

Ministry of International Economic Relations

IPA 2007 PROGRAMMING REPORT

January 2007

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Introduction

Pursuant to the Law on Ministries ("Official Gazette of the Republic of Serbia", No. 19/04, 84/04 and 79/05) the Ministry of International Economic Relations of the Republic of Serbia is responsible for coordination of activities in the field of planning, programming, provision and use of donations and other forms of development assistance from abroad that are carried out within the Development Assistance Coordination Unit (DACU).

The European Commission adopted a new financial framework for 2006-2013 period, by which a new financial instrument is established for candidate countries (FYR Macedonia, Croatia and Turkey) and potential candidates (Albania, Bosnia and Herzegovina, Montenegro and Serbia). The legal basis of the Instrument for Pre-accession Assistance (IPA) was established by the European Union Council Regulations (European Council Regulation No. 1085/2006) adopted on July 17, 2006. The Directive sets forth basic provisions of IPA implementation. Pursuant to the Directive, the financial value of IPA for the six-year period amounts to € 11.468 billion. Financial projections within the Multi-annual Indicative Financial Framework, envisage € 186.7 million at the disposal of the Republic of Serbia for the National IPA Programme for 2007, € 190.9 million for 2008, and € 194.8 million for 2009. Assistance provided through IPA to candidate countries, as well as to potential candidates, should provide support in efforts to strengthen democratic institutions and rule of law of such countries, as well as European integration, public administration reform, economic reform, increase of employment, respect of human and minority rights, promotion of gender equality, strengthening of civil society, development of regional cooperation, achievement of sustainable development and poverty reduction. Comparing the amounts of allocated resources, this is the highest amount allocated among the Western Balkans countries; this means that public authorities and institutions of the Republic of Serbia will have to prepare and implement the biggest number of programmes and projects.

During the period 2000-2006 the Republic of Serbia has been supported by the EU from CARDS programmes (*Community Assistance for Reconstruction, Development and Stabilization*). Funds from CARDS programme have been rather intended for reconstruction and elimination of effects of conflicts between the Western Balkans countries. Funds from this assistance programme in the Republic of Serbia, amounting to € 1.2 billion, were implemented by a specialized institution of the European Union, the European Agency for Reconstruction (EAR), founded by European Parliament's decision with time-limited life. Upon EC proposal and having assessed development responsibilities and reliability of institutions in the beneficiary country, the European Parliament has made a decision that EAR would cease to exist on December 31, 2008, while responsibility to manage the pre-accession instrument would be transferred to the EC Delegation. In order to transfer responsibilities related to programming and implementation of IPA from the European Commission Delegation to the European Agency for Reconstruction in an efficient and fast manner, and to take over the leading role in the process of IPA programming, the Ministry for International Economic Relations (MIER), in cooperation with the Serbian European Integration Office (SEIO),

prepared instructions on how to prepare programmes and projects, and initiated the process of programming IPA for 2007 on March 1, 2006.

IPA 2007 programming report describes basic characteristics of IPA planning and programming process during 2006. This document identifies advantages and weaknesses of the process of IPA 2007 programming, as well as recommendations for the following period in order to implement measures for improvement of the programming process, development and strengthening of capacities in line ministries, define roles and responsibilities in the programming process, improve capacities and contribute to a more efficient use of EU pre-accession funds.

The process of IPA 2007 programming has helped increase the awareness in line ministries and other institutions about the importance of a long-term strategic planning for a more efficient use of EU funds, improvement of programme and planned coordination between institutions, as well as about reaching agreement on the need to introduce new institutions and to train employees constantly so as to make them capable of following requirements of the European integration and corresponding EU regulations.

The process of IPA 2007 programming is the first step in assuming responsibility and taking over activities previously performed by the EAR, and has clearly shown the necessity of urgent building of public administration capacities in the Republic of Serbia with the aim to take over the functions of funds management. In relation to this, it is necessary to change legislation framework, establish new institutions, provide their functionality and employ sufficient number of trained personnel.

Specific recommendations about further development and facilitation of the process of programming in the upcoming years have also been given. The process of IPA 2007 programming is the first step towards creating conditions for the public authorities to take over the leading role and assume responsibility for the process of programming EU funds, and is also a confirmation of the key role of relevant ministries in this process. In this respect, the Government has adopted decision that the Ministry for International Economic Relations, i.e. the Development Assistance Coordination Unit, shall act as the National IPA Coordinator (NIPAC).

1. Basic characteristics of IPA

In order to simplify the way of planning and managing its budgetary funds, the European Commission has decided to replace all pre-accession funds used until 2006 (Phare, ISPA, SAPARD, CARDS and Turkey pre-accession assistance) with a new Instrument for Pre-accession Assistance (IPA). The main purpose of establishing IPA was to have candidate and potential candidate countries use unique and more simplified financial rules that would enable faster cohesion and integration. IPA consists of five basic components¹:

1. Transition Assistance and Institution building

¹ The indicated components are used to finance corresponding programmes/projects

2. Regional and cross-border cooperation
3. Regional development
4. Human resources development
5. Rural development.

The components 1 and 2 are earmarked for potential candidate countries, whilst components 1 to 5 for candidate countries.

The Republic of Serbia, as well as other countries that are potential candidates for the EU membership, shall be enabled to use resources for financing priorities, i.e. programmes/projects from the first two components. It is also possible to use resources of the first component to finance programmes/projects from the components three, four and five. The reason for such allocation is the difference in position in relation to the EU membership, as well as the inexistence of appropriate regulations, institutions and trained public servants to manage all the components in compliance with the EU regulations, which are established through a Decentralized Implementation System (DIS).

The first IPA component shall assist beneficiary countries to meet political and economic requirements to acquire EU membership, and to implement requirements of the Stabilisation and Association Agreement. The second component shall support cross-border activities between beneficiary countries and EU member states. It shall also support participation of beneficiary countries in transitional and interregional programmes with member states and third countries.

The Multi-annual Indicative Financial Framework (MIFF) has been defined by the European Commission and shows indicative allocation of IPA funds by beneficiary countries and by components. The Multi-annual Indicative Financial Framework covers a three-year period and explains criteria for resource allocation, depending on needs, absorption and management capacity of the beneficiary country.

The Multi-annual Indicative Planning Document (MIPD) is prepared for each IPA beneficiary country separately and defines priorities by individual areas, as well as financial resources for implementation of set priorities during three budgetary years. The Multi-annual Indicative Planning Document covers the period from 2007 to 2009 and is revised on annual basis.

Measures to implement set priorities in the indicated documents are defined through the National IPA Programme² and through project fiches prepared during the programming process.

2. Principles and base of EU Funds programming

The cycle of EU funds management consists of six different phases: Programming, Identification, Appraisal, Financing, Implementation and Evaluation.

² National IPA Programme consists of a final and adopted list of projects proposed for financing

Programming is a process of establishing priority programmes/projects financed from EU funds (IPA). IPA Programming covers setting out of priorities on the basis of three complementary basic strategic documents:

- **Country Strategy Paper** presents the Commission's overall enlargement policy for the candidate countries and the potential candidate countries in a single, annually published document. For each country, the strategy paper takes up progress made, the accession and pre-accession strategy, and support to reforms such as EU assistance and financial instruments.
- **European Partnership** lists short- (12-24 months) and mid-term (3-4 years) priorities for the preparations for further integration in the EU. This mechanism shall exclusively determine relations between the EU and our country until the Stabilization and Association Agreement has been signed. It is important to mention that all the priorities identified through the process of EU funds programming must correspond to the priorities of the European Partnership.
- **Multi-annual Indicative Planning Document** is prepared in the consulting process with relevant institutions of the Government of the beneficiary country. Priorities are defined in this paper by individual areas, together with financial resources for implementation of set priorities during three budgetary years. Multi-annual Indicative Planning Document identifies priorities of the European Union within the European Partnership priorities established for the Republic of Serbia, main intervention areas, and financial resources for their implementation.

The above mentioned documents define necessary goals, expected results, preconditions and financial allocation of resources by sectors/areas of assistance. In line with the indicated documents and on the basis of project fiches the annual national IPA programme is developed.

Along with indicated documents prepared by the EC, the National IPA Programme has to conform to national strategic documents, such as the National Strategy for Serbia's EU Accession, Needs Assessment of the Republic of Serbia for International Assistance for the Period 2007-2009, Public Administration Reform Strategy, Poverty Reduction Strategy, etc.

Programming of EU funds is based on a clearly defined calendar and deadlines for certain activities, defined roles and responsibilities and description of activities during programming between all relevant stakeholders.

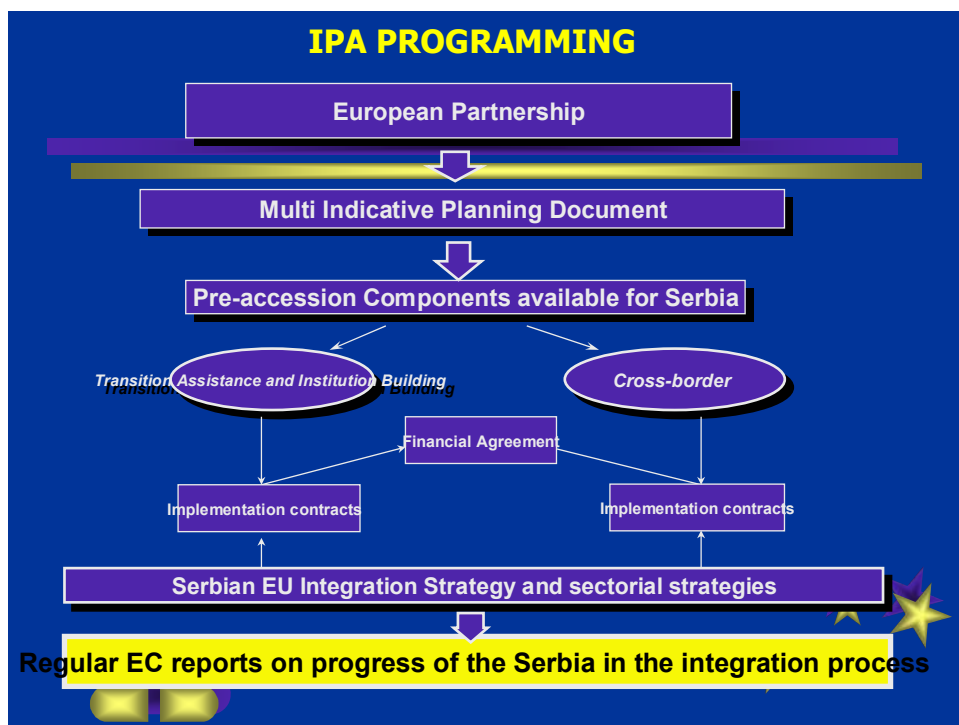
The role of **NIPAC** is to initiate the programming process of the annual National IPA Programme, prepare instructions on the programming process and prepare programme documents, deliver them to line ministries and train the ministries in implementation of such programmes, organize coordination meetings between ministries, conduct consultations with ministries and other interested parties, provide support to line ministries with the aim to develop and modify project proposals that integrate priorities defined in the national strategy documents with the priorities of the

European Partnership, assess project proposals, prioritize project proposals, submit prepared project proposals to the EC Delegation and the EAR, organize preliminary consultations of line ministries with EC Delegation and EAR representatives.

Development of the National IPA Programme is based on development, evaluation and presentation of project fiches. Prepared project fiches are result from a joint work of NIPAC and line ministries. Line ministries submit project fiches to NIPAC, first as draft projects, and later on as a proposal of the project fiches. NIPAC then evaluates compliance of the proposed project fiches with the guidance for their development and provides support to the line ministries in their modification. NIPAC also performs evaluation of the proposed project fiches in terms of priorities set out in the basic programming documents. Appropriate structures, managed by NIPAC, prioritize proposed project fiches on the basis of clearly defined evaluation grids. Prepared project fiches are then submitted and presented to EC Delegation and EAR by NIPAC. EC Delegation and EAR participate in all these steps together with NIPAC and line ministries, so that the proposed project fiches would present EU interests defined in programming documents. Bearing in mind the fact that a centralized deconcentrated system of EU funds management is applied in the Republic of Serbia, the final decision on the National IPA Programme shall be made by EC Delegation and EC.

A legal basis for starting implementation of proposed project fiches set forth by the National IPA Programme, as well as for starting the process of concluding individual contracts on project implementation, is provided by signing a Financial Agreement between the Government of the Republic of Serbia and the European Commission. Project implementation is performed in conformity with EU financial rules (Practical Guide to contract procedures for EC external actions – PRAG).

Table 1: IPA Programming



3. Review of activities conducted in the process of IPA 2007 programming

3.1 Phases of IPA 2007 programming

Programming of EU funds is a long-lasting process requiring inter-ministerial consultations, coordination between institutions and appropriate capacities of the public administration.

Based on all activities carried out with the aim to develop final versions of project fiches and the National IPA 2007 Programme, the programming process may be divided into several phases, namely:

- **Inter-ministerial consultations** on definition of priorities (consultations between representatives of MIER, SEIO and the Ministry of Finance with representatives of line ministries regarding definition of priorities for financing from IPA, training of line ministries in preparing programmes and familiarization with IPA rules)
- **Development of project fiches** (by direct budget beneficiaries, indirect budget beneficiaries and nongovernmental organizations with written support of the relevant ministry)
- **Modification of project fiches and coordination of institutions** (with the assistance from MIER and SEIO representatives)

- **Submission of prepared project fiches and preliminary consultations with representatives of the EC Delegation and EAR** (consulting meetings between EC Delegation and EAR on one side, and representatives of line ministries, MIER and SEIO on the other)
- **Organization of training and technical assistance** (using resources provided by DFID and SIDA Joint support to MIER, MIER has organized training and technical assistance through practical work for line ministries and other stakeholders)
- **Development of project fiches for priorities not included in project fiches submitted by line ministries** (the base to determine new priorities can be found in programming documents and the terms for their implementation set in the Action Plan for implementation European Partnership priorities).

3.2 Expected phases during 2007

- Comments on proposed project fiches made by EC Delegation and EAR
- Consultations with representatives of EC Delegation and EAR (NIPAC and line ministries)
- Development of project fiches and adoption of the National IPA Programme for 2007 (EAR and EC Delegation in cooperation with NIPAC and line ministries)

3.3 Proposed project fiches for IPA 2007

Taking into account that during 2007 final phases of IPA 2007 programming shall take place, it is possible for the moment to give only basic information about proposed project fiches.

The total number of prepared project fiches submitted and presented to EC Delegation and EAR amounts to 46. It is important to point out the fact that having proposed project fiches been analyzed, it was observed that in certain cases it was possible to prepare several project fiches from one proposed project fiche. The total value of proposed project fiches amounts to €240.87 million. However, taking into account lack of experience in budget defining, and the fact that some project fiches do not contain budget, the aforementioned amount is only approximate. Additional project fiches that should be developed within IPA 2007 programming were identified by MIER and SEIO in accordance with the priorities of the European Partnership and national strategic documents. At the beginning of November 2006 MIER officially forwarded proposed project fiches to the EAR for comments. The official comments by EAR on proposed projects are expected at the beginning of February.

4. Advantages in the process of IPA 2007 programming

In order to take over the leading role by national institutions in programming EU funds and establishing priorities to be carried out, it is essential to coordinate work and programme of line ministries and related bodies, as well as of other institutions.

Development of consultative method of work and coordination and linking several projects into programme represent the biggest step in improving EU funds programming.

Appointment of the Ministry of International Economic Relations as the National IPA Coordinator has facilitated that the process of cooperation between line ministries becomes much more improved, constant and directed. The main positive results in the process of IPA 2007 programming are:

- Development of the Guidance for preparation of project fiches by MIER and SEIO
- MIER cooperation with SEIO and the Ministry of Finance (in the first phase) in the programming process
- Inter-ministerial consultations and coordination meetings with the aim to coordinate project fiches of several institutions
- Efficient contribution of the Government and MIER and their cooperation between with the European Commission in the process of developing the Multi-annual Indicative Planning Document for the period 2007-2009
- Design of the Needs Assessment of the Republic of Serbia for the International Assistance for the period 2007-2009
- Appointment of the National IPA Coordinator by the Government
- Adoption of the Information on necessity to introduce DIS and establishment of a working group to manage this process

4.1 Development of the Guidance for preparation of project fiches by MIER and SEIO

MIER, in cooperation with SEIO, has prepared a Guidance to design project fiches aimed at successful programming. This document provides clear instructions to line ministries on how to prepare a project fiches in line with EU criteria (on the basis of the Project Fiche from 2005) and how to identify priorities in accordance with the priorities of the European Partnership and link them with implementation of national strategies in their area of competence. At the same time, the process of preparation and training of personnel of line ministries and other institutions has been initiated with this document. One of the key goals of the Guidance is to increase efficiency of foreign assistance in performance of Government's priorities set out in strategic documents, including the National Strategy of Serbia's EU Accession, Poverty Reduction Strategy, Public Administration Reform Strategy, and other strategies of line ministries.

4.2 MIER cooperation with SEIO and the Ministry of Finance (in the first phase) in the programming process

Pursuant to the Article 12 of the Law on Ministries ("Official Gazette of the Republic of Serbia" No. 19/04, 84/04 and 79/05) MIER is responsible, among other, for conducting coordination activities in the field of planning, programming, provision and use of donations and other forms of international funds, including EU funds. As programming and prioritization are directly related to implementation of the process of stabilisation and

association, the programming process has been implemented in cooperation with SEIO. Bearing in mind that national budget resources (co-financing) also need to support implementation of reforms financed from IPA, representatives of the Ministry of Finance were also involved in the first phase of the programming process.

Representatives of MIER and SEIO jointly provided technical assistance to the line ministries in determining priorities that are in line with the European Partnership and the Action Plan for Implementation of the European Partnership Priorities and national strategic documents. In some cases draft project fiches were changed due to additional consultations within the line ministry, and with stakeholders, and according to the suggestions made by representatives of MIER and SEIO.

4.3 Inter-ministerial consultation and coordinating meetings with the aim to coordinate project fiches of several institutions

Taking into account that project fiches is required to include activities that will make contribution to the implementation of priorities related to several institutions coordination of institutions and stakeholders is of the utmost importance. All stakeholders having any interest in the work of project proposer's institution, whether using its services, participating in its work or directly or indirectly cooperating with the institution, needed to be involved in setting priorities of one area. Representatives of MIER and SEIO, therefore, organized consulting inter-ministerial meetings with relevant stakeholders.

In the period from 1st March 2006 to the date of report submission meetings were held within line ministries and between line ministries' representatives and other institutions important for EU funds programming (Standing Conference of Towns and Municipalities, SIEPA, National Employment Service, University of Belgrade, the Faculty of Economics, The Association of Accountants and Auditors of Serbia, National Assembly of the Republic of Serbia, Commissariat for Refugees of the Republic of Serbia, Intellectual Property Office, Human and Minority Rights Office, Institution for Standardization, Regional Agencies for Economic Development, Statistical Office, Republic Development Bureau, Chambers of Commerce, Agency for SME, City Government of Belgrade, etc.).

4.4 Efficient contribution of the Government and MIER and their cooperation with the European Commission in the process of designing Multi-annual Indicative Planning Document for the period 2007-2009

EC have adopted a new budgetary framework for the period 2007-2013. The manner and purpose of using budget resources of the European Commission designed for potential candidate and candidate countries are set forth in detail in the Multi-annual Indicative Planning Document for the period 2007-2009.

The Multi-annual Indicative Planning Document for the Republic of Serbia has been prepared in consultations with relevant Government institutions, with MIER acting as NIPAC.

Consultation meetings between national institutions regarding IPA were organized by MIER, in cooperation with the EU Integration Office of Serbia and Montenegro and SEIO, in May 2006. Also in May 2006 EC Mission held consultations with representative of institutions of the Republic of Serbia regarding IPA, development of the Multi-annual Indicative Planning Document, roles and tasks of the Republic of Serbia in the following period in terms of introducing DIS and strengthening line ministries pursuant to European integrations requirements.

Based on strategic documents of the Government, identified priorities in the process of IPA 2007 programming, consultations with line ministries and EAR in order to avoid overlapping with CARDS activities, MIER submitted a list of priorities to the EC in June 2006, as a contribution to the development of the first draft of the Multi-annual Indicative Planning Document.

Having produced the first draft of the Multi-annual Indicative Planning Document, which was submitted to MIER, consultations with line ministries were held in order to prepare and collect comments on the document and, at the same time, to integrate priorities defined in national strategic documents into the Multi-annual Indicative Planning Document. MIER integrated collected comments and included them into the Multi-annual Indicative Planning Document and forwarded to the EC representatives.

Alongside preparations of comments on the first draft of the Multi-annual Indicative Planning Document, representatives of the European Commission held, in cooperation with MIER and SEIO, consulting meetings in Belgrade with Government bodies and nongovernmental sector regarding the first draft of the Multi-annual Indicative Planning Document.

4.5 Design of the Needs Assessment of the Republic of Serbia for International Assistance for the period 2007-2009

MIER has initiated a development of inter-sectorial programme document “*Needs Assessment of the Republic of Serbia for International Assistance for the period 2007-2009*”, which will define prioritized activity programmes within the sectors, and inter-sectorial priorities, as the base for programming international funds, with the aim to improve efficiency of such assistance. The document is based on the existing strategic framework and defined mid-term goals, and shall establish an operational programme of priority activities and projects to implement those goals. The purpose of this document is to help reforms and Government’s strategic goals to be implemented by creating a three-year programme framework and providing necessary level and structure of the international assistance. The document defines priority goals and plans/programmes for achieving them by sectors, identifies inter-sectorial priorities for international support in the following three-year period and provides financial assessment of needed international assistance on annual basis taking into consideration macro-economic projections for the three-year period.

Work on the Needs Assessment of the Republic of Serbia for International Assistance for the period 2007-2009 was initiated in April 2006, and the document was adopted by the Government in January 2007.

The Commission for coordination and harmonization of international assistance, chaired by the Prime Minister, has adopted five key priorities, which are presented in the document, namely: economic development/employment/education; reform of the public administration; environmental protection; development of infrastructure and rural development. The document shall be revised every year with the aim to establish national strategic priorities, in order to contribute the design of the National Development Plan.

Since the document identifies inter-sectorial priorities and shall be revised on annual basis, as the Multi-annual Indicative Planning Document, this document shall become in the future one of the key pillars in the process of IPA programming.

4.6 Appointment of National IPA Coordinator

The Ministry for International Economic Relations was appointed by the Government as the National IPA Coordinator, thus fulfilling one of many preconditions for taking over the leading role in the process of managing EU funds. This has enabled MIER to take over appropriate activities to ensure efficient and as much as possible harmonized performance of coordination activities between ministries and other state authorities, with the aim to successfully develop the Multi-annual Indicative Planning Document and programming of the annual assistance package financed from IPA.

As NIPAC, the Ministry for International Economic Relations has organized coordination meetings between ministries, performed consultations with ministries, submitted necessary documents and information to the European Commission representatives and performed other activities aimed at successful development of the Multi-annual Indicative Planning Document. Cooperating with other relevant ministries, MIER has conducted appropriate actions to successfully integrate priorities defined in national strategic documents and include them in the Multi-annual Indicative Planning Document, National IPA Programme and project fiches.

4.7 Adoption of the Information on necessity to introduce DIS and establishment of a working group to manage this process

Transfer from centralized deconcentrated to decentralized implementation system represents gradual preparation of the Republic of Serbia to take over authority and responsibility in managing EU funds from the European Commission until Serbia's accession to EU. When taking over a part of responsibility in managing funds, the Republic of Serbia will have to establish domestic institutions, regulations and procedures in conformity with financial and other regulations of the European Union related to EU fund management and to apply them in practice. Introduction of DIS is extremely long and complex process and also a particular obligation of Serbian

Government in the process of EU integration. European Commission, on the other hand, shall provide all necessary assistance in realization of such a complex work.

Adoption of the Information enabled a working group to be established to manage the process of introduction of DIS. A working group composed of representatives of MIER, Ministry of Finance and SEIO was established in December 2006. It was founded to develop Strategy and Action Plan of DIS implementation, plan to build capacities of relevant institutions and make preparations to sign the Memorandum of Understanding the introduction of decentralized system of EU funds management, between the Republic of Serbia and the European Commission.

5. Weaknesses in the process of IPA 2007 programming

Programming of IPA 2007 has taken place under aggravating circumstances. Above all, the European Commission was very late in adopting relevant decisions and regulations³. Also, the EC failed to prepare transfer of responsibilities from the EAR to the EC Delegation in due time, as well as training for MIER and line ministries to accept new activities. Fulfilment of all required conditions for taking over the leading role in the process of programming and realization of EU assistance resources is additionally aggravated by inexistence/non-functioning of necessary institutions (Project Implementation Units, Central Financing and Contracting Unit, Supreme Auditing Institution, external budget revision, etc.), as well as by a small number of staff engaged in programming, insufficient knowledge of the process of programming and project fiche preparation and financial planning⁴, insufficient coordination of programming and planning in the ministries, frequent changes of employees performing these activities, etc. Having referendum been held in Montenegro and the State Union of Serbia and Montenegro seized to exist, the responsibilities of the State Union of Serbia and Montenegro were taken over by the Republic of Serbia. Two ministries (Ministry of Defence and Ministry of Foreign Affairs) were added to the Serbian Government, certain ministries took over additional responsibilities, while some institutions changed their names. The process of programming was made much more difficult by taking over of responsibilities, because new institutions needed to be involved in the programming with the same number of staff in MIER. Furthermore, institutions of the State Union and their employees did not go through all phases of programming and project development training. During a very short period of time the network for coordinating the process of programming had to be established in these institutions, and the institutions also had to be directed towards cooperation with MIER, as the NIPAC, instead of direct cooperation with EC institutions. The main deficiencies observed in programming IPA 2007 are the following:

³ The decision on establishing a new financial instrument IPA was made at the end of July 2006 instead of June 2005. General allocation of resources by individual countries was established at the end of 2006. Multi-annual Indicative Planning Document is expected to be adopted during February/March 2007. The decision on defining responsibilities between EAR and the Delegation was not made until December 2006.

⁴ The budget of the Republic of Serbia has not yet started to be prepared as a programme budget following the implementation of several projects within the same programme in one or more ministries.

- Inexistence of a clearly defined calendar, responsibilities and description of activities during the programming process
- Not institutionalized process of programming, and insufficient coordination, both within and between ministries/bodies
- Lack of line ministries' capacities in terms of programming EU funds and low quality of proposed projects
- Insufficient number of staff in DACU and SEIO, as well as inadequate training provided by EU
- Inexistence of a mechanism to evaluate project fiches
- Inexistence of regulations related to co-financing from the national budget
- Inexistence of the National Development Plan
- Late adoption of IPA regulations, implementation rules and the Multi-annual Indicative Planning Document by EC
- Uncoordinated taking over of responsibilities between EC Delegation and EAR regarding programming and implementation of IPA

5.1 Inexistence of a clearly defined calendar, responsibilities and description of activities during the programming process

*Successful programming requires establishment of a precise calendar of activities and description of activities that must be performed in due time and uniformly within a precisely determined period of time. Such calendar of activities for IPA 2007 programming was not developed for several reasons: the European Commission decided on IPA at midyear, although the process of planning was supposed to have started much earlier; informing of competent authorities of the Government of Serbia on expected steps and activities did not exist⁵, nor the role of some general directorates of EC was clear in the process of planning activities within individual IPA components regarding expected steps and activities⁶. Having in mind indicated deficiencies, deadlines were determined approximately on the basis of previous EU rules, and were often prolonged upon request of certain ministries, because such ministries were not able to meet even these faintly defined deadlines due to lack of experience, numerous current activities and lack of employees. Since there were no adequate legal documents to set forth obligatory character of programming, *line ministries did not meet informally set deadlines, overlooking the utmost importance to stick to set deadlines in general rules, because going behind schedule implies losing rights to use resources and transferring such resources to those beneficiaries whose projects are in the higher stage of preparedness.**

⁵ The European Commission did not proposed, at MIER's suggestion presented in a letter to the commissioner Rehn from September 2006, to introduce regular consultations on planning processes until mid-October 2006.

⁶ EC gave verbal information in mid-October that planning of individual IPA components would be governed by the principle of geographic division of responsibilities exclusively within the General Directorate for EU expansion issues.

5.2 Not institutionalized process of programming, and insufficient coordination both within and between ministries/bodies

Efficient programming and using IPA also requires establishment of permanent institutional structures. Institutionalization of EU funds programming means introduction of PIU in the line ministries with the sufficient number of employees so that these activities could be performed with success. Their task would be to organize and manage the process of strategic (multi-annual) programming, preparation of project fiches within the annual assistance programme, preparation of tender dossiers, implementation controls and project implementation evaluation. Activities and tasks of these units defined this way would make easier both determining of broader and narrower priorities and coordination within one and between several ministries. Regarding institutionalization, IPA 2007 programming has been conducted without prior determination of the institutionalized framework.

Lack of institutionalization of EU funds programming led to insufficient coordination within institutions themselves as well as between institutions. Lack of institutionalization also made mobilizing all relevant participants in the programming process more difficult. This lack also contributed to inadequate communication between MIER and SEIO on one side, and representatives of line ministries on the other, in developing project fiches, which, in some cases, led to a situation that representatives of these two institutions did not have counterparts for programming in line ministries.

In certain cases it was Project Implementation Units, which were founded in line ministries to implement projects financed by the donor, who prepared project fiches. However, Project Implementation Units are formed by each donor separately and exclusively for the period of project duration. When the project ends these units cease to work. This means that development of quality project fiches is possible only for a short period of time, i.e. while Project Implementation Units exist. Such practice can be overcome by creating PIUs within the ministries, providing adequate training of competent ministries' staff in preparation of plans and development of individual projects, as well as by employing sufficient number of people to conduct these extremely complex activities.

5.3 Lack of line ministries capacities and low quality of proposed projects

The Government Administration of the Republic of Serbia is facing combined effects of two main problems: weak capacity of institutions, including inexistence of some institutions required by financial regulations of the European Union, and lack of professional expertise for programming and managing EU funds.

Most of the line ministries do not have a sufficient number of staff to be dedicated exclusively to the process of programming; the programming process is usually one of their other daily activities. Insufficient number of public servants is followed by high

fluctuation and weak motivation of the employees due to low salaries. Such an organization of work results in the impossibility of line ministries' staff to respond to all imposed requirements of the programming process and to perform their daily work at the same time.

During IPA 2007 programming weaknesses of the public institutions were observed, together with their insufficient capability to define strategic plans and priority projects to be implemented during several years and to prepare projects pursuant to the requirements set in the Guidance for preparation of project fiches. In other words, there is no strategic framework with clearly defined goals for which achievement needed programmes/project/activities are defined and constantly updated. Projects are rather prepared ad hoc and without a plan as a response to invitation to gather project fiches, and in a very short period of time.

Due to insufficient number of employees and lack of capacities in certain cases, and taking into account requirements of Government's strategic documents and importance of realization of clearly defined tasks set to public institutions by the European Partnership, project fiches were prepared by representatives of MIER and SEIO. In such cases the project fiche was prepared, but without solving the problems of lack of staff, lack of capacities and insufficient ability of the public institutions to define strategic plans and priority projects. Another problem in these cases is the problem of "ownership" of the project fiche by line ministries.

All important activities within all sectors/line ministries have been so far covered by different forms of technical assistance financed by the international community. The forms of technical assistance vary and are provided by engaging experts to develop strategic documents, action plans, and analyses of state, design and implement laws, improve work of institutions and provide various seminars and trainings. However, so far *only few trainings and seminars have been dedicated to strategic planning, EU funds programming, project cycle management, designing of project fiches and tender dossiers for projects financed from EU funds*, resulting in lack of capacity and experience of the public administration in this field. Namely, these activities have been performed by EAR, pursuant to its authorities defined in the financial rules of CARDS programme.

In some cases, while presenting project proposals to representatives of the EC Delegation and the EAR, *weak argumentation of importance of the projects in relation to realization of reform goals and European integration was observed in line ministries*. Links of certain projects with other sector policies and general requirements for realization of joint EU policies were poorly reasoned. Requirements of the European Partnership, EC Report on the progress of the Republic of Serbia in the process of European integration and the National Strategy for Serbian Accession to EU failed to be linked. Disturbing fact is that some of the poorly presented projects were extremely important for the economic development and further process of EU integration.

In most cases recommendations from the Guidance were not followed in the first phases of programming. The biggest problem of the line ministries was to determine strategic

framework of the project proposal and define goals, expected results and activities. Bearing in mind inexistence of appropriate organizational structures in the line ministries, inexistence of institutional memory for many reasons, primarily huge fluctuation of personnel, and inexistence of the appropriate way to monitor project implementation, project proposers were mostly unable to identify deficiencies, good experience and recommendations of previously implemented projects. Project proposers, including representatives of MIER and the EU Integration Office, were not able to define precisely financial resources needed for each of the activities envisaged by the project proposal, i.e. to develop a project budget due to insufficient experience and inexistence of adequate training (which was supposed to be part of EAR's responsibility).

Despite realization of the Joint Project "Towards more efficient implementation of reforms – improvement of planning, budgeting, monitoring and reporting", i.e. development of Annual Operation Plans that should include priorities defined within EP and relevant strategies, some line ministries failed to include indicated components in project fiches due to unsatisfactory quality and level of concretization of the Annual Operation Plans.

Aiming at building capacities of relevant ministries, the Ministry for International Economic Relations organized a *training and technical assistance to modify proposed projects* through the project of support to the Ministry financed by DFID and SIDA. *The training consisted of a three-day seminar on project cycle management (focusing on phases of identification and formulation), and of provision of technical assistance through practical work on modification of project fiches (the most complex project fiches were selected for modification).* The seminar on project cycle management was very attended, while some of the relevant ministries did not show any interest in practical work on modification of project fiches.

5.4 Insufficient number of employees in DACU and SEIO and inadequate training

The process of EU funds programming is a complex and long process that requires not only capacities of line ministries, participants in the programming process, but also capacities and specific knowledge of IPA central institutions⁷ managing the process of funds programming.

This complicated programming process also requires adequate number of employees who can perform all set activities with success. However, the number of staff in DACU and SEIO is not sufficient to respond to all tasks and challenges during programming⁸. Capacities and specific knowledge of engaged persons in DACU, SEIO and the Ministry

⁷ Central IPA institutions are: Ministry of Finance, because it provides co-financing for all projects; SEIO, because it is responsible for monitoring EU integrations processes and reporting on their development; MIER as the competent body for planning and programming of IPA funds, development assistance and donations.

⁸ After signing the Agreement on Stabilization and Association the Republic of Croatia had 46 staff members in the Central Office for EU funds Programming working on only half of the total number of funds available to the Republic of Serbia, with smaller territory and population and having administrative institutions at the level of counties to deal with project proposals.

of Finance are related to strategic planning, planning of priorities of individual sectors, planning and managing external funds, EU regulations, financial rules for EU funds implementation, preparation of project fiches and tender dossiers, as well as specific knowledge and operational abilities required for sector management, etc. But due to insufficient specialization, experience and training certain persons engaged in these institutions do not have sufficient specific knowledge about certain sectors to assess the level of priorities and justifiability of certain proposals developed in line ministries.

5.5 Inexistence of a mechanism to assess proposed project fiches

Development of a project fiches is a very complex process that requires projects to be prepared in consultations with all interested parties and to define, above all, the manner of achieving priorities from the Multi-annual Indicative Planning Document and strategic documents, and then specific activities and budget to implement the priority itself, as well as other conditions for preparation of project fiches in conformity with EC criteria.

Programming of IPA 2007 was carried out without evaluation forms and working bodies responsible for evaluation of proposed projects. This resulted in the impossibility to evaluate proposed project fiches and determine at the same time criteria for modification of project proposals in accordance with the Guidance. This also resulted in the impossibility to reach a decision on selection of those priorities and project fiches that would be expected to provide the most efficient and effective results, i.e. it was not possible to define a list of priorities for financing from IPA⁹.

5.6 Inexistence of regulations in relation to cofinancing from the national budget

The process of target-oriented programming, which is one of the prerequisites for usage of EU funds, is completed by co-financing projects financed from IPA with funds from the national budget, and necessary resources are allocated in achievement of specific goals; co-financing also contributes to implement strategic goals set up in the European Partnership and national strategic documents. Co-financing of projects from the national budget and EU funds sends at the same time a clear message to the international community that the Government is determined in conducting reforms imposed by implementation of the Process of Stabilisation and Association, and is a sign of taking over the leading role in the process of programming and realisation of resources of EU assistance.

5.7 Inexistence of the National Development Plan

*Development of the Republic of Serbia should be regulated by the National Development Plan as the most important development document*¹⁰. The existence of the National

⁹ MIER and SEIO prepared drafts of rulebooks for evaluation of projects together with a multi-criteria evaluation table for certain components, but the agreement on establishing such structures in MIER failed to be reached in departmental consultations.

¹⁰ The National Plan is being prepared in a broad consulting process (open discussion) of socio-economic partners and the preparation lasts for 18-36 months.

Development Plan is a prerequisite of a sustainable national development and a prerequisite standing on the way to EU membership.

At this point the development programme of the Republic of Serbia is based on about 30 sectoral strategy documents that are not interrelated. Due to this deficiency and thus inexistence of clear national priorities, the process of programming was made much more difficult and put within the framework of line ministries. But since the majority of these strategic development documents were made by experts engaged by donors, it has been noticed that some ministries are not well familiarized with them and that they do not have clearly elaborated priorities, measures and activities resulting from these strategic documents.

5.8 Late adoption of IPA regulations, implementation rules and MIPD by EC

The process of planning IPA is divided into two three-year cycles: 2007-2009 and 2010-2013. The so called Multi-annual Indicative Financial Frameworks define the amount of funds to be used in each sub-period, while priorities and general allocation to sectors is performed in conformity with the Multi-annual Indicative Planning Document. The way of implementing IPA is envisaged by special implementation rules.

Nevertheless, all indicated documents are in the phase of preparation and adoption by the EC. Having in mind a clear calendar of the annual programme of using EU funds and inexistence of the aforementioned documents, the process of programming is additionally jeopardized and made more difficult, because all activities are based on the experience from CARDS programming.

5.9 Uncoordinated taking over of competence between EC Delegation and EAR regarding IPA programming and implementation

Programming and implementation of EU funds also require appropriate structures within the centralized deconcentrated implementation system on the side of European Commission institutions. Taking into account a decision on transferring jurisdiction over IPA to the EC Delegation and that such structures were not established on time, EC has obtained consent from the European Parliament that EAR should support EC Delegation and the Government of Serbia, i.e. MIER, in programming IPA 2007. *According to the decision on defining responsibilities between EAR and EC Delegation, during the transitional period EAR shall be responsible for providing support in programming and preparing project fiches and tender dossiers, while the EC Delegation shall be responsible for approving proposed projects and tender dossiers, tender procedure and implementation of contracted projects.*

Yet, in the situation where transferring responsibilities between EC Delegation and EAR regarding IPA programming and implementation was not regulated until the end of December 2006, *during the major part of the period the process of programming was based exclusively on capacities of national institutions. Having also in mind inexistence of appropriate structures within the EC Delegation for contracting and implementation*

of projects financed from IPA, the programming was additionally aggravated by a possibility to finance projects whose main financing criterion would be fewer tender procedures and fast implementation.

6. Recommendations aimed at improving IPA management

Positive elements of the reform achievements of Serbia are not sustainable without further adjustment and continuation of public administration reforms. In this respect, IPA programming needs to be improved in the following period, and the roles, manner of joint work and responsibilities to be clearly defined. Pursuant to the above mentioned the following recommendations to improve IPA 2008 programming can be singled out:

- Precise definition of programme calendar and description of activities that must be undertaken/instructions
- Modification of the Guidance for preparation of project fiches
- Adoption of a mechanism to evaluate proposed project fiches
- Building capacities and training of line ministries
- Institutionalization of IPA 2008 programming
- Strengthening of National IPA Coordinator (DACU and MIER)
- Development of ISDA CON IS and work of ISDA CON inter-ministerial working group
- Creation of structures to monitor implementation of the MIPD and its revision
- Creation of structures of cooperation between EAR, EC Delegation and NIPAC
- Multi Beneficiary IPA
- Improvement of budget planning (introduction of project budgeting in accordance with EU standards)
- Development of the Needs Assessment of the Republic of Serbia
- Government's commitment to introduction of DIS
- Development of consulting process and cooperation with civil society organizations and local self-governments

6.1 Precise definition of programme calendar and description of activities that must be undertaken/instructions

Time frame of fund programming, from the moment of the official start of developing project fiches to the period of approving assistance programmes by the European Commission and signing a financial agreement, is clearly established.

Table 1: Framework calendar of the EU funds management

	I quarter	II quarter	III quarter	IV quarter
Current year	Programming			Approval by EC
Following year	Financial agreement		Initiation of project implementation	

During the programming period there is a need to establish a precise calendar and description of activities to be undertaken in order to facilitate performance of activities pursuant to the programming process requirements. In order to carry out the process of programming efficiently, *an adequate legal act needs to provide a clear definition of responsibilities and description of relevant institutions' activities, as well as of their relation with other stakeholders.*

A clearly defined calendar and definition of authorities and description of activities that must be undertaken facilitate both formalisation of the process and the obligation to meet given deadlines and steps in the programming process. Introduction of a compulsory reporting forms part of the control over the programming process and the fulfilment of the calendar. Namely, establishment of calendar, obligation to meet the calendar and reporting are of the utmost importance for undisturbed carrying out of the programming process, timely identification of problems and constraints, and development of specific activities towards well designed project fiches and national IPA programme.

6.2 Modification of the Guidance for preparation project fiches

Guidance for preparation project fiches, which was prepared for IPA 2007 programming, was produced on the basis of the Project Fiche for 2005. However, new pre-accession instrument brings new rules and a new Project Fiche¹¹ (new form for preparation of project proposals).

New Guidance conforming to IPA requirements for project fiches needs to be prepared in the following period. This new Guidance should set clear instructions for line ministries on how to prepare project fiche in accordance with EU criteria and continue building their own capacities. An appropriate training in preparing project proposals shall be prepared for staff in line ministries in cooperation with SEIO.

A form for evaluation of proposed projects needs to be prepared within this Guidance. Applying this evaluation form would provide information about the quality of projects, and above all, whether direct project goals contribute to the achievement of general goals set out in strategic papers of the European Union and the Republic of Serbia for the area in question, whether results and activities have been sufficiently defined to be monitored in the phase of implementation and reporting, whether risks and assumptions related to the project have been adequately defined and whether the activities for which assistance is being demanded have been fully coordinated with other financial resources, primarily the national budget.

6.3 Adoption of a mechanism to evaluate proposed project fiches

For the purpose of successful programming of EU funds, appropriate working bodies responsible for certain parts of the fund programming process need to be established, and

¹¹ Implementation rules for IPA are still being prepared by the EC.

their roles, way of cooperative work and responsibilities need to be clearly defined. Therefore, a decision on establishing appropriate working bodies to evaluate proposed project fiches should be made.

Having appropriate working bodies for evaluation of proposed project fiches provides an objective and professional evaluation in conformity with clearly defined rules, which is the basic principle of the system of quality decision-making and good management, and consequently good programming and use of available funds.

6.4 Building capacities and training of line ministries

Fulfilment of all necessary conditions for assuming the leading role in the process of programming and realization of EU assistance resources also requires appropriate capacities of the competent institutions. Challenges and requirements in the process of European integration shall increase in the following period leading to the need to establish corresponding capacities within public institutions. One of the main short-term priorities of the European Partnership is precisely to strengthen structures dealing with European integration at all levels.

Further support needs to be provided to strengthen total capacities of Government institutions in order to achieve their full contribution to the process of integration of the Republic of Serbia in the EU. In this respect and with the aim to further develop IPA programming the number of staff has to be increased to provide structures for EU funds programming. Parallel to that, additional and constant training of staff has to be organized and staff working on European integration activities (in accordance with the experience of other countries in the process of European integration) needs to be financially encouraged in order to prevent fluctuation of quality public servants with specific knowledge and skills.

The increase of staff, training, development and motivation are aimed at bridging the difference between the existing and desired state of professional qualification of public servants and eliminating numerous deficiencies in the EU funds management. Quality development should be a continuous process of upgrading the level of funds management, providing continuity of reforms and fulfilling requirements of the stabilisation and association process.

Among training programmes that need to be conducted for the purpose of a successful programming and implementation of EU funds, the following can be singled out:

- Identification of the project – including SWOT analysis
- Project Cycle Management
- Logic matrix of the project, as the compulsory EC methodology for preparation of every project
- Preparation of the project budget
- Financial mechanisms and programming process
- Project planning

- Development of project documents – including: feasibility studies, Project Fiches, setting Terms of Reference, technical specifications
- EU public procurement regulations
- Monitoring and evaluation

But it should also be pointed out that training aimed at efficient funds management requires qualified personnel to provide technical assistance, as well as appropriate human resources from the training beneficiary's side.

Another form of improving programming, besides building capacities of the line ministries through a practical training, should be EU financial resources which would be used through the "Project Preparation Facility", designed for preparation of feasibility studies, development of projects and project documents, tender dossiers, training etc. Based on the experience of other countries in the process of European integration, it has been observed that the assistance of the European Union can be used more efficiently if a system of mid-term and annual planning is developed and preparation activities for realization of specific projects are mainly conducted (economic justifiability studies produced, project documents prepared and PIUs established).

6.5 Institutionalization of IPA 2008 programming

One of the important initial conditions for improving the process of IPA programming is the functionality and institutional stability of the system. Without institutionalization of IPA management and clearly defined authorities and responsibilities, frequent changes in the organisational structure jeopardize the system of programming and are a real risk for implementation of any long-term reform plans.

Institutionalization of programming also means the beginning of introducing DIS and establishing special units within line ministries responsible for programming, implementation and monitoring of project implementation.

The working group engaged in introduction of DIS started in January 2007 the analysis of organisational units within line ministries dealing with activities related to European integrations, strategic planning and/or programming of EU funds. The purpose of this analysis is to get an insight into the organisational structure, internal classification, number of employees and authorities of the organisational units in terms of EU funds programming. The analysis shall identify deficiencies of the organisational structure and capacities of the line ministries from the viewpoint of EU funds programming. Within this analysis appropriate recommendations shall be prepared for the new Government regarding organisational structure and internal classification.

In case recommendations for establishment of indicated PIUs fail to be adopted or these units are established with delay in relation to the start of IPA 2008 programming, then efficient transitional solutions must be found.

Pursuant to the National Strategy for Serbia's EU Accession, *inter-ministerial expert bodies have to be established* for the purpose of a better coordination of ministries' work on integration activities. These could be *permanent or ad hoc bodies, and it is desirable to have representatives of scientific institutions, professional association, chambers of commerce, regional and local governments participating in them.*

Based on the Decree on principles for internal organisation and classification of jobs in ministries, specific organisations and Government's offices (Official Gazette of the Republic of Serbia, No. 23/2006) *each ministry needs to form a working group for programming of EU funds in accordance with the Article 23 of the Decree.* Members of that working group should be:

- ISDACON representative, as a manager of the group¹²
- GOPA representative (for ministries participating in the Joint Project)
- Person from the internal unit responsible for preparation of the Memorandum on Budget (e.g. Secretariat of the Ministry)
- Person responsible for coordination of European integration activities
- Person(s) responsible for preparation of projects, in cases where projects are not prepared by ISDACON representative

ISDACON representative within the line ministry participates in preparation of programme documents, coordination in defining priority projects for EU and bilateral donor's support, constantly provides information in relation to humanitarian and development aid in the relevant sector, records and updates information on projects financed from donations and development assistance in ISDACON IS in the relevant sector and reports to MIER on ministry's work. GOPA representative is in charge of operational planning. In those ministries that have more GOPA persons a coordinator needs to be appointed at the level of ministry to be a member of the working group. Person from the internal unit responsible for preparation of the Memorandum on Budget (e.g. Secretariat of the Ministry) is a person participating in the final development of line ministry's appendix to the Memorandum on Budget. Internal organisational unit/person responsible for coordination of European processes coordinates the process of EU integration within the competence of the ministry; participates in the work of the Government's Commission in charge of these activities; prepares basis and platform for negotiations and participates in these negotiations, reports to SEIO, prepares action plans initiated and coordinated by SEIO and monitors their implementation, analyzes documents adopted by EU institutions and suggests activities necessary for realization of requirements from these documents. In cases where ISDACON representative does not prepare project proposals, there should be an operation person in the working group in charge of project proposals' preparation within the ministry. The working group should be responsible to a senior public servant appointed by the Minister about its work. The working group should have a contact person in each sector of the Ministry for the purpose of a better coordination within the Ministry during IPA programming.

¹² Decision on appointing members of ISDACON working group was adopted pursuant to the Point 3 of the Decision on establishment of an inter-sector working group for coordination of humanitarian and development assistance ("Official Gazette of the Republic of Serbia" No. 93/03 and 27/06)

Institutionalization of the programming within line ministries further develops the process of programming and building institutional framework in conformity with future changes in the manner of financing assistance by EU. Secondly, deficiencies in the process of programming, such as insufficient connection in planning priorities, national budget and external funds, are thus eliminated. Institutionalization of programming also clearly identifies beneficiaries of a future technical assistance and training in EU funds management.

6.6 Strengthening of National IPA Coordinator (DACU and MIER)

In the transitional phase from the status of potential candidate to the status of candidate country, the Republic of Serbia will have two out of five IPA components at its disposal during the following budget period. MIER shall have capacities to maximise both the performance of the two components and the participation of the Serbian Government in the process of programming and implementation of these programmes only if builds the capacities of NIPAC and PIUs within the line ministries.

Pursuant to the provisions of the Law on Ministries ("Official Gazette of the Republic of Serbia" No. 19/04, 84/04 and 79/05), among other, the Development Assistance Coordination Unit of the Ministry for International Economic Relations of the Republic of Serbia performs activities related to coordination with competent authorities and organisations of the public administration aimed at establishing sectorial and inter-sectorial strategies, priority needs and selection of appropriate projects and programmes that should be financed by resources from donations and development assistance, including resources of international reconstruction, development and stabilisation funds, EU funds and other bilateral and multilateral resources of designated funds; informing donors on priority projects and programmes; cooperation with donors on harmonizing donors' priorities with priorities of the Republic of Serbia, preparation of donor strategies, planning and implementation of programmes and projects financed by donation and development assistance resources; monitoring project and programme implementation through reports made by donation and development assistance beneficiary and the donor; collection and analysis of data and production of reports on donations and development assistance, and other activities within this area.

Since the nature of assistance has changed from humanitarian to development assistance nature, *the process of planning and monitoring implementation of international assistance are becoming more important and more complex*. It is, therefore, necessary to gradually transfer programming and implementation activities from different donor development agencies, which were previously responsible for carrying out these activities, were engaged by consulting companies or which founded and financed project implementation units within line ministries, to relevant government bodies coordinated by NIPAC. This means that the central role in the process of programming EU funds shall be conducted by NIPAC in cooperation with line ministries. *Planning development of each sector within line ministries is becoming ever more important*. Along with the programming process and once the implementation of the National IPA Programme has

started, NIPAC shall also be in charge of monitoring project (programme) implementation thus supervising and/or controlling performance of individual projects. Specific activities to be performed are: regular insight in the flow of programme (project) implementation, undertaking of appropriate corrective measures, and timely reassessment of indicators and short-term goals. Activities to be carried out in the following period are also annual updating of priorities within the MIPD and participation in preparation and monitoring of programmes financed from the Multi Beneficiary IPA. In addition, MIER shall be the key institution in introduction of DIS, together with the Ministry of Finance and SEIO.

Capacity building of the Ministry is essential so that MIER could respond efficiently to all indicated tasks and challenges. This implies an increase in number of staff, definition of role and responsibilities with these new obligations, and capacity building of the personnel.

Taking into account volume and importance of the work performed in DACU, the number of employees needs to be increased to 25 in the following period. Together with the increase of staff number it is essential to organize a continuous training to raise the level of knowledge and efficiency of public servants. During the upcoming period different types of training need to be organized to develop capacities of NIPAC. After increasing the number of employees, analysis of the organisational structure of NIPAC needs to be conducted and internal organization needs to be defined in accordance with the best practice of EU funds management.

Accepting the country's leading role in the process of programming means for NIPAC that it has strong capacities to programme and monitor implementation of IPA. By implementing indicated recommendations, the central strategic role of the Government for programming EU funds will be strengthened, and needs and phases of Serbian's EU integration will be met. It is important to mention that each of these recommendations can and should be additionally updated, as needed.

6.7 Development of ISDACon IS and work of ISDACon inter-ministerial working group

Although the donor community has pointed that our model of donor coordination is very developed and efficient, cooperation and dialogue with donors need to be continued in the upcoming period in order to have interest and priorities of the Serbian Government clearly defined in every moment and thus upgrade the systems of coordination of donors' activities.

Another essential requirement for more efficient programming and use of international assistance is to improve information flow. In this respect, regular, *thematic monthly meetings between members of ISDACon network* have to be organized in the following period. Conducting these meetings will enable more successful coordination of donors' activities and active management and guidance of donors' assistance. Building coordination activities of the Government and donor community shall provide a rational

and purpose-serving use of approved resources. Furthermore, taking into account transfer of authority from the former State Union to the Republic of Serbia, *ISDACON network needs to be enlarged by new members.*

Bearing in mind the importance of information exchange, monitoring and reporting on activities financed by donors, project proposals need to be entered into ISDACON IS. *ISDACON IS also needs further development and modification in accordance with criteria required by managing and reporting on EU funds use, and its compatibility with the EC information systems for monitoring EU funds.*

6.8 Creation of structures to monitor implementation of the MIPD and its revision

Annual revision of MIPD is envisaged by the Regulations on establishing IPA. Bearing in mind lack of capacities and insufficient experience of the public administration in planning and programming of EU funds, monitoring implementation of priorities foreseen in MIPD, their comparison with the national strategic priorities and parallel revision of this document put additional burden over the public administration.

Taking into account the aforementioned, it is important to establish appropriate structures that would monitor implementation of priorities defined in MIPD in conformity with the main areas of support, namely: political requirements, socio-economic development and EU agenda. Formed structures would also incorporate existing structures for monitoring and implementation of the Action Plan for Implementation of European Partnership priorities and offer recommendations for revision of MIPD.

6.9 Creation of structures of cooperation between EAR, EC Delegation and NIPAC

The continuity of EU assistance, as well as the transitional period between CARDS and IPA that also implies a bigger role of the beneficiary country, in the process of programming, and the transfer of responsibilities from EAR to EC Delegation, call for establishment of appropriate structures between EAR, EC Delegation and NIPAC.

In other words, the established structures would lead to a formalized and continuous cooperation between EC Delegation, EAR and, through NIPAC, all stakeholders during the process of IPA programming. This would also enable a successful monitoring of already existing projects financed from EU funds, thus improving monitoring, reporting and evaluation of projects, as well as programming which would make use of EU funds more efficient and effective.

6.10 Multi Beneficiary IPA

Beneficiaries of Multi Beneficiary IPA¹³ are all candidate and potential candidate countries. In other words, Multi Beneficiary IPA is a supplement to the national

¹³ Multi beneficiary IPA has replaced the regional CARDS as the instrument of cooperation between countries in the region. The Multi Beneficiary MIPD has not been adopted yet.

programmes in areas where the regional cooperation is fruitful, and leads to better results in solving certain issues.

Regarding programming and implementation of Multi Beneficiary IPA activities, it is important to mention that it is a centralized programme where the majority of activities are carried out in a centralized manner from the European Commission Headquarters. However, for the purpose of defining regional priorities and interests of the Republic of Serbia, it is important to set an inter-ministerial working group to deal with solving issues related to programming and implementation of projects of regional importance.

For the Republic of Serbia, this means, among other, improvement of coordination at central level in the process of defining regional priorities, and introduction of a more effective mechanism for monitoring implementation of regionally important strategic goals.

6.11 Improvement of budget planning (introduction of project budgeting)

One of the key goals of the reforms is better efficiency of foreign assistance in execution of Government's priorities set out in strategic papers, including the National Strategy for Serbia's EU Accession, Needs Assessment, Poverty Reduction Strategy, Public Administration Reform Strategy, and other strategies of line ministries. In order to promote efficient implementation of reforms it is important to ensure that the budget and programming of international assistance are in full conformity with the priorities defined in the indicated strategic papers. In relation to this, it is important to further build capacities of line ministries with the aim to improve planning of priorities through development of comprehensive and realistic sectorial action plans that would enable successful co-financing.

Since the process of taking over the leading role in the EU funds programming by the Government of the Republic of Serbia and the process of adopting programme budgeting are both in their initial phase, all necessary activities that will support these two processes have to be undertaken in the following period.

6.12 Development of the Needs Assessment of the Republic of Serbia

Adoption and implementation of the National Development Plan should be a mid-term priority of the Government of the Republic of Serbia. In this respect the Needs Assessment of the Republic of Serbia needs to be improved so as to develop the most important development document produced in cooperation with all stakeholders. By improving this document, all partial strategies would be harmonized and the best solutions for planning and use of the national budget and international funds would be reached, enabling at the same time a long-term development of the Republic of Serbia.

In the following period the priority of improving Needs Assessment should be given to modification of defined short-term goals and programme and project activities at yearly level and achievement of short-term goals by sectors.

6.13 Government's commitment to introduction of DIS

Introduction of DIS is extremely long (up to 36 months) and requires direct participation and consensus of institutions of the Serbian Government, which points to the need for constant monitoring of its development and for design of action plans which clearly define activities that must be carried out. In relation to this, capabilities of some institutions to perform activities and tasks related to DIS must be analyzed, and appropriate technical assistance and resources for financing a part of expenses of these reforms must be identified and provided. In addition to this, it is necessary to identify public authorities which will perform activities related to DIS, identify necessary legal changes, and prepare a basic training programme for employees.

In light of development of the DIS, and in terms of programming EU funds, preparation and evaluation of sector development projects must become part of regular work of all ministries. This calls for development of PIUs that would be responsible for programming, implementation and monitoring of project implementation.

6.14 Development of consulting process and cooperation with civil society organizations and local self-governments

Cooperation between NGOs and the Government of the Republic of Serbia regarding European integration, with the focus on regular information exchange about activities related to preparation, adoption and implementation of laws and policies in the field of European integration, has been regulated by the Memorandum of Understanding between SEIO and certain number of NGOs.

Taking into account past role of civil society in development of a democratic, civil society in Serbia and their contribution to expansion of European ideas and values, as well as necessity of regular and unbiased informing of the public about the process of Serbia's integration into the EU, civil society organizations also has to be involved in the process of IPA programming. However, existence and efficiency of cooperating with the civil society organizations can not be reduced to civil society organizations of one type of operation. In this respect, civil society organizations also have to achieve progress in mutual coordination.

Involving local self-governments in the programming process together with civil society organizations helps satisfy those citizens' needs that cannot be articulated and achieved otherwise.

7. CONCLUSIONS

Implementation of established strategic priorities of the Republic of Serbia can not be carried out without further implementation of reforms in the key areas. In this respect, the following main conclusions/priorities can be highlighted:

- Introduction of DIS;

- Strengthening of line ministries and increase of the number of employees;
- Building capacities of the public administration (training, technical assistance, raise in salary, financial and non-financial incentives, etc.);
- Harmonization of legislation with *acquis* and their efficient implementation;
- Introduction of programme budgeting and provision of co-financing;
- Production of the National Development Plan.

Implementation of the aforementioned measures shall ensure that the interests of the Republic of Serbia are represented in meeting European integration requirements, provide the most effective and efficient allocation of financial resources and other forms of assistance and contribute to the realization of measures for implementation of established strategic priorities of the Republic of Serbia.