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

**Annual Report on Financial Assistance for Enlargement in 2014**

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## INTRODUCTION

The policy objectives of the Commission in the field of enlargement are supported by the Instrument for Pre-Accession Assistance (IPA)<sup>1</sup>. IPA is the means by which the EU supports reforms in the enlargement countries with financial and technical help. It accompanies the accession policy, as set out by the European Union, with a view to implementing Article 49 of the Treaty on European Union which offers the prospect of EU membership to all European countries that respect the fundamental values of the EU and are committed to promoting them. The IPA funds build up the capacities of the countries throughout the accession process, resulting in progressive, positive developments in the region. Beneficiaries of assistance in 2014 were: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Iceland, Kosovo, Montenegro, Serbia, and Turkey. Since its entry into the EU, in July 2013, Croatia is no longer an IPA beneficiary, but still benefits from the Transition Facility.

EU pre-accession funds are a sound investment into the future of both the enlargement countries and the EU itself. They help the beneficiaries make political and economic reforms, preparing them for the rights and obligations that come with EU membership. Those reforms should provide their citizens with better opportunities and allow for development of standards equal to the ones enjoyed by the citizens of the EU. The pre-accession funds also help the EU reach its own objectives regarding a sustainable economic recovery, energy supply, transport, the environment and climate change, etc.

Since IPA II was only recently introduced, implementation of programmes in 2014 still fell under its predecessor IPA.

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<sup>1</sup> Regulation 1085/2006 establishing an Instrument for Pre-Accession Assistance (IPA)

## POLICY DEVELOPMENTS

The EU's enlargement policy contributes to mutual benefits of peace, security and prosperity in Europe. It reinforces the EU's political and economic strength and has a powerful transformative effect on the countries concerned. For the countries of the Western Balkans, the clear perspective of EU membership granted by the EU's Member States is a key stabilising factor. It supports progress towards fulfilment of the necessary conditions, including those of the Stabilisation and Association Process.

The accession process is rigorous, built on strict but fair conditionality, established criteria and the principle of own merit. This is crucial for the credibility of enlargement policy, for providing incentives to enlargement countries to pursue far-reaching reforms and for ensuring the support of EU citizens.

The Commission is increasing the focus in the enlargement process on addressing "fundamentals first". This approach prioritises reforms related to rule of law and fundamental rights, economic governance and improving economic competitiveness, and strengthening democratic institutions including public administration.

The rule of law and fundamental rights: The rule of law is a fundamental value on which the EU is founded and is at the heart of the accession process. Countries aspiring to join the Union need to establish and promote from an early stage the proper functioning of the core institutions necessary for securing the rule of law. This work is extensive and in addition to the necessary national support requires considerable technical and financial support from the European Union. The rule of law is crucial for a stable business environment, providing legal certainty for economic operators, supporting consumers and stimulating investment, jobs and growth. Three aspects of the rule of Law are the subject of particular attention: Judicial reform, the fight against corruption and the fight against organised crime. In all three areas work is progressing across the board.

Concerning fundamental rights, the Commission carefully monitors the situation in the enlargement countries as regards civil, political, social and economic rights, as well as the rights of persons belonging to minorities. Fundamental rights are largely enshrined in law. However, more needs to be done to ensure they are fully respected in practice.

Economic governance and competitiveness: The Commission has been strengthening its support to improving economic governance and competitiveness in enlargement countries. This is key to addressing concerns of citizens in a persistently difficult economic environment, with high unemployment and low investment. It is also particularly important for the Western Balkan countries since none of them is yet considered to be a functioning market economy. Commission support will build on the experience of EU Member States in the European Semester with an increased emphasis on structural reforms which are sectoral in nature.

Public administration reform: Together with rule of law and economic governance, public administration reform (PAR) is a pillar of the enlargement process. All three 'pillars' are closely linked, cross-cutting issues of fundamental importance for success in political and economic reforms and building a basis for implementing EU rules and standards. A well-functioning public administration is necessary for democratic governance. It also directly

impacts governments' ability to provide public services and to foster competitiveness and growth.

The current enlargement agenda covers the countries of the Western Balkans and Turkey<sup>2</sup>. 2014 was a significant year for a number of the countries of the Western Balkans:

Montenegro: took further steps in accession negotiations. Twelve chapters were opened. Implementation of rule of law reforms had started.

Serbia: The opening of accession negotiations in January was a turning point in the country's relations with the EU, with the focus turning to the need to deliver on reform priorities in a sustained manner, notably on rule of law and the normalisation process with Kosovo<sup>3</sup>

Albania: was granted candidate status in June as recognition for its reform efforts and progress made in meeting the required conditionality.

Kosovo: The initialling of a Stabilisation and Association Agreement in July was a major milestone in EU-Kosovo relations and sharpened the focus on delivering on key reforms, in particular the rule of law.

As regards the former Yugoslav Republic of Macedonia, the EU accession process is at an impasse. 2014 saw instances of backsliding, notably as regards freedom of expression and of the media and the independence of the judiciary.

Bosnia and Herzegovina remained at a standstill on its European integration path. Elections late in the year offered the prospect of a fresh impetus to tackle urgent socio-economic reforms and to progress on its European agenda.

Implementation of certain reform commitments by Turkey continued. However, there have also been grounds for serious concerns regarding the independence of the judiciary and the protection of fundamental freedoms.

Good neighbourly relations and regional cooperation are essential elements of the Stabilisation and Association Process and of enlargement policy. In 2014 these were strengthened through intensified cooperation and contacts at bilateral level, including in sensitive areas such as war crimes, refugee return, including through implementation of the regional housing programme under the Sarajevo process<sup>4</sup>, with housing construction now underway, and on organised crime and police cooperation. Further steps have also been taken to increase connectivity and boost infrastructure investments across the region, including through the Western Balkans Investments Framework.

In all the areas outlined above the EU is supporting progress in the enlargement countries through the provision of EU technical and financial assistance. This contributes to a well prepared accession process, which not only helps the countries concerned to meet the

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<sup>2</sup> Following a decision of Iceland's government in 2013, accession negotiations continued to remain on hold.

<sup>3</sup> This designation is without prejudice to positions on status, and is in line with UNSCR 1244/99 and the ICJ Opinion on the Kosovo declaration of independence.

<sup>4</sup> Croatia, Serbia, Bosnia and Herzegovina and Montenegro.

necessary conditions, but also ensures that enlargement is not at the expense of the effectiveness of the Union.

## **THE STRATEGIC FRAMEWORK FOR PRE-ACCESSION ASSISTANCE**

The EU closely assists candidate countries and potential candidates with dedicated financial programmes. This assistance helps create stable, prosperous and well-functioning democratic societies and put them on a steady path towards EU integration.

### The Instrument for Pre-accession Assistance (IPA)

EU financial assistance is channelled mainly through the Instrument for Pre-accession Assistance ([IPA](#)). IPA was launched in 2007, replacing a range of EU Programmes and instruments including PHARE<sup>5</sup>, ISPA<sup>6</sup>, SAPARD<sup>7</sup>, and CARDS<sup>8</sup>. IPA became the sole instrument fully dedicated to assistance to pre-accession countries, simplifying the assistance process.

IPA included five different components:

1. Assistance for transition and institution building;
2. Cross-border cooperation (with EU Member States and other countries eligible for IPA);
3. Regional development (transport, environment, regional and economic development);
4. Human resources development (strengthening human capital and combating discrimination);
5. Rural development.

Components I and II were under the responsibility of the Directorate-General for Enlargement (DG ELARG), now DG NEAR, and open to all beneficiary countries. The other components, aimed at preparing the beneficiaries for the implementation of structural funds after joining the EU, and were only accessible to candidate countries and are managed under the responsibility, respectively, of the Directorate-General for Regional Policy (DG REGIO), the Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) and the Directorate-General for Agriculture and Rural Development (DG AGRI).

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<sup>5</sup> Poland and Hungary: Assistance for Restructuring their Economies

<sup>6</sup> Instrument for Structural Policies for Pre-Accession

<sup>7</sup> Special Accession Programme for Agriculture and Rural Development

<sup>8</sup> Community Assistance for Reconstruction, Development and Stabilisation

The IPA beneficiaries were divided into two categories. EU candidate countries at the time - Croatia, Turkey and the former Yugoslav Republic of Macedonia - were eligible for all five components. Potential candidates - Albania (which became a candidate country in 2014), Bosnia-Herzegovina, Montenegro (which became a candidate country in 2010), Serbia (which became a candidate country in 2012) and Kosovo - were only eligible for the first two components<sup>9</sup>.

IPA intervened both at country level and at a regional level, via national programmes, multi-beneficiary programmes, and cross-border cooperation.

From 2011 to 2013, IPA also supported Iceland, addressing mainly institutional capacity building issues. After the Icelandic government's decision to suspend accession negotiations in May 2013, the Commission decided to end its support for Iceland.

### Policy goals and priorities

Respect of the rule of law emerged as the top priority early in the implementation period of IPA. In most enlargement countries, the Commission found combating organised crime, corruption and dysfunctional justice systems were essential goals. Public administration reform also remained a constant area of need in all EU enlargement processes. More recently, economic governance emerged as an area that needed improvement - not least because of the economic and financial crisis in the EU itself, whose impact was heavily felt in the Western Balkans.

A special effort was made in 2014 to link political priorities with assistance programmes and funding, with the aim of concentrating assistance where it was most critical for the EU integration process.

### Programming documents

IPA assistance was based on the broad political guidelines set out in the Commission's enlargement package. Planning and programming was based on "multi-annual indicative planning documents", or MIPDs, which covered a three-year period and were updated annually.

Annual or multi-annual programmes were then adopted by the Commission and implemented in three ways:

- directly by the Commission, mainly via the EU Delegation on the ground;
- by the beneficiary countries, applying the so-called "decentralised management system";
- via EU Member States, known as "shared management."

### Decentralisation of financial management

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<sup>9</sup> Candidate countries could implement programmes under Components III to V only after receiving accreditation for the Commission to manage assistance themselves. Serbia and Albania have not received accreditation yet. Montenegro received accreditation for components III and IV in 2014.

Decentralised management, now referred to as “indirect management,” was the preferred method of implementation under IPA. It implied that authorities in the beneficiary countries were responsible for managing IPA funds. Beneficiary countries were the contracting authorities, and they were also responsible for managing the tenders and paying contractors. This was a way to prepare the candidate countries and potential candidates to handle EU Structural and Cohesion Funds in the future. Before transferring management responsibilities to beneficiary countries, the Commission thoroughly assessed the countries' capacities through a number of system audits. Croatia, the former Yugoslav Republic of Macedonia, and Turkey were the countries that managed funds under the decentralised implementation system.

## IPA II

In 2014 IPA II was launched. It covers the period 2014-2020 and represents the renewed commitment to enlargement. IPA II focuses on democracy and rule of law, as well as competitiveness and growth. IPA II also introduces a sector approach, incentives for delivery on results, budget support and prioritisation of actions. Coordinated investments along the main infrastructure corridors and cooperation with international financial institutions (IFIs) are also important parts of IPA II. Assistance under IPA II is implemented by DG NEAR in all sectors apart from Agriculture and rural development in candidate countries, which are covered by DG AGRI.

Indicative Strategy Papers all countries were adopted in 2014. They cover the entire period 2014-2020 although a midterm review is foreseen. The programming process has been rendered more sector focused and sector planning documents form the basis of the process.

## Other forms of EU support

While IPA unified many of the instruments for pre-accession assistance, enlargement countries continued to benefit from other forms of EU support. Particularly noteworthy are instruments with worldwide coverage, such as the European Instrument for Democracy and Human Rights, the Instrument for Stability, and the Common Foreign Security Policy missions and operations. The EU also extended the coverage of certain internal instruments to the enlargement area: enlargement countries had access to research programmes and selected educational programmes, such as Erasmus Mundus.

The EU also provided assistance to the enlargement countries through bilateral aid from EU Member States and investment loans delivered by the European Investment Bank (EIB). EU Delegations worked to ensure coherence between IPA support and other sources of EU support.

## ACTIVITIES FINANCED, RESULTS AND IMPACTS

### **ALBANIA**

The granting of candidate status to Albania by the European Council in June 2014 was a recognition of the fundamental reforms undertaken by the country to improve governance, enhance rule of law and expand the protection of human rights. IPA assistance has widely contributed to this EU integration mile-stone achievement with a number of successful projects to advice on key reforms (e.g. judiciary) and facilitate their implementation, as well as capacity building projects to strengthen public administration and service delivery.

2014 has been a transitional year for EU assistance. The Commission has undertaken an intensive dialogue with the Government to present the new strategic framework of IPA II and the emphasis on sector support to facilitate the implementation of national strategies, maintaining at the same time a strong focus on the country priorities for EU accession. As a result, a new IPA II country strategy paper for 2014-20 has been devised and the IPA 2014 programme includes a first sector budget support operation, which aims at supporting the Albanian public finance management reform strategy.

EU financial assistance continues to play a strategic role for the development process of the country, deploying a portfolio of projects amounting to approximately EUR 216 million and covering a number of sectors (e.g. transport, agriculture, SMEs, vocational education) with direct links to competitiveness and economic growth. Cooperation with IFIs continues to be productive with IPA operations able to leverage considerable amounts in loans, particularly for infrastructure development. Consequently, the EU remains by far the first donor in Albania.

#### ***Success story - Consolidation of law enforcement capacities in Albania - PAMECA IV assistance mission***

The mission has deployed a team of fifteen senior international and national police officials and prosecutors, who are working with the Albanian State Police (ASP) to improve its organisational, administrative, technical and resource management capacities and increase the coordination with the General Prosecutor's Office and other relevant law enforcement agencies.

With regard to prosecutions, the mission has identified the main critical areas of concerns and has provided important inputs to shift attention from low/medium to high profile cases, including pro-active high level anti-corruption investigations. As a result of training and coaching activates on road traffic management, the ASP is now strongly and consistently enforcing traffic laws. In operational terms, the mission was directly involved in the preparatory works leading to successful anti-drug operations, such as the intervention in June 2014 to dismantle the marijuana-producing centre in the village of Lazarat near the Greek border. The operation gave a clear signal to drugs smugglers that the time of impunity and passivity in countering drugs production has ended.

The team has also worked on the re-definition of the container handling procedures in the port of Durrës, which is a junction point for smuggling activities and where increased controls are required to check containers. PAMECA was also involved in the preparation of the agreement



on operational and strategic cooperation with Europol (ratified in May 2014), as well as in the formulation of the new ASP Law.

## **BOSNIA AND HERZEGOVINA**

Programming and implementation of IPA assistance in Bosnia and Herzegovina continued in 2014 in a challenging political environment and were heavily influenced by the disastrous floods that hit the country in May 2014.

The preparations for IPA II restarted after they had been interrupted in 2013 and led to the adoption of the IPA II Indicative Strategy Paper for Bosnia and Herzegovina in December 2014. However, the Paper covers only 2014-2017 and in the absence of a comprehensive EU Coordination mechanism, funds will only be allocated in four sectors where agreed strategies and sufficient coordinating structures exist.

Widespread, citizen-led protests in early 2014 underlined the fragility of the socio-economic situation. The Commission launched three initiatives to shift the focus towards reforms and issues of direct concern to citizens, among them a joint EU- Bosnia and Herzegovina Working Group to accelerate the implementation of EU funded projects. The group made only limited progress, despite involvement at Prime Ministers' level.

Following the floods of May 2014 the paramount challenge became to assist Bosnia and Herzegovina fast and effectively in addressing the impact of the flooding. The EU reallocated immediately EUR 42 million of IPA funds to assist recovery and reconstruction. Further EUR 41 million was allocated before the end of the year.

### ***Succes story - Flood Recovery***

The implementation of the *Floods Recovery Programme* (EUR 43.52 million out of which EUR 42.24 million provided by the EU) launched in July 2014 has produced a whole range of tangible results in gradually restoring normal living conditions in local communities and ensure the provision of aid to the most vulnerable people affected by the May floods. The Programme, implemented by the United Nations Development Programme (UNDP), in cooperation with United Nations Children's Fund (UNICEF) and the International Organization for Migration (IOM), focused on the rehabilitation of public services and infrastructure, housing units for the most vulnerable people and for social and economic recovery of local communities.

In the first six months of the implementation the following results were achieved: 671 dwellings rehabilitated, 337 in progress; 66 public buildings rehabilitated, with additional 31 in progress and 19 in different stages of procurement or project design; 32 communal infrastructure projects completed and 26 ongoing; surveying of additional municipalities completed, with new infrastructure projects to be selected to continue implementation. As concerns the economic recovery component, 48 bank guarantees were received and accompanying payments amounting to total of EUR 1.27 million were made.

## **CROATIA**

During 2014 Croatia continued actively to implement the measures to further strengthen its capacity in order to meet the obligations of membership to the EU. Since 1 July 2013, Croatia is an EU Member State.

Under IPA component I and II, an adequate institutional set up for decentralised management of IPA funds already established in 2013 was consolidated over 2014 with the further development internal rules of procedure, and with functioning implementing and operational agreements between the National Authorising Officer and the Head of the Operating Structure and among bodies and responsible persons within the Operating Structure. Manuals of procedures were developed for each body within the system, with a clear description of all processes and procedures and with audit trails developed. The IPA management and control systems continued to be fully functional.

### ***Success story - Reorganisation and rationalization of the courts***

One of the most important reform measures relates to the implementation of reorganisation and rationalisation of court network, which is currently under way. As the part of the given process and to serve as a ground for reorganisation and rationalisation, in October 2014 the new Law on the areas and the seats of the courts was adopted in the Croatian Parliament, which is to be applied as of 1 April 2015 on municipal and county courts, and as of 1 July 2015 on misdemeanour courts. According to the Law, Croatian area is divided into 15 judicial areas, in a way that establishes 15 district courts, 24 municipal courts and 22 misdemeanour courts, which is 43 municipal courts and 39 misdemeanour courts less. This new organisation opens up the possibility of specialisation, greater mobility and more balanced workload of judges and the harmonisation of the court practice.

Also, this way the number of judicial managerial staff is reduced, which will enable cost savings as well as better functioning of the judiciary (i.e. more even workload, shortening the duration of the judicial proceeding, backlogs reduction, etc.). However, citizens will continue to be provided with access to municipal and misdemeanour courts identical to what they had before the new Law. The current municipal and misdemeanour courts that cease operating, as well as current services of the municipal and misdemeanour courts, will become a full-time offices of new municipal and misdemeanour courts.

## **THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA 2015**

IPA assistance has continued to play an important role in meeting the general objectives set in the DG Enlargement Annual Management Plan as regards the former Yugoslav Republic of Macedonia.

With regard to IPA II, the Indicative Strategy Paper for the country was adopted on 19 August 2014. The 2014 IPA II programme was adopted on 17 December 2014. The programme consists of one annual action programme and one multi-annual action programme.

The annual programme covers three sectors: democracy and governance; rule of law and fundamental rights; competitiveness and innovation, for a total amount of EUR 52.7 million. The multi-annual programme covers the first three years of the implementation of Sector Operational Programmes for environment and climate action and transport for a total amount of EUR 81 million.

The Rural Development Programme under IPA II for the years 2014-2020 was also approved in December 2014. The budget for the 7 years is EUR 60 Million with modest allocations for the first four years and increasing amounts towards the end of the period.

As regards implementation of financial assistance under IPA I, de-commitments of funds and the future risks of loss of funds from programmes under the Decentralised Implementation System (DIS) have remained a source of concern. The contracting situation has worsened in comparison to 2013. In 2014, EUR 41.6 million were lost under all IPA Components. The Operating Structures in the country are facing numerous structural problems which negatively impact on their performance and ultimately on the timely absorption of IPA funds. The contracting of the remaining National Programmes for the years 2011, 2012 and 2013 did not start in 2014.

### ***Success story - Strengthening the Customs Administration***

The project *Strengthening the capacity of the Customs Administration* consists of three contracts (total EU contribution EUR 2,428,301.25). The project encompassed software development, support to the beneficiary institution in managing the software development project and establishing the required procedures and organisational set up in the area of integrated tariff environment, as well as a supply of the necessary hardware to support the use of the software application. The software design had to be readjusted and developed as a unique solution. The system which was developed will serve as a tool both to the Customs Administration and the economic operators in the process of customs clearance

## **KOSOVO**

In 2014 the Commission introduced IPA II and its programming process to the government of Kosovo and worked closely with all stakeholders to ensure that the new approach is well understood. Several meetings were organised to present and discuss the new framework for IPA II as well as the new financial regulation. The 2014 Annual Programme was prepared and approved by the IPA Committee in November 2014, and adopted in December 2014, with an allocation of EUR 66.05 million.

In 2014 the implementation of IPA I programmes continued smoothly, including the roll out of the IPA 2013 programme in support to the 19 April 2013 dialogue agreement between Pristina and Belgrade. The Palace of Justice, a major infrastructure project in support to the improvement of the rule of law in Kosovo, was completed at the end of 2014.

With regard to Cross-border Cooperation (CBC) programmes, a number of difficulties were encountered during 2014 which resulted in a failure to contract the 2011 allocations reserved to finance projects under the CBC programme Albania-Kosovo and the 2010 allocations reserved to finance projects under the former Yugoslav Republic of Macedonia – Kosovo programme. Measures have been introduced to prevent and to mitigate the risks related to management of CBC programmes. Nevertheless, the other allocations for the two programmes have been successfully contracted, and the awarded projects will start in 2015. The 2014-2020 CBC Programmes between Kosovo and the former Yugoslav Republic of Macedonia, Albania and Montenegro were adopted, as well as the respective allocations for the year 2014.

### **Success story**

*IPA 2011: EU-Community Stabilisation Programme Phase II (EU-CSP II)- (EUR 3.0 million)*

The project is towards its final stage of implementation and the specific objective of the action was to strengthen the socio-economic sustainability and integration of ethnic minority communities by supporting viable income and employment creation within the wider Kosovo economy and society. Under this intervention until now 284 community based projects have been supported, of which 220 were individual businesses and 64 community development projects, which resulted in creating/securing almost 800 jobs in community areas.

## **MONTENEGRO**

In 2014 Montenegro made further progress in the accession negotiations. During the year, ten additional chapters were open, bringing the total to sixteen chapters opened, out of which two chapters have been provisionally closed. The programming and implementation of EU financial assistance for Montenegro during 2014 took place in the context of on-going accession negotiations and transition to the IPA II framework for the financial period 2014-2020.

As regards the programming of IPA, efforts during 2014 were focused on the finalisation of the Indicative Strategy Paper (ISP) for Montenegro 2014-2020 and on the preparation of the 2014 Annual Action Programme. Furthermore, steps were taken towards the implementation of the sector approach, with the preparation of planning documents for all IPA sectors, as well as with the launch of preparations for future sector budget support interventions.

The implementation of financial assistance under IPA I continued in 2014. IPA 2007-2011 Component I Programmes have been fully contracted and IPA 2012-2013 is well underway. IPA Component II also showed a high rate of implementation. At the end of 2014, there were 212 ongoing IPA contracts for a value EUR 86.5 million.

In 2014, Montenegro has been indicatively allocated an amount of EUR 39.6 million. The funds allocated to 2014 Action Programme amount to EUR 35.7 million, while the rest has been assigned to Civil Society Facility and Regional Housing Programme.

During 2014, Montenegro made good progress regarding preparations for decentralised management the conferral of management for IPA Component III and IV was finalised in April and July 2014 respectively.

### **Success story**

*IPA 2008-2009 MARUBI: a cooperative model for tourist promotion (EUR 423,504)*

The goal of MARUBI project was to enhance the economic development of the Shkodra-Ulcinj cross-border area by building on its tourism potential and emphasising the common cultural heritage and natural beauty of the area. The project sought to screen and classify famous photographs of the Marubi family and to design a concrete route, which would connect and valorise the rich artistic and historical heritage of the region, to add to the attraction and entertainment for tourists and visitors. The project has resulted in the Marubi path, and a permanent itinerant exhibition on the Marubi collection. In addition, it enhanced competences of local economic and tourism operators, developed instruments for tourism promotion and the Marubi patrimony was inserted within local and European networks.

The project encompasses/contains all aspects of good practice in cross-border cooperation including partnership, impact, networking, visibility as well as sustainability. It has been seen as particularly innovative and efficient, with excellent dissemination and fair sustainability prospects. As a whole, the project has been recognised by the cross-border stakeholders as extremely important for the economic prospects and cultural life of the local communities. Moreover, there are indications that the local tourist organisations and other relevant stakeholders will ensure the sustainability of the results.

## **SERBIA**

After being granted candidate country status in 2013, EU accession negotiations have been launched at an Inter Governmental Conference in January 2014. In August the Commission adopted the Indicative Strategy Paper for Serbia for the period 2014-2020. This was the results of an important consultation process to identify the key sectors of EU financial assistance for the financial perspective. In parallel the IPA 2014 Programme has been prepared and adopted in December. Serbian authorities continued to move towards sectoral approach by improving sector coordination through the sectoral working groups and the improvement of sectoral strategic frameworks. In order to improve selection and preparation of infrastructure investment, Serbian authorities adopted a methodology for developing a Single Project Pipeline.

In 2014, Serbia has been severely affected by floods in May. Important funds have been allocated for recovery and reconstruction from reallocation under previous programmes and part of IPA 2014 allocation for Serbia.

On management of EU funds, Serbia has been granted with conferral of management power in March 2014 and the financing agreement has been signed in June for the implementation of this part of IPA 2013 under de-centralised management. However, reshuffling of the Government in July created delays in implementation.

### **Success story - EU flood relief response in Serbia**

In May 2014, Serbia was hit by devastating floods which took away at least 50 lives and caused an estimated damage of EUR 1,7 billion. The European Union, in an unprecedented show of solidarity, provided immediate assistance through its EU Civil Protection Mechanism. A total of 16 EU Member States offered assistance such as motor boats, helicopters, pumps, humanitarian kits and deployed over 300 relief workers to Serbia. An EU Civil Protection team was sent to Serbia to help with the coordination of relief efforts and assist rescue operations. The EU also released EUR 1 million in humanitarian aid to help the most vulnerable population in Serbia. Among others, the funding was used to deliver food aid, provision of clean water, health and sanitation.

While the EU civil protection teams were on the ground, the European Commission in record time reallocated EUR 30 million worth of IPA funds for an EU flood relief assistance programme. The programme was kicked off in July 2014 with the aim to help the reconstruction of schools, kindergartens, private houses as well as the rehabilitation of public buildings and roads in 24 most affected municipalities. Through the programme, the EU is also providing economic grants to small and medium sized enterprises as well as seeds and livestock to farmers who have suffered from the floods.

By the end of the year 93 new houses were built, 685 damaged houses repaired, 200 small and medium size enterprises supported to restore income generation activities, 13 schools reconstructed for more than 11,000 children and students, 9,600 farming families received wheat seeds, fertilisers, fruits seedlings and animal feed; and, 11,5 km of roads have been reconstructed used by more than 500,000 citizens.

An additional package of EUR 72 million has been allocated in December to support medium term reconstruction and recovery efforts and long term capacity building, floods prevention and defenses as well as river management.

## **TURKEY**

Building on the new strategic and result-oriented financial instrument for pre-Accession assistance, the Indicative Strategy Paper for Turkey covering the period 2014-2020 was adopted in August 2014. It provides a frame for the EU financial assistance to the country in line with the political priorities set out in the enlargement policy.

The first annual Action Programme 2014 and four sectoral multiannual programmes were also adopted. With the aim of concentrating IPA II financial assistance on a limited number of key priorities, the proposed annual Action Programme 2014 focuses mainly on the enhancement of democracy and governance, rule of law and fundamental rights. The sectoral annual programmes have been designed to contribute to the socio-economic development of Turkey by supporting investments in the areas of environment and climate change, transport, competitiveness, employment and social inclusion. The Rural Development Programme under IPA II for the years 2014-2020 was also adopted in December 2014. The budget for the 7 years is EUR 801 million.

The implementation of ongoing programmes continued, contributing to the reform process and the promotion of fundamental rights through activities such as supporting the improvement of the Turkish criminal justice system or accompanying the development of adequate schooling conditions for children with special needs. IPA also supported the socio-economic development of Turkey and helped address regional disparities with a strong focus of assistance on the South-East of Turkey. Equally, IPA has been instrumental for encouraging alignment with the *acquis*, providing funding in a wide range of areas such as energy, company law, enterprise and industrial policy, agriculture and rural development, statistics, science and research.

IPA is also playing an increasing role in helping Turkey to address the consequences on its territory of the crisis in neighbouring Syria and in Iraq. Turkey hosted more than 1.6 million Syrians and the EU, recognising the formidable efforts of Turkey, has been exploring all possible avenues for further assistance. In that context, at the end of 2014 a new additional IPA measure (EUR 40 million) was programmed in cooperation with the national authorities and UN agencies to support the authorities in responding to an ever growing influx of refugees, which seriously impacts on Turkey's migration management and asylum system, municipal infrastructure and services.

### *Success story - Energy interconnection*

A project to support "Structure and Capacity Improvement of Turkish Electricity Transmission Corporation (TEIAS)" (EU contribution EUR 1,8 million) was successfully completed in December 2014. The project was designed to assist Turkey in its efforts to ensure full integration with the EU electricity network and to provide work safety and performance trainings to managers, operation and maintenance personnel. It created positive improvements allowing market participants on both sides to have the opportunity for continuous and uninterrupted energy exchanges. It is unique in the sense that it contributed to Turkey's physical integration through interconnection with the European Network of Transmission System Operators for Electricity (ENTSO-E) system. One of the main objectives of a Transmission System Operator today, both in Turkish and European electricity markets, is to ensure that facilities remain in service each day of the year uninterruptedly.

### **MULTI - COUNTRY**

Regional cooperation has continued within regional fora such as the Energy Community, the Central European Free Trade Area (CEFTA), the South East Europe Transport Observatory (SEETO) and the Regional School of Public Administration (ReSPA). Also, the role of the Regional Co-operation Council (RCC) as a body fostering regional integration was further strengthened in 2014. The RCC continued the implementation of its Strategy for 2014 - 2016, built around the South East Europe 2020 agenda (SEE 2020).

The "Berlin Process" launched with the Summit in Berlin on 28 August 2014 and the WB-6 Conference in Belgrade on 23 October 2014 that led to the adoption of a Joint Statement reflect the political commitment of the Western Balkans and their close neighbours to achieve progress on the connectivity agenda and to present more tangible results in the coming years.

In accordance with the priorities of the Enlargement Strategy, Multi-country financial assistance throughout 2014 supported progress in the area of rule of law, public administration reform and economic governance.

To underpin economic recovery in the Western Balkans, new projects in infrastructure were approved in the framework of the Western Balkans Investment Framework (WBIF), as well as projects in the field of competitiveness mainly through the Western Balkan Enterprise Development and Innovation Facility (EDIF) and in the field of human resource development/training.

### *Success stories*

#### *Western Balkans Investment Framework*

EU contribution: EUR 250 million

Start date: 2009 – ongoing

Results: Preparation of bankable investment projects; Technical Assistance, feasibility studies, Environmental Impact Assessments

The WBIF supports socio-economic development and EU accession across the Western Balkans through the provision of financing and technical assistance for strategic investments. It pools resources from the Instrument for Pre-accession Assistance (IPA) with those of International Financial Institutions (IFIs), bilateral donors and the governments of the



Western Balkans. Since its launch, the WBIF has developed a pipeline of priority investments estimated at approximately EUR 13 billion.

### *Civil Society Facility*

EU contribution: EUR 11.2 million;

Start date: December 2012 –December 2014

Results: A total of 172 civil society organisations from the Western Balkans and Turkey and from Europe are engaged in 18 networks, financially supported by IPA. The ongoing grants produced several outputs and some examples are as follows:

## FINANCIAL DATA

### IPA I

	Allocations	Disbursements
<b>Albania</b>	537,017,522	288,139,323
<b>Bosnia and Herzegovina</b>	571,773,967	370,377,054
<b>Croatia</b>	818,568,685	460,314,577
<b>Kosovo</b>	685,782,927	486,699,110
<b>The former Yugoslav Republic of Macedonia</b>	542,844,358	273,049,040
<b>Montenegro</b>	211,489,565	143,423,580
<b>Serbia</b>	1,367,009,190	906,220,245
<b>Turkey</b>	4,427,864,616	2,578,261,545
<b>Iceland</b>	34,837,163	5,744,810
<b>Regional programmes</b>	1,357,355,546	1,051,332,151
<b>Total</b>	<b>10,554,543,540</b>	<b>6,563,561,434</b>
<b>Split per DG</b>		
<b>NEAR</b>	6,501,845,269	4,406,417,400
<b>REGIO</b>	2,532,823,587	1,358,299,165
<b>EMPL</b>	572,885,566	326,024,002
<b>AGRI</b>	946,989,118	472,820,867
	<b>10,554,543,540</b>	<b>6,563,561,434</b>

### IPA II

	Allocations	Disbursements
<b>Albania</b>	66,746,389	0
<b>Bosnia and Herzegovina</b>	73,581,834	0
<b>Bosnia and Herzegovina - OHR</b>	3,532,478	3,532,478
<b>Kosovo</b>	66,050,000	0
<b>The former Yugoslav Republic of Macedonia</b>	76,717,811	0

<b>Montenegro</b>	35,707,300	0
<b>Serbia</b>	187,090,000	0
<b>Turkey</b>	614,600,000	0
<b>Multi-beneficiary</b>	222,442,000	1,098,159
<b>Total</b>	<b>1,346,467,812</b>	<b>4,630,637</b>
<b>Split per DG</b>		
<b>NEAR</b>	1,272,467,812	4,630,637
<b>AGRI</b>	74,000,000	0

**Allocations for IPA I:** Amounts of adopted Financing Decisions during 2007–2013 (minus unused funds returned to the EU budget).

**Allocations for IPA II:** Amounts of adopted Financing Decisions in 2014

**Disbursements:** Amounts effectively paid up to 31 December 2014 by the European Commission to the contractor (in case of direct management) / beneficiary country or international organisation (in case of indirect management).

In the case of Croatia, former IPA assistance covered by DG REGIO and DG EMPL (components III and IV, and part of component II) is now governed under the Structural Funds regulations as provided for in the Treaty of Accession and disbursement figures are up to the date when the country became a Member State (1 July 2013). Assistance under the other components remains under IPA and disbursement figures are with cut-off date end of 2014.