovo declares its independence.</li> <li>11 July – At the donors' conference for Kosovo, the Commission and EU Member States pledge nearly 800 million euros to specifically support Kosovo.</li> <li>15 December – Montenegro applies for EU membership.</li> </ul>
<b>2009</b>	<ul style="list-style-type: none"> <li>1 April – The SAA with Albania enters into force.</li> <li>24 April – Albania applies for EU membership.</li> <li>22 December – Serbia applies for EU membership.</li> <li>22 December – The ECHR condemns Bosnia and Herzegovina for the violation of the democratic rights of citizens of non-majority communities.</li> </ul>
<b>2010</b>	<ul style="list-style-type: none"> <li>1 May – The SAA with Montenegro enters into force.</li> <li>22 July – The ICJ issues an advisory opinion that the unilateral declaration of Kosovo's independence did not violate any applicable rule of international law.</li> <li>17 December – The Council confirms Montenegro as a candidate country.</li> </ul>
<b>2011</b>	<ul style="list-style-type: none"> <li>26 May and 20 July – prominent Serb war criminals sought by the International Criminal Tribunal for the former Yugoslavia are arrested.</li> </ul>

2012	o 1 March – The European Council confirms Serbia as a candidate country.
	o 29 June – Montenegro's accession negotiations formally start.
2013	o 19 April – The Prime Ministers of Kosovo and Serbia sign the Brussels Agreement, normalising relations between the two countries.
	o 1 September – The SAA with Serbia enters into force.
2014	o 1 January – IPA II enters into force
	o 21 January – Serbia's accession negotiations formally start.
	o 27 June – The Council confirms Albania as a candidate country.
	o 15 July – Declaration by the incoming President of the Commission that no new accessions will take place before 2020.
	o 28 August – Western Balkans Summit in Berlin.
2015	o 1 June – The SAA with Bosnia and Herzegovina enters into force.
	o 20 August – Western Balkans Summit in Vienna.
2016	o 15 February – Bosnia and Herzegovina applies for EU membership.
	o 30 March – Western Balkans Summit in Durrës, Albania.
	o 1 April – The SAA with Kosovo enters into force.

Source: ECA, on the basis of European Commission data.

## Audit sample of IPA I national projects

No	Beneficiary	Project	IPA decision year	Amount (euro)
<b>Rule of law</b>				
1	Albania	Police Assistance Mission of the European Community to Albania (PAMECA III)	2007	6 768 790
2		Project against Corruption in Albania (PACA)	2008	2 000 000
3		Support for Anti-Money Laundering and Financial Crime Investigations Structures	2009	1 500 000
4		Civil Society Facility – Civic Initiatives and Capacity Building	2009	1 500 000
5		Support for Witness Protection	2009	554 199
6		Police Assistance Mission of the European Community to Albania (PAMECA IV)	2009	1 000 000
7		EURALIUS III: Technical Assistance for the Justice System	2009	2 300 000
8		Construction of a new prison in Fier	2010	9 654 814
9		Case management system for the General Prosecutor Office of Albania	2010	990 396
10		Construction of the Justice Palace in Tirana	2012	0
11	Bosnia and Herzegovina	Joint training of the SIPA Financial Intelligence Unit and Crime Investigation Unit, Prosecutors, financial regulatory agencies and institutions	2007	392 973
12		Financing of War Crime Chamber (State Court)	2008	2 999 599
13		Assistance to the Directorate for coordination of police bodies	2008	1 200 000
14		Strengthening institutional capacities to prevent and combat corruption	2009	488 048
15		Responsible Journalism's Watching Eye: Anti-corruption and the Media	2009	102 923
16		Construction of a High Security State Prison in Sarajevo - Phase II	2010	5 150 000
17		High Judicial and Prosecutorial Council	2010	1 000 000
18		Twinning assistance to the Directorate for coordination of police bodies	2008	1 200 000
19		Support for law enforcement institutions	2010	6 999 999
20		Enhancing capacity of parliaments in the context of EU accession	2012	3 499 966
21	the former Yugoslav Republic of Macedonia	Support for the drafting of the follow-up strategic documents and corresponding action plans for the prevention and repression of corruption and conflict of interest	2008	165 968
22		Exchange of EU best practices in the area of anticorruption monitoring on local level	2009	138 500



No	Beneficiary	Project	IPA decision year	Amount (euro)
Rule of law				
23	Montenegro	Support to the implementation of the anti-corruption strategy and action plan	2012	700 000
24		Corruption in local government – zero tolerance!	2012	190 308
25	Serbia	Police reform: internal affairs	2007	1 000 000
26		Improvement of efficiency and transparency of the judiciary system (courts)	2007	2 643 064
27		Fight against corruption	2008	2 147 000
28		Improvement of transparency and efficiency (prosecutors and penal system)	2008	1 891 517
29		Support for civil society (I and II)	2007 2008	1 983 458
TOTAL				60 161 522
Public administrative reform				
1	Albania	Support for the Albanian Department of Public Administration (DOPA)	2008	958 892
2		Support for the Albanian public procurement, concessions and public auctions systems	2008	899 076
3		Strengthening the Assembly of Albania	2010	1 454 147
4		Support for the Albanian Customs Administration	2011	1 424 496
5		Implementation of a modern Financial Management and Control System and Public Financial Inspection	2012	2 500 000
6	Bosnia and Herzegovina	Capacity building of the Office of the Coordinator for Public Administration Reform	2007	1 824 961
7		Development and implementation of a nationwide public internal financial control strategy	2007	1 105 904
8		Capacity Building of General Government and Public Finance Statistics	2009	1 603 790
9		Curricula for transparency and accountability	2010	445 253
10		Support for coordination and Implementation of Public Administration Reform	2011	476 450

No	Beneficiary	Project	IPA decision year	Amount (euro)
Public administrative reform				
11	the former Yugoslav Republic of Macedonia	Technical assistance for the IPA training and support facility	2007	856 280
12		Strengthening the capacity of institutions to manage and implement operational programmes	2008	1 599 710
13		Support for the Public Procurement System	2008	986 442
14		Technical Assistance to the Ministry of Information Society and Administration and Strengthening the implementation of the National System for Training Coordination	2009	1 095 000
15	Montenegro	Further development and strengthening of the public procurement system	2009	1 080 017
16		Strengthening the management and control systems for EU financial assistance	2009 2010 2013	2 000 000
17		Strengthening State Audit Institution	2014	751 068
18		Audit Quality control in the State Audit Institution	2014	250 000
19		Strengthening the management of EU funds and general administrative procedures	2014	1 261 500
20	Serbia	Municipal support programme	2007	22 501 150
21		Support for the Public Procurement Office	2007	116 650
22		Support for the development of Public Internal Financial Control	2008	2 000 000
23		Harmonisation of the Customs Enforcement Division with the standards, organisation and operational methodology of EU enforcement agencies	2008	1 399 641
TOTAL				48 590 427

Source: ECA on the basis of European Commission data, 30 June 2015.

## Audit sample of IPA I regional programmes

No	Multi-beneficiary programme in the Western Balkans	IPA decision years	Contracted amount (euro)
1	Regional Cooperation Council (RCC)	2008-2013	18 641 100
2	Western Balkans Investment Framework (WBIF)	2008-2014	305 000 000
3	Regional School of Public Administration (ReSPA)	2010-2013	5 900 000
<b>TOTAL:</b>			<b>329 541 100</b>

Source: ECA on the basis of European Commission data, 30 June 2015. Contracted amounts represent the total contracted amounts for all projects in these programmes.

## Executive summary

### VIII

The Commission would like to point out that conditionality has been applied, where appropriate, and at the appropriate level, to achieve the maximum possible impact of the enlargement policy objectives, in often difficult political contexts.

With regard to funding levels, the Commission would like to point out that the funding provided in the relevant sectors was appropriate, given the relatively limited amount of large-scale investments required and the limits posed by the existing absorption capacity. Media freedom, civil society and the fight against corruption and organised crime require primarily the provision of expert advice through technical assistance, which was ensured through IPA, and not large-scale investment.

### X

The Commission would like to stress that the Regional Cooperation Council has primarily been set up by the countries in the region as a forum to meet and discuss common challenges and that this objective has been met.

## Introduction

### 09

The Commission would like to underline that the enlargement process is a strict but fair process built on established criteria and lessons learned from the past. Each country is assessed on the basis of its own merit. The challenges faced by the current enlargement countries are such that none will be ready to join the EU during the mandate of the current Commission, which will expire towards the end of 2019. The Council in December 2015 reiterated that enlargement remains a key policy of the EU and reiterated the EU's unequivocal commitment to the European perspective of the Western Balkans.

## Observations

### 23

The Commission would like to point out that **all** countries have strategies in the area of the rule of law. However, not all may have an overarching or updated strategy in the justice sector.

### Box 4 — Experience with decentralising management under IPA I

#### The former Yugoslav Republic of Macedonia

The Commission would like to highlight that in order to mitigate the risk of further losses of projects, the procedure for the review of contractual documents has been improved and is more selective in decentralising funds under IPA II. The Commission also closely monitors the procurement plans prepared by the national authorities and advises on the prioritisation of projects. Moreover, the Commission monitors the implementation of the DIS action plan prepared by the national authorities to address any issues related to the implementation of IPA.

**Box 4 — Experience with decentralising management under IPA I****Serbia**

The purpose of the decentralised implementation system (DIS) under IPA I was the management of IPA funds by national authorities.

The accreditation process, therefore, did not entail a comprehensive assessment of the public finance management at the country level, which was incorporated only in the IPA II legal framework.

It should be noted that in the case of Serbia, the Commission continued to monitor the DIS structures by following up any outstanding issues and taking any corrective measures. For instance, in 2015, due to the persistent weaknesses in one of the key structures (Audit Authority) the Commission decided to suspend the Conferral, given that the system did not guarantee the appropriate use of EU funds.

**28**

The Commission would like to point out that conditionality has been applied, where appropriate, and at the appropriate level, to achieve the maximum possible impact of the enlargement policy objectives, in often difficult political contexts.

**Box 6 — Strict conditionality not applied during IPA****Serbia**

Since IPA 2012 programming, conditionalities are used in a targeted way. They are clearly defined in sector/project fiches in a measurable way and are enforced during implementation. This is to ensure that only mature projects (actions) are financed. Numerous projects have been postponed in programming, where critical preconditions were not in place.

**36**

The Commission partially agrees. As a general policy, the Commission systematically follows up on all evaluations, notably through a detailed table of recommendations and follow-up actions. The Commission would also like to point out that result oriented monitoring (ROM) is based on generic questions which may be used for all countries and/or sectors. However, experts with the relevant targeted experience can be used to provide a more balanced view.

**37**

The Commission points out that a comprehensive strategic evaluation of PAR is currently ongoing.

**Box 7 — Regional donor coordination in the Western Balkans****RCC**

The Commission would like to note that the RCC organised several sector-related discussions at regional level, including a dedicated donor coordination meeting. These actions have contributed to providing a regional perspective in donor assistance.

The RCC has built a donor database (SEEDAD). A beta version was finalised in December 2015 and the database was presented to the donor community at the donor coordination meeting held in March 2016 (<http://www.rcc.int/seedad>).

### 40

Despite some shortcomings in the donor coordination process on the part of the national authorities, due to the support provided by the Commission and the EU Delegations, this did not have an impact on the correct implementation of the IPA financial assistance.

### Box 8 — Ineffective donor coordination at beneficiary level

#### Kosovo

The Commission agrees with the observation that the Kosovo Government's 'donor coordination mechanisms were not fully operational' by the end of 2011, although it should be noted that progress has been made since and a new improved 'Regulation on Donor Coordination' has been consulted with donors and adopted in June 2015. The EU Office has also provided support to the national authorities.

### 43

The Commission notes that in the sensitive area of rule of law full and constant political commitment, up to, during and beyond the end date of the project, is essential to ensure sustainable results.

### 44

The Commission would like to point out that, through its policy dialogue, it has systematically encouraged political support for reforms in the rule of law area by the beneficiaries. This dialogue, while not directly addressing project-related issues, has a direct bearing in ensuring that the political conditions are in place or are being addressed.

Moreover, the Commission would like to highlight the particular challenge in imposing strict conditionalities, whilst not excessively curtailing financial support in the area of the rule of law. This requires careful calibration through policy dialogue, programming and project implementation.

### 45

The Commission points out that the RCC set up a Working Group on Justice with the Western Balkans Ministries of Justice, which adopted a Regional Action Plan on Justice. They established two regional networks (judicial training institutions and Associations of Mediators) to work on the implementation of the action plan. The RCC has also engaged the European Institute for Public Administration, European Judicial Training Network and the Council of Europe on the development of seminars and materials for judges and prosecutors.

### 49

The Commission would like to highlight that the building up of a track record requires sustained political commitment from the authorities over a long period of time.

In the case of Kosovo, the Commission would like to refer to its recent report on progress by Kosovo in fulfilling the requirements of the visa liberalisation roadmap, including on building up a track record in fighting corruption and organised crime (COM(2016) 276 final).

## Reply of the Commission

### Box 10 — IPA I project results in the fight against corruption

#### Project against corruption, Albania

The Commission partially disagrees. The project did not in itself meet targets such as a decrease in perceived levels of corruption, or an increase of seizure of assets, which are results of a more long-term nature. However, other important objectives of the project were successfully met and have had a positive impact on tackling corruption in Albania. The recent thematic evaluation on IPA support in the fight against corruption concluded that the project 'contributed to the prevention of corruption in the education sector' and positively assessed its contribution to the implementation of the recommendations by GRECO and Moneyval.

### 52

The Commission would like to point out that it has continuously supported civil society organisations through IPA assistance in all sectors, including democracy and rule of law, including through multi-country programmes. It is extremely important that such support takes into account the absorption capacity within civil society.

With regard to funding levels in the other areas mentioned, the Commission would like to point out that the funding provided was appropriate, given the relatively limited amount of large-scale investments required and the limits posed by the existing absorption capacity. These sectors require primarily the provision of expert advice through technical assistance, which was ensured through IPA, and not large-scale investment, along with strong political commitment.

### 58

The Commission would like to point out that the structures referred to by the Court, 'set up for the purpose of managing IPA funds', apply primarily to decentralised management and, hence, only exist in certain countries. The Commission also underlines the importance of encouraging the national authorities to, wherever possible, make good use of best practices from such structures.

The Commission would like to note that the promotion of good public financial management is not limited to the use of IPA I. The new enlargement strategy 'Fundamentals first' from October 2013 puts special emphasis on all forms of economic governance including public finance management and public procurement in line with EU standards. This is closely monitored through the appropriate structures.

### Box 14 — The Žeželj Bridge project project, Serbia

The majority of delays have been assessed to be attributable to the contractor. More recently this type of difficulty has been addressed through improved links between the policy objectives and programming.

### 61

The Commission points out that political dialogue can only **encourage** reform, but the ownership of the reform process lies with the national authorities.

### Box 15 — Limits of political dialogue regarding the rule of law

#### Common Commission reply to 'Bosnia and Herzegovina' and 'Kosovo'

The Commission points out that the political dialogue with the Western Balkans countries has been conducted in an efficient and result-oriented manner and delivered progress as outlined in the annual Enlargement packages/ progress reports. However, the complexity of the reforms assessed in this audit means that the process requires time, in particular as the Commission applies a quality before speed approach. In addition, the speed of reforms in the countries concerned is under the responsibility of the national authorities.

## Conclusions and recommendations

### Recommendation 1 — Objectives. Indirect management

The Commission accepts this recommendation.

### Recommendation 2 — Conditions. Monitoring. Evaluation

The Commission accepts this recommendation.

#### 71

The Commission would like to point out that conditionality has been applied, where appropriate, and at the appropriate level, to achieve the maximum possible impact of the enlargement policy objectives, in often difficult political contexts.

With regard to funding levels, the Commission would like to point out that the funding provided in the relevant sectors was appropriate, given the relatively limited amount of large-scale investments required and the limits posed by the existing absorption capacity. Media freedom, civil society and the fight against corruption and organised crime require primarily the provision of expert advice through technical assistance, which was ensured through IPA, and not large-scale investment.

### Recommendation 3 — Track record. Resources

The Commission accepts this recommendation.

#### 74

The Commission would like to stress that the Regional Cooperation Council has primarily been set up by the countries in the region as a forum to meet and discuss common challenges and that this objective has been met.

### Recommendation 4 — Regional cooperation

The Commission accepts this recommendation



### 75

The Commission would like to point out that, where political dialogue has had limited impact on the rule of law, this has been primarily due to the lack of political commitment on the part of the national authorities.

### **Recommendation 5 — Political dialogue**

The Commission accepts this recommendation.



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Event	Date
Adoption of the audit planning memorandum/Start of audit	10.3.2015
Official sending of draft report to Commission (or other auditee)	6.6.2016
Adoption of the final report after the adversarial procedure	12.7.2016
Commission's (or other auditee's) official replies received in all languages	31.8.2016

The EU Western Balkan enlargement policy has dealt with six European countries which have historically been affected by serious ethnic, political and economic conflicts and aspire to join the EU. The Court assessed whether the Commission's management of the IPA in the Western Balkans in the key areas of rule of law and public administration was effective and whether it actually did strengthen administrative capacity in the region. In addition, the Court examined the achievements of the EU–Western Balkan political dialogue in strengthening administrative capacity.



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