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# POLICY BRIEF

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IPA II – MORE STRATEGY AND OVERSIGHT

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## Authors:

**Dr. Malinka Ristevska Jordanova,**  
Editor and senior expert

**Aleksandar Jovanoski,**  
Junior expert

European Policy Institute (EPI) - Skopje,  
Antonie Grubisic 2/2  
1000 Skopje,  
Republic of Macedonia

[contact@epi.org.mk](mailto:contact@epi.org.mk)  
[www.epi.org.mk](http://www.epi.org.mk)

## Launching IPA II

The EU Regulation on IPA II was adopted on 11 March 2014 and is applied from January 1, 2014<sup>1</sup>. More detailed implementing rules are set out in the Implementing regulation, adopted on 2 May 2014<sup>2</sup>.

IPA II does not substantially differ from IPA I in terms of its goal and budget. Consequently, it corresponds to the reality of the substance and dynamics of the enlargement process.

The general objective of IPA II is defined as:

“...support the beneficiaries listed in Annex I in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required by those beneficiaries in order to comply with the Union’s values and to progressively align to the Union’s rules, standards, policies and practices, with a view to Union membership<sup>3</sup>.”

**IPA II does not substantially differ from IPA I in terms of its goal and budget.**

The beneficiaries of IPA II are: Albania, Bosnia and Herzegovina, Iceland, Kosovo<sup>4</sup>, Montenegro, Serbia, Turkey and Republic of Macedonia.

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<sup>1</sup> Regulation (EU) No 231/2014 of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II). Although adopted only in March 2014, the regulation is applicable as of 1.1.2014

<sup>2</sup> Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II)

<sup>3</sup> Article 1 of the IPA II Regulation.

<sup>4</sup> This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

In the absence of a major shift in assistance for candidate countries, it is stated that “pre-accession assistance will be more closely linked to the enlargement priorities, and be based on a more results-oriented and strategic approach targeting key reforms in the enlargement countries”<sup>5</sup>.

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The key modifications introduced with the IPA II are the following:

- Policy areas instead of components;
- Sector approach, based on convergence with national strategies;
- More focus on strategic multi-annual programming;
- Result/performance orientation;
- More flexibility – possible reallocation of funds depending on performance;
- Simplified conferral of management procedure.

The focus of IPA remains on “general issues of socio-economic development and good governance, rather than attacking the often complicated and less obvious technical requirements of the EU acquis”<sup>6</sup>.

The new IPA approach demands a high level of alignment with key reform priorities (focusing on democracy and rule of law areas) as determined by the EU Enlargement Strategy 2014-2015. In addition, IPA II makes strong correlation with two key strategic documents that have

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<sup>5</sup> Report from the Commission to the European Parliament, the Council and the European Economic and Social Committee, 2013 Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS, Turkey Pre-Accession Instrument, Transition Facility) Brussels, 30.9.2014 COM(2014) 610 final, {SWD(2014) 287 final}.

<sup>6</sup> Koeth, W., The New Instrument for Pre-Accession Assistance (IPA II): Less Accession, More Assistance? European Institute of Public Administration, Working Paper 2014/W/01.

direct impact on reform processes in the region – Agenda Europe 2020<sup>7</sup> and South East Europe 2020 Strategy<sup>8</sup>.

## The financial portfolio

For the period 2007-2013 IPA had a budget of some € 11.5 billion. The Budget of IPA II is almost the same - € 11.7 billion for the period 2014-2020<sup>9</sup>. The allocated funds for the period 2014-2020 per beneficiary are presented in Table 1.

**Table 1: IPA II allocation per beneficiary per year/s (in million EUR)**

	2014	2015	2016	2017	2018-2020	Total 2014-2020
Albania	83,7	86,9	89,7	92,9	296,3	649,5
Bosnia and Herzegovina <sup>10</sup>						
Kosovo*	83,8	85,9	88,7	91,9	295,3	645,6
Macedonia	85,7	88,9	91,6	94,9	303,1	664,2
Montenegro	39,5	35,6	37,5	39,6	118,5	270,7
Serbia	195,1	201,4	207,9	215,4	688,2	1508
Turkey	620,4	626,4	630,8	636,4	1.940,00	4.454,00
<b>Total</b>						<b>8.192,00</b>

Source: Indicative Country Strategy Papers for the beneficiaries, adopted in August 2014

\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

<sup>7</sup> [http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm)

<sup>8</sup> <http://www.rcc.int/pubs/20/south-east-europe-2020-strategy>

<sup>9</sup> EUR 11 698 668 000 at current prices, according to the IPA II Regulation.

<sup>10</sup> The Indicative Country Strategy Paper for Bosnia and Herzegovina has not yet been adopted.

The funds for the horizontal multi-beneficiary programme (regional programme) are allocated as presented in Table 2.

**Table 2: IPA II allocation for the multi-beneficiary programme per year/s (in million EUR)**

	2014	2015	2016	2017	2018-20	Total 2014-20
<b>A. Horizontal support</b>	152	122,5	136,5	115,5	395,5	922
TAIEX and Statistics	20	21	20	21	59	141
Advisory functions of international organisations	49	40	25	32	91	237
Civil Society and Media	25	5	30	5	60	125
Erasmus+ including the youth dimension	33	34	35	35	110	247
Horizontal measures	25	22,5	26,5	22,5	75,5	172
<b>B. Regional structures and networks</b>	9	27	31	10	57,5	134,5
<b>C. Regional investment support*</b>	158,1	181,9	177,9	216,3	772,8	1506,9
WBIF, EDIF, GGF and other blending instruments	148,1	91,9	177,9	216,3	772,8	1406,9
Regional Housing Programme (RHP)	10	90	0	0	0	100
<b>D. Territorial co-operation</b>	28,9	33,6	44,6	68,6	219,5	395,2
<b>TOTAL</b>	<b>348</b>	<b>365</b>	<b>390</b>	<b>410,4</b>	<b>1445,3</b>	<b>2958,6</b>

Source: Multi-Country Indicative Strategy Paper(2014-2020) adopted on 30/06/2014

## Policy areas and sector approach

Under IPA II, the five components of the previous generation of IPA (IPA 2007 – 2013) are abandoned, thus giving all IPA beneficiaries, regardless their status, equal access to the entire IPA content. Instead

of components, assistance will be centred on the following policy areas:

- a) reforms in preparation for Union membership and related institution - and capacity-building;
- b) socio-economic and regional development;
- c) employment, social policies, education, promotion of gender equality, and human resources development;
- d) agriculture and rural development;
- e) regional and territorial cooperation.

The key criteria for defining a sector are the following:

- Relevance to the EU accession agenda and/or socioeconomic development of the country,
- Wide enough to be deemed as important for the accession process accompanied by measurable success indicators, but narrow enough to ensure institutional coherence,
- Clear institutional framework, institutional management and authority – ideally, the sector has one managing authority,
- Clear linkage with national budgetary process.

Indicative sectors per policy area are presented in Table 3<sup>11</sup>.

**Table 3: Indicative list of sectors per policy area**

Policy Area	Sector
a) reforms in preparation for Union membership and related institution- and capacity-building;	- Public Administration Reform - Public Financial Governance - Justice and Home Affairs - Human Rights and Minorities
b) socio-economic and regional development;	- Transport - Energy - Environment - Private Sector Development - Competitiveness and Innovation
c) employment, social policies, education, promotion of gender equality, and human resources development;	- Education and Human Resource - Development - Labour Market and Employment - Social Policies
d) agriculture and rural development;	- Agriculture - Rural Development
e) regional and territorial cooperation.	- Regional cooperation - Territorial cooperation

<sup>11</sup> Sectors are indicative and vary from beneficiary to beneficiary.

The following table shows IPA II allocation per policy area for all IPA beneficiaries.

**Table 4: IPA II allocation per policy area (in million EUR)**

	a. Reforms in preparation for Union membership and related institution- and capacity-building	b. Socio-economic and Regional development	c. Employment, social policies, education, promotion of gender equality, and human resources development	d. Agriculture and rural development	TOTAL 2014-2020
Albania	320,5	168,0	69,0	92,0	649,4
Kosovo*	236,6	235,0	94,2	79,7	645,5
Macedonia	205,9	298,8	53,2	106,3	664,2
Montenegro	99,2	90,8	28,1	52,4	270,5
Serbia	543,0	565,0	190,0	210,0	1.508,0
Turkey	1.581,4	1.525,3	1.525,3	912,2	4.453,9
<b>Total</b>	<b>2986,6</b>	<b>2882,9</b>	<b>1959,8</b>	<b>1452,6</b>	<b>8191,5</b>

Source: Country Strategy Papers for the listed countries

The **sector approach** consists of clustering EU assistance around a reduced number of strategic sectors that are identified jointly by the EU and the beneficiary, with national sector strategies serving as main guidance for programming<sup>12</sup>.

The sector approach is intended to produce closer alignment between the EU and national strategies and a higher degree of ownership of the beneficiary. The ownership principle is crucial for obtaining meaningful results that do not only achieve specific outputs (such as strategies and laws drafted), but have a real impact on the country (due to their general acceptance and appropriate application).

\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

<sup>12</sup>The EC's official definition of the sector approach -documents/europeaid\_adm\_guidelines\_support\_to\_sector\_prog\_sep07\_short\_en.pdf

One of the key findings of the evaluation done for the European Commission was that **“sustaining the results and impacts achieved by the IPA relies on the national level political priorities”** and that **“where national ownership of proposed reforms is low impact is reduced”**<sup>13</sup>. Consequently, national ownership is one of the major milestones in IPA II, requiring high level of convergence between national priorities and the EU agenda. One major argument is that EU accession is seen as a national strategic priority by the beneficiaries and that all measures aimed at fulfilling the EU benchmarks should automatically be set as national strategic priorities. However, this will present a challenge, especially taking into regards the priority sectors of democracy and rule of law, where in sensitive issues the political priorities might diverge from the targets of IPA assistance.

By the end of IPA I, the Commission in cooperation with national and EU stakeholders realised that the previously envisioned methodology of implementing IPA through individual projects covering a variety of fragmented priorities was not yielding the expected results by focusing more on immediate outputs **(e.g. having computerised case management system in courts)** rather than on achieving policy objectives **(e.g., better functioning of the justice system through the decrease of the backlog of court cases as impact of the case management system)**<sup>14</sup>. The insufficient link to national policy documents was perceived as a major disadvantage. One of the major challenges of IPA II will be to overcome this shortcoming by establishing stronger links between the strategic planning, implementation of IPA and most importantly, achieving high level of impact on the outcome of the reform processes.

The Commission's analysis showed that **“most projects addressed specific problems and were prepared by small groups of specialists within government institutions; this often resulted in poor institutional ownership because little attempt had been made to involve a broader community of experts and show the relevance of projects to national**

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<sup>13</sup> IPA - interim evaluation and meta evaluation of IPA assistance, Ecorys, September 2013.

<sup>14</sup> DG Enlargement guidance document: 'Sector Approach in Pre-Accession assistance', 18/01/2013, Ref. Ares(2013)65573.

policy agendas”<sup>15</sup>. Thus, the partnership principle will play a key factor for successful programming and implementation of IPA II.

The Common Strategic Framework will be the EU strategic programming document for the instrument as a whole – for all the countries involved. The country strategy papers (CSPs) are key multi-annual documents describing in broad terms how beneficiary countries will use financial assistance to address the political priorities of the enlargement strategy. Following the adoption of the CSP, the programmes will be developed. Similarly, a Multi-Country Strategy Paper (MCSP) defines the priorities and conditions for achievement at regional level for multi-beneficiary programmes and for territorial cooperation programmes.

The CSP also include preliminary financial allocations per year itself and will remain valid until 2020 (with only one mid-term review in 2017). Therefore, the issue of programming and adoption of high-quality sector programmes will have a direct effect on the final absorption of the allocated funds.

Under the new regulation, Country Strategy Papers (CSP) were drafted to outline key areas where substantial improvements are necessary to prepare the country for membership. These documents are to “**define assistance-related targets, the approach to meet them as well as tools and indicators for measuring progression and achievements**”<sup>16</sup>.

The IPA II regulation particularly underlines that the progress will be assessed through previously determined indicators. On the basis of progress, the EC will have the authorisation to reallocate financial assistance between different programmes, as well as between IPA beneficiaries.

## **New approach to conferral of management to beneficiaries**

On the side of the Commission the management of assistance for the former components will be streamlined through the Directorate General (DG) for Enlargement. This solution will remain in place until

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<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

later stage in the accession process where the respective DGs will get involved (as the candidate country moves closer to membership).

In IPA I, conferral of management of pre-accession funds were seen as preparation for candidate countries to implement mechanisms required by all Member States in management of EU funds, in particular for the components III-V, which mirrored the instruments of the EU structural and cohesion policy, and the Common Agricultural Policy.

The approach of IPA II to the management of financial assistance is described as a:

**“more progressive, phased approach”, with “fewer processes for accreditation and conferral of management powers” meant to substantially “reduce the cost and burden of coordination incurred by “beneficiary countries”<sup>17</sup>.**

The fact that “not only accreditation criteria for candidate countries have been relaxed, but also that other implementing rules are harmonised with those applicable to developing countries, thus departing from the methodology from the past: preparation of candidate countries for the financial management of EU structural funds after accession does not appear to be a priority in IPA II regulation”<sup>18</sup>.

**The priorities determined in the Country Strategy Paper -are not supposed to change over the years (unless the acquis changes).**

**The annual programming (which was the case under Component I of IPA I) should be replaced by multi-annual programming**

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<sup>17</sup> Proposal for a regulation on the Instrument for Pre-accession Assistance (IPA II) of 7.12.2011COM(2011) 838 final

<sup>18</sup> Koeth, W., The New Instrument for Pre-Accession Assistance (IPA II): Less Accession, More Assistance? European Institute of Public Administration, Working Paper 2014/W/01.

## Increased role of national parliaments – paradigm shifting in scrutiny

IPA II puts more emphasis on the partnership principle and on the role of parliaments.

The Regulation obliges the Commission, “in principle, to act in partnership with the beneficiaries when preparing, implementing and monitoring assistance”, explaining that the partnership should include:

“as appropriate, competent national and local authorities, as well as civil society organisations.” In addition, “coordination among the relevant stakeholders” should be encouraged by the Commission. Furthermore, civil society organisations may be direct beneficiaries of assistance<sup>19</sup>.

When these provisions are read together with the provisions on the Principle of ownership in the IPA II Implementing Regulation<sup>20</sup>, it is clear that partnership at national level of the beneficiaries is strongly encouraged.

The IPA II Regulation explicitly encourages parliamentary oversight in the beneficiary countries<sup>21</sup>.

**Overall, the parliaments in the region have sufficient mechanisms in place to exercise their scrutiny powers over the use of EU funds. However, the existing mechanisms are not explored to their full potential; thus, scrutiny of Parliament over Government on EU financial programmes is weak, unstructured and sporadic.**

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<sup>19</sup> IPA II Regulation, Article 4, Par 6.

<sup>20</sup> IPA II Implementing Regulation, Art. 4.

<sup>21</sup> IPA II Regulation, Preamble, P. (15).

Hence, the national parliaments (especially the EU affairs committees) have a key role to play in the programming and monitoring of IPA II – in order to achieve ‘local’ ownership and enable for effective scrutiny over the absorption of EU funds.

In most national parliaments at the European Union level, the European affairs committees have a central role in ensuring scrutiny procedure. However, depending on the established parliamentary practices, a number of parliaments’ sectoral committees also participate in the scrutiny process.

The practices in IPA beneficiaries demonstrate lack of parliament’s engagement in almost all stages of IPA implementation, including programming of IPA. This opportunity was missed during 2013-2014 when Country Strategy Papers were drafted.

**“In accordance with the principle of participatory democracy, parliamentary oversight in each beneficiary listed in Annex I of the assistance provided to that beneficiary should be encouraged by the Commission”.**

The Macedonian Parliament gave a positive example in holding the first comprehensive parliamentary hearing on the absorption of IPA in 2013. However, the opportunity for more influence on the IPA II programming process - the Indicative Country Strategy Paper 2014-2020 was not embraced. Civil society organisations did provide a positive example providing a structured input to the Country Strategy Paper<sup>22</sup>.

As IPA is more visible to the citizens as a technocratic endeavour, rather than a genuine instrument for reforms that brings benefits to citizens and the society at large, informed and engaged Members of Parliament could play a stronger role in changing this perception. Furthermore, as the capacities of Parliaments do not allow for an independent analysis of IPA funds, the resources available within the civil society should be used to the maximum extent.

<sup>22</sup> A network of the following organizations: Eco-svest, European Policy Institute, Analitika think tank, Macedonian Center for European Training, Zenit, Front 24/12 and Center for Civil Communications organised an event in which over 100 CSOs participated and provided an input to the Country Strategy Paper.

## Policy options for parliaments

Based on the lessons learned from the previous IPA I (2007-2013), several steps that can be taken by national parliaments of IPA beneficiaries to improve their scrutiny of IPA II<sup>23</sup>:

- Require from the national authorities in charge of IPA structured regular reports on the implementation of each sectoral policy, including report on the fulfilment of success indicators listed as annex in each Country Strategy Paper under IPA II; these reports should also present information on contracting;
- Involve in the discussion on strategic issues concerning EU funds, especially on priorities under each sectoral policy - deliberation on the sectoral strategic documents as determined by the national Country Strategy Paper;
- Essentially contribute to the implementation of the ownership and partnership principle in the implementation of IPA funds and include stakeholders in the programming and implementation of IPA;
- Hold public hearings on IPA, including thematic ones, dedicated to each policy area/sector;
- Increase the level of stakeholders' participation with inclusion of civil society organisations, academia, businesses, chamber of commerce, professional associations, etc.;
- Strengthen the role of the Finance and Budget Committees, which should also have insight in ensuring co-financing of IPA II in the State Budget,
- Increase the administrative capacities of the staff working on IPA;
- Develop a regional platform for monitoring of IPA, contributing to improved oversight and sharing best practices.

**National parliaments (especially EU affairs committees) have a key role to play in the programming and monitoring of IPA II – in order to achieve 'local' ownership.**

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<sup>23</sup> More detailed presentation and elaboration in: Instrument for Pre-Accession and its Parliamentary Oversight, Toolkit for Members of Parliament and Parliamentary Staff, Westminster Foundation for Democracy, October 2013.



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