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PROGRAMMING AND IMPLEMENTATION OF IPA IN THE REPUBLIC OF MACEDONIA

Abstract

This paper aims to provide an overview of the programming and implementation of EU Instrument for Pre-accession Assistance (IPA) in the Republic of Macedonia, as well as discussion about challenges and opportunities with regards to introduction of sector-based approach under IPA II. The main hypothesis of the paper is that IPA II sector approach is not likely to provoke significant differences into the programming of the assistance, compared to IPA I, while implementation would be more challenging. This particularly refers to introduction of multi annual budget framework in the country and capacity building of the IPA Operational Structure for sound strategic planning and project implementation. The paper has been elaborated mostly by use of methods of analysis and synthesis, based on extensive processing of data and consultation of relevant literature.

The paper provides an overview of the process of programming and implementation of IPA I (2007-2013) and IPA II (2014-2020). In this context, the IPA I has been analysed in the context of programming per Components, as well as introduction of sector classification in its latest programming period 2011-2013. Furthermore, there has been an overview of the available data for the implementation of the IPA I. The discussion has been related to the problems of implementation, largely attributable to the complexity and longevity of the procedures, insufficient absorption capacity of the IPA Operational Structure,

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as well as necessity for improvement of the performance measurement of the IPA projects. Furthermore, the paper focus on programming process for IPA II, primarily on the criteria for introduction of sector approach and comparison to the programming process of IPA I. The major finding of the paper is that programming under sector approach under IPA II would not differ essentially compared to the programming of IPA I for the period 2011-2013. The genuine challenges could be located with regards to implementation of IPA II, which are rather similar to the problems identified for IPA I, with addition to the shift towards multi-annual budgeting. That is likely to be the most challenging for the Republic of Macedonia in the implementation of IPA II.

Key words: Instrument for pre-accession assistance (IPA), IPA II sector approach.

JEL classification: F35

Introduction

The EU Instrument for pre-accession assistance (IPA) has been designed in purpose to assist EU candidate and potential candidate countries in their process of accession to the Union. IPA has been introduced in 2007, with financial perspective(s) of six years. The first financial perspective - IPA I (2007-2013) had been projected to 11.5 billion euros.² It consists of five components:

1. Transition Assistance and Institution Building
2. Cross-border cooperation
3. Regional Development
4. Human Resources Development
5. Rural Development

The eligible countries for use of IPA I have been divided into two categories:

- Candidate countries for accession to the EU (Turkey, Albania, Republic of Macedonia, Montenegro and Serbia), eligible to use all

² http://ec.europa.eu/enlargement/instruments/overview/index_en.htm

five IPA I components;

- Potential candidate countries from the Western Balkans (Bosnia and Herzegovina and Kosovo), eligible to use the first two IPA I components.

The second financial perspective of IPA is allocated to the period 2014-2020. The total budget of IPA II has been projected on 11.7 billion euros.³ Sector approach has been introduced for implementation of IPA II, which replaces the structure per Components.

Both IPA financial perspectives represent large amount of finances channeled towards the Western Balkans, including the Republic of Macedonia. However, there was a criticism about insufficient use of the assistance, which led to introduction of the sector approach under IPA II. This paper aims to provide overview of the allocation and use of IPA in the Republic of Macedonia, as well as identification of the challenges and opportunities for the country with regards to introduction of IPA II sector approach. The main hypothesis of the paper is that sector approach under IPA II is not likely to provoke significant differences into the programming of the assistance, compared to IPA I, while implementation of IPA II mostly faces challenges similar to the problems identified for IPA I. Additional challenge would be introduction of the multi-annual budget planning, which is expected to mark implementation of IPA II. The methodology of research primarily includes methods of analysis and synthesis, based on processing of available data and consultation of relevant literature.

1. PROGRAMMING AND IMPLEMENTATION OF IPA I IN THE REPUBLIC OF MACEDONIA

The National IPA assistance provided for the Republic of Macedonia in the period 2007- 2013, through the five components of the IPA, amounts to EUR 619.2 million, as presented in the Table 1.⁴ This is the latest available data with regards to the allocation for IPA I, which represents an increase compared to the initial planned allocations of EUR 615.2 million for the Republic of Macedonia. The difference is due to the changes in operational (annual) planning, as the allocations are preliminary and could be changed

³ Ibidem

⁴ Multi-Annual Indicative Financial Framework, 2012-2013, European Commission, Brussels, p. 6

with regards to the needs of the beneficiary country and/or priorities of EU policy in a specific field.

Table 1: IPA 2007-2013 allocations to the Republic of Macedonia (EUR millions)

IPA Components	2007	2008	2009	2010	2011	2012	2013	2007-2013
Component I	41,7	41,1	39,3	36,9	28,8	27,2	27,9	242,9
Component II	4,2	4,1	4,4	4,5	5,1	5,0	5,2	32,5
Component III	7,4	12,3	20,8	29,4	39,3	41,0	51,8	202,0
Component IV	3,2	6,0	7,1	8,4	8,8	10,4	11,2	55,1
Component V	2,1	6,7	10,2	12,5	16,0	18,2	21,0	86,7
Total	58,6	70,2	81,8	91,7	98,0	101,8	117,1	619,2

Source: Instrument for pre-accession assistance (IPA) revised multi-annual indicative financial framework for 2012-2013, European Commission, Brussels, 12.10.2011, p. 6.

As evident from the Table 1, the assistance increases over the years (on annual basis), provided that absorption capacity of the country will increase. The allocation of IPA I Funds in the Republic of Macedonia has been set out in two documents: Multi-Annual Indicative Financial Framework (MIFF) and Multi-annual Indicative Planning Document (MIPD). MIFF is a framework document stipulating financial allocation of the IPA Funds to beneficiary countries for the period of three years. The current MIFF refers to the period 2012-2013 (revised version of the MIFF 2011-2013).⁵ In addition, MIPD is a planning document referring to individual country, aiming to set out the EU's priorities for assistance in a three year period. The current (fourth) MIPD for the Republic of Macedonia refers to the programming period 2011-2013.⁶ In addition, there have been Operational Programmes for Components III, IV and V, outlining the specific allocations for the respective components.

The above mentioned documents refer to the period up to 2013, which is the latest year of IPA I programming, while implementation spreads to longer time horizon. In this context, contracting of the approved projects under IPA 2011 in the Republic of Macedonia has been completed in November 2015, implying that the implementation of the IPA I would last much longer compared to programming period (at least to 2020).

⁵ <http://www.sep.gov.mk/data/file/Pred%20Pristapna%20podrska/IPA/MIFF/MIFF%202012-2013.pdf>

⁶ <http://www.sep.gov.mk/data/file/Pred%20Pristapna%20podrska/IPA/MIPD%20nacionalen/MIPD%202011-2013.pdf>

Although IPA I has been structured into Components I-V, MIPD 2011-2013 has introduced programming of the assistance through targeted sectors. As stated in the document, a sector approach should facilitate cooperation among donors and beneficiaries, where possible under the lead of the national authorities, eliminating duplication of efforts and leading to greater efficiency and effectiveness.⁷ This new approach of MIPD served as a preparation for the sector based approach under IPA II, which would be further elaborated below.

The following priorities for IPA support covered by MIPD 2011-2013 in the Republic of Macedonia have been identified:⁸

- Support the economic and social development of the country;
- Improve good governance and reduce corruption and
- Ensure non-discrimination and respect of human rights.

To achieve the priorities selected for support in the programming period 2011-2013, the Commission decided to focus its assistance primarily on the following sectors:⁹

- Public administration
- Justice, home affairs and fundamental rights
- Private sector development
- Agriculture and rural development
- Transport
- Environment and climate change
- Social development

⁷ Multi-annual Indicative Planning Document , p.3

⁸ Ibidem

⁹ Ibidem

The planned allocation of IPA support per sector and per year is presented in Table 2.

Table 2. Indicative Financial Allocation per Sector (EUR millions)				
Sectors	Period 2007 – 2010		Period 2011 – 2013	
Public Administration Reform	28.00	9.9%	21.33	7 %
Justice, Home Affairs and Fundamental Rights	44.00	15.6%	24.38	8 %
Private sector development	45.50	16.2%	45.71	15%
Agriculture and rural development	46.40	16.5%	67.04	22 %
Transport	52.50	18.6%	60.95	20%
Environment and climate change	28.30	10.0%	54.85	18%
Social development	37.30	13.2%	30.47	10%
TOTAL	282.00	100%	304.76	100%

* Total without allocations for IPA Component II, Cross-border cooperation

Source: Multi-annual Indicative Planning Document for the Republic of Macedonia 2011-2013, p.12

These sectors represent different classification of IPA I, as they have already been included in the Components (explicitly or indirectly). For instance, Transport and Environment have been part of Component III (Regional Development), Agriculture and Rural Development refer to Component V (Rural Development), Public Administration Reform and Justice, Home Affairs and Fundamental Rights have been largely incorporated into the Component I (Transition Assistance and Institutional Building), etc. As noted in the Table 2, significant amount of finances for the period 2010-2013 has been allocated to the Transport, Environment and Climate Change (38%), which corresponds to the structure of allocations in the Table 1, where Component III (Regional Development) absorbs over 1/3 of the finances. Some of the sectors (Table 2) spread out into two or three components of IPA I, which does not particularly affects IPA I implementation per components, but is expected to provide better insight into the effectiveness of the IPA use. However, data of IPA implementation per sectors is still not available. As mentioned above, the contracting period for the projects approved under IPA 2011 has been closed by the end of 2015, implying that implementation data per sectors could be available no earlier than in 2016. In this context, the data about implementation of the IPA I would be analysed per Components.

The available data for use of IPA I, released by the Secretariat for European Affairs within the Government of the Republic of Macedonia and EU Delegation in the Republic of Macedonia, have shown that by the end of 2013, a total of 37.3 percent of the EU Instrument for Pre-accession Assistance (IPA) funds allocated to Macedonia for 2007-2013 have been used.¹⁰ It should be stressed out that this indicator refer to contracted projects up until 2009, as well as use of some of the assistance for the period 2010-2013. This implies that further increase of the IPA I spending should be expected in the upcoming years.

¹⁰ <http://www.sep.gov.mk/en/content/?id=361#.VITOSIJ0w5s>

Table 3: Status of implementation of IPA financial assistance at 31st December 2013 (EUR millions and percentage)

IPA Components	Allocated 2007-2013	Contracted	Paid	Percentage contracted	Percentage paid
Component I	248,2	134,9	94,9	54,3	38,3
Component II	19,9*	10,6	7,4	53,4	37,0
Component III	199,3	/	50,6	/	25,3
Component IV	54,4	12,9	18,8	23,7	33,2
Component V	85,7	/	2,4	/	4,0

* Data for Component II (CBC) refer only to the part allocated to the Republic of Macedonia. In addition, the Republic of Macedonia participates into the CBC Programmes with Bulgaria and Greece and has share in these allocations, too, which explains the data differences in the Table 1 and 4.

Source: 2013 Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS, Turkey Pre-Accession Instrument, Transition Facility), European Commission, COM (2014) 610, p. 15-19

With regards to the data, it should be noted out that there is lack of systematized data related to absorption of IPA Assistance in the Republic of Macedonia. The desk research undertaken for the purpose of elaboration of this study has shown that European Commission's Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS, Turkey Pre-Accession Instrument, Transition Facility)¹¹ provides data about the status of implementation of IPA Financial Assistance, although the data per Components has not always been provided in a fully comparable manner. This particularly refers to Components II, Component III and Component V. The latest available data as of December 2013 has been presented in the Table 3.

In addition to the EC Report mentioned above, there has been a study "Analysis of the use of IPA Funds" by European Policy Institute – Skopje, issued in December 2013, which represents an effort for compiling available data by different sources on IPA Funds in Macedonia. The data as of this study are presented in Table 4.

¹¹ http://ec.europa.eu/enlargement/pdf/financial_assistance/ipa/2014/2013-ipa-report.pdf

IPA Components	Allocated 2007-2013	Contracted	Paid	Percentage contracted	Percentage paid
Component I	244,1	91,9	63,4	38	26
Component II	30,3	17,2	7,5	57	25
Component III	200,4	55,8	2,8	28	1
Component IV	54,4	12,9	10,5	24	19
Component V	85,6	5,7	5,6	7	7

Source: Analysis of the use of IPA Funds, European Policy Institute – Skopje, 2014, p.6

As evident from the Tables 3 and 4, there are significant discrepancies of data with regards to certain elements, in particular amounts of paid funds. This might refer to use of different methodologies by both sources, but also confirms the lack of systematized, available and reliable data for absorption of the IPA assistance, which is an issue that should be addressed by EC and national authorities.

Regardless of the differences in the presented data above, it is clear that absorption capacity in all Components should be increased. Particularly low level of absorption has been noted in the Component V. This situation led to reallocation of EUR 18 million from Component V to Component I from IPA 2009 (conducted in the course of 2013), in purpose of preserving the complete IPA I allocation for the country (otherwise, this amount of money would have been withdrawn by the European Commission). The main reason for low absorption could not be related to securing of co-financing by the Government, as co-financing for all Components has been ensured in a timely manner, but mostly to the problems in the implementation.

According to the assessment in the Country Programme Interim Evaluation of IPA 2007 Component I in the Republic of Macedonia: “Objectives in strategic programming documents are not clearly prioritized and supported by measurable impact indicators. Furthermore, the project selection process is not always supported by an objective mechanism to determine the most relevant and cost-effective project proposals”.¹²

Furthermore, the Programming for IPA I (2007-2013) has been marked with the longevity of the process, taking minimum of two years. Programming requires a portfolio of mature project concepts based on qualitative and detailed

¹² Multi-annual Indicative Planning Document for the Republic of Macedonia 2011-2013, p.7

input, which is a problem in certain sectors. The implementation of IPA also faces many challenges, as the period from concept to completion of projects lasts for approximately 5 years, with significant amount of time devoted to the process of approval of the project tendering documentation by national and EU structures. In this respect, shortcomings in the quality of the tendering documentation could be regarded as main reason for delays in the procedures. The issues related to quality of the project tendering documentation imply need for further capacity building of the public administration employees involved into the process of preparation of this documentation. In addition, measurement of the effectiveness of the use of IPA assistance derive from shortcomings in setting measurable impact indicators. The beneficiaries tend to measure project achievements in terms of outputs, not in terms of the results. The output indicators exist, although they differ in quality, while result indicators are rarely well-set, which implies difficulties in assessment of the IPA effectiveness. This also requires for increase of the capacity building of the IPA related institutions.

Most of the issues mentioned above are expected to be alleviated with introduction of the sector approach of IPA II. According to the European Commission: “This sector approach promotes structural reform that will help transform a given sector and bring it up to EU standards. It allows a move towards a more targeted assistance, ensuring efficiency, sustainability and focus on results. IPA II also allows for a more systematic use of sector budget support. Finally, it gives more weight to performance measurement: indicators agreed with the beneficiaries will help assess to what extent the expected results have been achieved.”¹³ These expectations are rather strong, although the sector-based approach has already been applied in **MIPD 2011-2013** in the Republic of Macedonia and most of the problems related to implementation of IPA I are likely to occur with regards to IPA II.

2. PROGRAMMING AND IMPLEMENTATION OF IPA II IN THE REPUBLIC OF MACEDONIA

The IPA II assistance allocated to the Republic of Macedonia for the period 2014-2020 amounts to EUR 664.2 million, as presented in the Table 5. The main strategic document setting priorities for IPA II (2014-2020) for the Republic of Macedonia is the Indicative Strategy Paper,¹⁴ adopted in August

¹³ http://ec.europa.eu/enlargement/instruments/overview/index_en.htm

¹⁴ http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-former-yugoslav-republic-of-macedonia.pdf

2014. The Strategy Paper sets out the priorities for EU financial assistance for the period 2014-2020 to support the Republic of Macedonia on its path to EU accession. According to Indicative Strategy Paper, the financial assistance under IPA II shall mainly be located into eight sectors:¹⁵

- 1) Democracy and governance
- 2) Rule of Law and fundamental rights
- 3) Environment
- 4) Transport
- 5) Competitiveness and innovation
- 6) Education, employment and social policies
- 7) Agriculture and rural development
- 8) Regional cooperation and territorial cooperation

IPA Components	2014	2015	2016	2017	2018-2020	Total 2014-2020
a. Reforms in preparation for Union membership	39.7	17.9	35.6	26.9	85.8	205.9
Democracy and governance	66.1				56.8	122.9
Rule of law and fundamental rights	54.0				29.0	83.0
b. Socio-economic and Regional development	41.0	38.7	38.0	46.0	135.1	298.8
Environment and Climate action				61.3	51.6	112.9
Transport				56.4	56.5	112.9
Competitiveness and innovation				46.0	27.0	73.0
c. Employment, social policies, education, promotion of gender equality, and human resources development	0.0	14.0	13.0	0.0	26.2	53.2
Education, employment and social policies				27.0	26.2	53.2
d. Agriculture and rural development	5.0	18.3	5.0	22.0	56.0	106.3
Agriculture and rural development				50.3	56.0	106.3
TOTAL	85.7	88.9	91.6	94.9	303.1	664.2

Source: http://ec.europa.eu/enlargement/instruments/funding-by-country/former-yugoslav-republic-of-macedonia/index_en.htm

¹⁵ Ibid.

As evident in the Table 5, seven out of eight sectors has been explicitly included into the IPA allocations 2014-2020, while Multi-Country Strategy Paper will address priorities for regional cooperation or territorial cooperation.¹⁶

The sectors included in the Table 5 largely coincide with the strategic focus of the Programme of the Government of the Republic of Macedonia (2014-2018), which sets out five strategic objectives:¹⁷

- 1) To increase economic growth and employment;
- 2) To integrate the country into the EU and NATO;
- 3) To fight corruption and crime and implement laws efficiently;
- 4) To maintain good inter-ethnic relations based on the principles of mutual tolerance and respect and implementation of the Ohrid Framework Agreement and
- 5) To invest in education, science and information technology for a knowledge-based society.

As evident, the selected sectors for IPA II greatly correspond to the priorities of the Government, reflecting the primary aim of IPA assistance to support accession of the country to the Union. It could be argued that such correspondence is really valuable, but it has to be stressed out that the country lacks National Development Plan or other development document which would outline development course of the country in a mid or long time frame.

As noted above, the sector approach for IPA II has been designed in purpose of prevailing weaknesses of the implementation of IPA I through components, given the low absorption rate, as presented in Tables 3 and 4. As indicated above, the Republic of Macedonia has partially started with sector oriented planning under MIDP 2011-2013. Most of the sectors noted in Table 5 have already been included in MIPD 2011-2013, indicating that Programming under IPA II would not be much different compared to the Programming under IPA I.

However, full implementation of the sector approach should be applied. In this context, the implementation of sector based approach for IPA II is related to several criteria that country must fulfil. The following three criteria are considered to be essential and must be in place before adopting a sector approach in a particular country: ¹⁸

¹⁶ http://ec.europa.eu/enlargement/instruments/overview/index_en.htm

¹⁷ Programme of the Government of the Republic of Macedonia 2014-2018(www.vlada.mk)

¹⁸ Indicative Strategy Paper for the Republic of Macedonia 2014-2020, p.6

1. The existence of a national sector policy and strategy and a sector budget or a commitment by government to either elaborate or refine these;
2. An institution/ Ministry responsible for the sector/subsector and
3. The existence of a functional sector and donor coordination framework or a commitment by government that steps will be taken towards its development.

With regards to IPA II sectors mentioned above, important sector strategies and respective institution(s) responsible for each sector already exists. The major issue related to these Strategies arises from their timeframe, which, in many instances, does not cover period up to 2020 (period for IPA II programming). Additional issue is related to the Action Plan(s) of the Strategies, as some of the Strategies lack action plans, while other Strategies have Action Plans which do not fully comply to the principles of detailed planning in terms of timing, budget allocation, expected results and performance indicators. This might negatively reflect programming of IPA II, as the priorities could not be directly derived from specific sector documents. As noted above, one of the main criticism of the European Commission has been related to lack of clear and well-defined priorities in the national strategic documents, which should serve as a base for IPA Programming documents. In this perspective, national strategic planning in certain sectors should be strengthened.

Furthermore, as part of the IPA II sector-based approach in programming, each country would need to implement a comprehensive and sound reform of its public financial management system and prepare a multi-annual public financial management reform strategy and an action plan (a public financial management reform programme). Currently, Republic of Macedonia is applying annual (one-year) budget planning. The shift towards multi-annual financial planning would be rather demanding in terms of capacities and coordination among the Ministries cooperating within the frame of the same sector. In addition, the sector approach under IPA II has been related to implementation of sector budget support. According to the European Commission: "Sector Budget Support is the transfer of financial resources from an external financing agency to the National Treasury of a partner country in support of a sector programme, following the respect by the latter of agreed conditions for payment. The financial resources thus received

are part of the global resources of the partner country, and are consequently used in accordance with the public financial management system of the partner country”.¹⁹ This implies close cooperation of the country with European Union in public finances management at national level, which would be likely to be challenging for the Republic of Macedonia, as it requires prompt multi-annual public financial management reform.

Additional aspect considered relevant for the increase of the effectiveness of IPA assistance is coordination with other donors. According to the data from the Secretariat for European Affairs of the Republic of Macedonia, the bilateral assistance programmes provided from EU Member States include France, Germany, Italy, the Netherlands and the United Kingdom. Other large bilateral donors include Switzerland and the United States. Multilateral donors include the Council of Europe, the Organization for Security and Co-operation in Europe (OSCE) and the United Nations. The main lenders are the Council of Europe Development Bank (CEB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the International Monetary Fund (IMF) and the World Bank (WB).²⁰ The donor assistance to the country has significantly decreased over the last years, but there is still need for coordination of the assistance. The Republic of Macedonia applies Programme Based Approach in five programme areas (Business Environment, Human Capital, Agriculture, Environment, and Good Governance) with regards to donor coordination, which could serve as basis for coordination related to programming under IPA II. Nevertheless, it could be argued that the donor coordination is less demanding criteria compared to the previous two – strategic planning and public management reform.

Based on the findings, it could be summarised that programming under sector approach under IPA II would not differ essentially compared to the programming of IPA I for the period 2011-2013. However, the sector approach is expected to give more weight to performance management, through well-set indicators. This is important for improvement of the Programming, as well as measurement of effectiveness of the assistance. In this respect, the duration of the IPA programming process might be decreased, given that well-set priorities and sound measurement system

¹⁹ Programming Guide for Strategy Papers, European Commission, 2008, p.1 https://ec.europa.eu/europeaid/sites/devco/files/programming-guide-strategy-papers-sector-budget-support-200811_en_2.pdf

²⁰ <http://www.sep.gov.mk/en/content/?id=261#.VHe-pFJ0w5s>

would lead to better and faster definition of priorities. In purpose of achieving sound results in this field, substantial capacity building of the IPA Operational Structure in the country is needed. That has been an issue of IPA I, too. Sector approach under IPA II entails opportunity for improvement of the efficiency and effectiveness of the process of Programming through improvement of the national strategic planning.

In addition, the genuine challenges with regards to implementation of IPA II largely derive from the identified problems in the implementation of IPA I. In this respect, revision of the documentation and IPA procedures should be undertaken in purpose of optimal use of the capacities. Also, there are some additional challenges, such a shift towards multi annual budgeting, as well as issue of sector budget support, which would be rather demanding for the country. However, it could be argued that solving of majority of the issues related to IPA I would provide more efficient and effective implementation of IPA II.

Conclusion

The EU Instrument for pre-accession assistance (IPA) has been an important instrument for the Western Balkans, providing substantial amount of finances to the countries. The Republic of Macedonia has been entitled to allocation of EUR 619.2m in the IPA I (2007-2013) and EUR 664.2m in IPA II (2014-2020). The use of the financial support has been related to certain criteria, as well as certain procedures defined by the European Union, implying relatively good level of absorption capacity of the country. In this context, the use of the IPA I (due to the available data in 2013) has been assessed as not sufficient, implying the need for increase of the absorption capacity of the respective institutions, as well as addressing other problems detected in the implementation of IPA I.

IPA I has been structured into five Components, but the programming of the IPA I in the Republic of Macedonia for the period 2011-2013 has been done per sectors, which represented announcement of the sector approach under IPA II. The Programming for IPA I (2007-2013) has been marked with the longevity of the process, taking minimum of two years, with weaknesses noted into setting of clear and well-defined priorities into the national

strategic documents. Furthermore, the implementation of IPA also faces many challenges, with significant amount of time devoted to the process of approval of the project tendering documentation by national and EU structures. In this respect, shortcomings in the quality of the tendering documentation could be regarded as main reason for delays in the procedures. This is closely related to the capacity of the relevant institutions. In addition, the system of performance measurement of IPA I has been rather weak, due to the shortcomings in setting measurable impact indicators.

Most of the issues related to IPA I were expected to be prevailed with the sector approach of IPA II. However, this approach is not completely new for the Republic of Macedonia, as sector oriented planning has been applied for IPA I (2011-2013). In this context, programming under sector approach under IPA II would not differ essentially compared to the programming of IPA I for the period 2011-2013. However, the sector approach is expected to give more weight to performance management, through well-set indicators. This is important for improvement of the Programming, as well as measurement of effectiveness of the assistance. In this respect, the duration of the IPA programming process might be decreased, given that well-set priorities and sound measurement system would led to better and faster definition of priorities.

The full implementation of the sector approach under IPA II is related to three criteria, such as existence of relevant strategic documents per sectors and sector budgets, relevant institutions and functional sector and donor coordination. Within the first criteria, each country would need to undertake a multi-annual public financial management reform, which is expected to be the most challenging issue for the Republic of Macedonia. Other criteria seems not to be so critical, while proper strategic planning and ensuring respective budgets needs to be ensured. In purpose of achieving sound results in this field, substantial capacity building of the IPA Operational Structure in the country is needed. In this context, it could be noted that solving majority of the issues related to IPA I would provide more efficient and effective implementation of IPA II, along with addressing the new challenges related to mid-term public financial management.

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