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

(pursuant to Article 287(4), second subparagraph, TFEU)
The ECA’s special reports set out the results of its performance and compliance audits of specific budgetary areas or management topics. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

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

From left to right: A. Milasiute, N. Berloco, I. S. Fazakas, M. Baranyi, D. Wernerus, T. Haellstroem.
Abbreviations and acronyms

Executive summary

Introduction

Audit scope and approach

Observations

Part I — Did the Commission manage well the IPA in the Western Balkans?
16-19 During IPA I, objectives were not always specific and measurable
20-23 Programmes and projects were based on needs, but some beneficiary assessments showed considerable shortcomings
24-26 Absorption process of IPA funding was sometimes hampered by weak administrative capacity
27-29 The Commission did not systematically apply strict conditions
30-37 The Commission was generally effective in monitoring implementation and partly effective in following up evaluations
38-40 Despite considerable beneficiary shortcomings, the Commission supported donor coordination effectively

Part II — Did the IPA strengthen administrative capacity in the Western Balkans?
42 The Commission effectively delivered the intended outputs
43-58 IPA for the rule of law and public administration reform was partly sustainable
59-64 The political dialogue addressed administrative capacity
Conclusions and recommendations

Annex I — Key events for understanding EU–Western Balkan relations
Annex II — Audit sample of IPA I national projects
Annex III — Audit sample of IPA I regional programmes

Reply of the Commission
BIRN: Balkan Investigative Reporting Network
ECA: European Court of Auditors
EEAS: European External Action Service
ICJ: International Court of Justice
MIPD: Multi-annual indicative planning document
RCC: Regional Cooperation Council
ReSPA: Regional School of Public Administration
ROM: Results-oriented monitoring
SAA: Stabilisation and association agreement
SIGMA: Support for improvement in governance and management
WBIF: Western Balkans Investment Framework
Executive summary

I
From 2007 until 2014, EU financial assistance to the Western Balkans through the Instrument for Pre-accession Assistance (IPA) amounted to 5.1 billion euros. It was allocated in the context of national and regional programmes. Roughly a quarter of national programme funding went towards strengthening administrative capacity in the key sectors of the rule of law and public administration reform. In addition to this, the political dialogue contributed towards strengthening administrative capacity in the six Western Balkan countries, the legal and financial beneficiaries of the IPA.

II
We assessed whether the Commission’s management of the IPA in the Western Balkans was effective and whether it actually did strengthen administrative capacity in the region. We mainly covered the 2007-2013 programming period, but also took developments under the new programming period (2014-2020) into account.

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

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

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

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

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

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

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

Enhancing regional cooperation and strengthening administrative capacity in the region as a whole is of high importance and has been encouraged by the Commission, notably through the Western Balkans Investment Framework. However, during the period audited, the Regional Cooperation Council did not have a significant impact on the ground. For the Regional School of Public Administration (ReSPA), it was too early to establish whether it improved administrative capacity in the Western Balkans.

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

The report sets out a number of measurable concrete recommendations both to improve the setting of objectives and the design and implementation of IPA projects in the Western Balkans and encourage greater commitment by the six Western Balkans national authorities towards strengthening their administrative capacity.
01
Since the accession of Croatia in 2013, the EU Western Balkan enlargement policy has dealt with six countries: Albania, Bosnia and Herzegovina, Kosovo*, the former Yugoslav Republic of Macedonia, Montenegro and Serbia (see Figure 1).

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

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

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

<table>
<thead>
<tr>
<th>Status of the Western Balkan countries in view of EU accession</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Candidate status (since year)</strong></td>
</tr>
<tr>
<td>-----------------------------</td>
</tr>
<tr>
<td>Albania</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Kosovo</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>the former Yugoslav Republic of Macedonia</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Montenegro</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Serbia</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

*Source: European Commission.*

### Joining the EU

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

The Intergovernmental Conferences are the bodies that take decisions on opening and provisionally closing chapters, in line with a negotiating framework agreed by the Council. From 2012 and 2014, respectively, Montenegro and Serbia began to meet in these Conferences. There was no decision by the Council on the setting-up of an accession negotiation framework for Albania and the former Yugoslav Republic of Macedonia, so no Intergovernmental Conferences started with them. As potential candidate countries, Bosnia and Herzegovina and Kosovo were not eligible to start accession negotiations.
03
The EU’s aim of incorporating these countries in the EU has been at the core of EU–Western Balkan relations since 2000 (see Annex I). Since 2007, the Commission has provided them with financial assistance through the Instrument for Pre-accession Assistance (IPA), as shown for IPA I in Figure 2.

04
Within each IPA programme, the EU supported various sectors, such as the rule of law, public administration reform, the environment, transport, rural development and social development. It also supported cross-border and multi-beneficiary programmes for the six Western Balkan countries, as a region.

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

<table>
<thead>
<tr>
<th>Country</th>
<th>Allocations in million euros</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serbia</td>
<td>1385</td>
<td>27%</td>
</tr>
<tr>
<td>Multi-beneficiary programmes</td>
<td>1150</td>
<td>23%</td>
</tr>
<tr>
<td>Kosovo</td>
<td>636</td>
<td>12%</td>
</tr>
<tr>
<td>the former Yugoslav Republic of Macedonia</td>
<td>615</td>
<td>12%</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>572</td>
<td>11%</td>
</tr>
<tr>
<td>Albania</td>
<td>529</td>
<td>10%</td>
</tr>
<tr>
<td>Montenegro</td>
<td>236</td>
<td>5%</td>
</tr>
</tbody>
</table>

Note: Percentages rounded up.
Source: European Commission, 31 December 2015.


2 Fundamental rights, justice and home affairs, including the fight against corruption and organised crime.
Introduction

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

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

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

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

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

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

(a) Did the Commission manage well the IPA in the Western Balkans?
(b) Did the IPA strengthen administrative capacity in the Western Balkans?

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

(a) rule of law (fundamental rights, justice and home affairs), with a particular emphasis on the fight against corruption and organised crime; and
(b) public administration reform, including public finance management.

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

### Table 2

<table>
<thead>
<tr>
<th>IPA programmes for administrative capacity in the Western Balkan countries</th>
<th>Contracted amounts</th>
<th>Percentage audited</th>
<th>Number of projects/programmes audited</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Audited</td>
<td></td>
</tr>
<tr>
<td>National programmes, rule of law projects</td>
<td>485</td>
<td>60</td>
<td>12 %</td>
</tr>
<tr>
<td>National programmes, public administration reform projects</td>
<td>414</td>
<td>40</td>
<td>12 %</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>902</strong></td>
<td><strong>109</strong></td>
<td><strong>12 %</strong></td>
</tr>
<tr>
<td>Regional programmes</td>
<td>1 160</td>
<td>330</td>
<td>28 %</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>2 062</strong></td>
<td><strong>439</strong></td>
<td><strong>21 %</strong></td>
</tr>
</tbody>
</table>

*Note: Amounts in million euros; percentages rounded up.*

*Source: ECA based on European Commission data, 30 June 2015.*
Audit scope and approach

13
An important part of our work was assessing what EU programmes and projects had achieved in terms of results as defined in the regulation laying down common rules and procedures for the implementation of the Union’s instruments for financing external action.

14
As part of our meta-audit approach, we firstly reviewed a series of ECA special reports and the Commission’s evaluation reports relating to the Western Balkan region (see Table 3). Taking into account the audit scope of the meta-audit and the reports reviewed, we then identified audit gaps, which led to substantial additional audit work performed between March and December 2015. This additional audit work included a desk review of Commission progress, monitoring, expert and meeting reports and interviews of staff from the Commission, the European External Action Service (EEAS), EU delegations, relevant national authorities in the Western Balkans and the RCC.

Table 3

Previous audit and evaluation reports used

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

Source: European Court of Auditors.
Part I — Did the Commission manage well the IPA in the Western Balkans?

15
We assessed the Commission’s management of the IPA throughout the instrument’s programming cycle and on the basis of the following audit criteria:

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

During IPA I, objectives were not always specific and measurable

16
The EU’s Financial Regulation stipulates that specific and measurable objectives must be set for all sectors of activities covered by the budget. The IPA regulations and the Commission’s multi-annual indicative planning documents (MIPDs) all addressed the importance of the rule of law and public administration reform in the Western Balkans.

National programmes often had broad objectives

17
During IPA I, objectives were so broad in scope that they were often not specific and measurable through specific targets. However, in the case of Montenegro and Serbia, whose accession negotiations started in 2012 and 2014 respectively, the Commission defined clear and measurable rule of law objectives which, if not met, could block enlargement negotiations.
Moreover, since 2010, the Commission has moved from supporting mostly individual projects to a clearer and more measurable sector-based approach\(^{13}\), under which programmes and projects clearly fit into sector-based strategies. The Commission planned to fully apply the sector-based approach during the implementation of IPA II\(^{14}\).

**Regional programmes generally had specific and measurable objectives**

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

**Box 2**

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

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


\(^{14}\) Instrument for Pre-Accession Assistance (IPA II), multi-country indicative strategy paper (30 June 2015) and the indicative strategy papers for Albania and Montenegro (18 August 2014), the former Yugoslav Republic of Macedonia and Serbia (19 August 2014), Kosovo (20 August 2014) and Bosnia and Herzegovina (15 December 2014).

\(^{15}\) 13th recital in the preamble and Article 2(g) to Council Regulation (EC) No 1085/2006.

\(^{16}\) https://www.wbif.eu

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

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

Needs assessments at Commission level

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

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

Needs assessments at beneficiary level

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

The 2014-2018 justice reform strategy in Bosnia and Herzegovina

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

Figure 3

Political map of Bosnia and Herzegovina

Source: Eurostat.
Observations

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

24
In some western Balkan countries, it was difficult to make payments on contracted amounts under IPA I (see Figure 4), mainly due to weak administrative capacities.

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

Source: ECA calculation based on Commission data, 31 December 2015.
Based on an examination of different IPA operating structures in the Western Balkans, this can partly be explained by the fact that the Commission decentralised significant parts of IPA management to the national authorities\(^\text{17}\). As we observed in the former Yugoslav Republic of Macedonia and Serbia (see Box 4) as well as in Albania, this required a learning period and a more demanding management structure\(^\text{18}\).

\[\text{Box 4}
\]

**Experience with decentralising management under IPA I**

**The former Yugoslav Republic of Macedonia**

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

**Serbia**

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

---

17 As of 1 January 2014, the term ‘decentralised management’ has been replaced by ‘indirect management by third countries’.
18 Among other requirements, decentralised management implied the accreditation of a national authorising officer, the establishment of an IPA operating structure and an audit authority, as well as ex ante control by the EU Delegation on all decentralised IPA projects.
19 As of 1 January 2014, the term ‘decentralised management’ has been replaced by ‘indirect management by third countries’.
18 Among other requirements, decentralised management implied the accreditation of a national authorising officer, the establishment of an IPA operating structure and an audit authority, as well as ex ante control by the EU Delegation on all decentralised IPA projects.
21 Ibid., paragraphs 48 and 50.
Under IPA II (2014–2020), more focus is being put on improving the countries’ public financial management systems as a whole. However, IPA II programmes were only adopted at the very end of 2014, due to delays in the new IPA legislative framework and procedures. Contracting and payments were further delayed by the beneficiary countries’ ratification procedures. As a result, it was too early at the time of the audit to comment on contracted and paid amounts under IPA II.

The Commission did not systematically apply strict conditions

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

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

Strict conditionality at programme level, Justice in Bosnia and Herzegovina

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

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

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

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

Observations

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

Strict conditionality not applied during IPA I

Albania

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

Serbia

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


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


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

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

30
The Commission monitored sector reforms and project implementation both directly and through the six EU delegations in the Western Balkans. The highest level of monitoring took place at the twice-yearly joint monitoring committee meetings and, more regularly, at the sectoral monitoring committees. EU delegations also monitored implementation on the spot.

31
The Commission conducted sector and thematic evaluations as part of its evaluation cycle. These should not be confused with the annual progress reports on candidate and potential candidate countries, which are the Commission’s official political assessments of these countries.

Generally, the Commission was effective in monitoring implementation

32
Across sectors, the EU delegations monitored IPA projects effectively through:

(a) legality and regularity checks based on management and information systems;

(b) coordination meetings involving contractors and beneficiary administrations, including site visits;

(c) the annual Authorising Officer by Sub-Delegation (AOSD) reports;

(d) joint monitoring committee and sectoral monitoring committee meetings;

(e) for riskier projects, internal quarterly monitoring tables.

33
The Commission monitored the implementation of the IPA and the delivery of outputs effectively\(^\text{32}\). In addition to the above monitoring tools, the results-oriented monitoring (ROM) reports followed a standard Commission methodology and mostly tracked the results of ongoing projects. However, the ROM approach showed three important shortcomings.
Observations

34 Firstly, as a considerable number of the IPA projects that we assessed involved contracts with a value of less than 1 million euros, they were below the threshold for ROM reports. As a result, not all politically sensitive projects were subject to results-oriented monitoring. Secondly, none of the assessed reports measured compliance with conditionality. Thirdly, the absence of *ex post* project monitoring\(^\text{13}\) meant that project sustainability could not be measured.

The Commission was partly effective in following up evaluations

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

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

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

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

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

35 The ‘European Commission for Democracy through Law’ is based in Venice, Italy, and, among other activities, provides legal advice to Council of Europe member states, in particular, helping them bringing their jurisdictions in line with European rule of law standards ([http://www.venice.coe.int](http://www.venice.coe.int)).
Despite considerable beneficiary shortcomings, the Commission supported donor coordination effectively

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

Donor coordination at regional level

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

Regional donor coordination in the Western Balkans

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

**RCC**
One of the objectives of the RCC included the provision of a ‘regional perspective’ in donor assistance\(^{37}\). Except one meeting held in 2015, the Western Balkan countries did not use the RCC for donor coordination purposes.

---


37 [http://rcc.int/pages/2/overview](http://rcc.int/pages/2/overview). See RCC statutes.
Observations

Donor coordination at beneficiary level

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

Box 8

Ineffective donor coordination at beneficiary level

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

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

---

38 ECA Special Report 18/2012 ‘European Union assistance to Kosovo related to the rule of law’, paragraphs 82 and 86 (http://eca.europa.eu).
Part II — Did the IPA strengthen administrative capacity in the Western Balkans?

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

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

The Commission effectively delivered the intended outputs

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

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

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

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

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

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

**Rule of law projects were partly sustainable**

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

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

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

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

46 Since 1995, Transparency International has ranked countries according to a worldwide corruption perception index — the higher the ranking, the higher the level of perceived corruption. Figure 5 shows the rankings of the six Western Balkan countries over the past 6 years, which corresponded to the latter part of the IPA I implementation period and beyond.
In 2015, the corruption perception index ranked Albania and Kosovo at the 88th and 103rd position respectively, which put these countries on a par with Egypt and Ethiopia. The index ranked the other four Western Balkan countries between 60th and 80th from 2010 till 2015.

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

47

48


Observations

Box 9

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

Albania
The full independence and accountability of judges and prosecutors was not guaranteed. The slow administration of justice and judicial decisions that were not always enforced led to a negligible number of final convictions that effectively dismantled criminal organisations.\(^{46}\)

Bosnia and Herzegovina
Political commitment was not translated into successful convictions\(^{47}\). For instance, in a 2015 RCC survey, 90% of the respondents surveyed in Bosnia and Herzegovina disagreed with the statement that their government was fighting corruption effectively.

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

\(^{46}\) 2015 progress report, Albania, pp. 4 and 51.

\(^{47}\) 2015 progress report, Bosnia and Herzegovina, p. 16.

\(^{48}\) 2015 progress report, Kosovo, pp. 12, 15, 16 and 18.

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

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

IPA I project results in the fight against corruption

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

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

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

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

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

Public administration reform projects were generally sustainable

53 Building and maintaining administrative capacity were particularly challenging, mainly because of widespread corruption and constant political interference in civil service recruitment and career management. This resulted in high staff turnover and a lack of qualified staff in the national authorities\(^3\). In this context, the Commission managed to convert many project outputs into sustainable results, which IPA I had supported (e.g. civil service reform, customs, public procurement, public internal financial control, audit).

54 Out of the 23 projects in the audit sample of national projects, 14 were sustainable\(^4\). Where they were not, it was mainly because of insufficient budget and staffing, poor coordination and, most important of all, the beneficiary’s lack of political will to reform institutions and follow up on reform. In some cases, prior to authorising contracting, the Commission could have predefined additional conditions with regard to legislation and project terms of reference, but had failed to do so (see Box 11).

IPA and public administrative reform

Bosnia and Herzegovina

In that country, budgets were adopted late and budget coordination and planning remained poor\(^5\). Furthermore, at the state level, the entities and Brčko District had their own budgets and laws on civil service and administration and the public administration remained fragmented. This hampered the sustainability of a country-wide administrative coordination project and a public finance statistics project.

---

52 ECA analysis, Commission data, July 2015.
54 See Annex II, public administration reform projects in Albania (No 3, 4 and 5), Bosnia and Herzegovina (No 6, 7 and 9), the former Yugoslav Republic of Macedonia (No 12 and 14), Montenegro (No 17 and 18) and Serbia (No 20, 21, 22 and 23).

---

55 The SIGMA baseline measurement 2015, Bosnia and Herzegovina (pp. 2, 39, 94 and 95) described this specific context.
With regard to regional programmes (see Annex III), the WBIF was designed as a blending instrument for infrastructure projects in the Western Balkans. Between 2008 and 2014, 2.8 billion euros in project loans were contracted, as compared with 305 million euros in EU funding. The WBIF was a good instrument for improving donor coordination and providing technical support to national authorities in charge of infrastructure (e.g. preparing project pipelines, drafting project finance documentation), thereby strengthening the beneficiary’s administrative capacity. We examined a typical example of a WBIF project (see Box 12).

56

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

57

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

58

The Ionian-Adriatic pipeline project

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

58

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

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

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

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

The ‘Skopje 2014’ project, the former Yugoslav Republic of Macedonia

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

The Žeželj Bridge project, Serbia

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

Source: European Court of Auditors.
Observations

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

Source: European Court of Auditors.

The political dialogue addressed administrative capacity

The IPA’s achievements very much depended on the progress achieved by the various policy dialogue structures. The political dialogue was either at intergovernmental level or at joint parliamentary level. The intergovernmental level comprised the EU Council and Member States, the EEAS, the Commission and the six governments of the Western Balkans. The relevant joint parliamentary committees of the European Parliament and the six parliaments of the Western Balkans made up the joint parliamentary level. Table 4 summarises the most important political dialogue structures involving the Commission and relevant to this audit.
These dialogue structures aimed to stimulate the political will to strengthen the rule of law, encourage administrative reform and improve public finance management, especially in the years 2014-2015. Depending on the country’s political status with respect to EU membership (potential candidate, candidate or candidate with active chapter negotiations), the political dialogue structures gave rise to specialised working groups.

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

The Commission effectively set up working groups, notably on the independence of the judiciary, weaknesses in public prosecution and corruption in the judiciary and the police. Furthermore, in the case of Montenegro and Serbia with which the Council approved the opening of accession negotiations (see Table 4), the stabilisation and association process, the action plans on Chapters 23 and 24 and the IPA have given them a certain level of preparedness towards the reform of the judiciary and the fight against corruption and organised crime.
In countries with which accession negotiations had not yet started, the effect of
the EU–Western Balkan working groups in generating political will to promote
the rule of law was limited, as shown in Box 15.

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

**Bosnia and Herzegovina**
Due to the political and institutional challenges, the political dialogue was partly ineffective. There was some progress in establishing functional and sustainable institutions\(^{65}\), but little progress in the area of judicial system reform. The judiciary continued to suffer from persistent flaws in terms of independence, political interference and inefficiencies\(^{66}\).

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

---

\(^{65}\) Progress report 2015, pp. 9 and 12.

\(^{66}\) Progress report 2015, pp. 12, 15, 16, 17.

\(^{67}\) MIPD 2011-2013, Kosovo.

\(^{68}\) In the 2014 progress report: ‘Particular attention should be paid to improving the rule of law (….) and to intensifying the fight against organised crime and corruption’.


---

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

The political dialogue on public administration reform took place in the framework of the stabilisation and association agreements (SAAs). In partnership with the beneficiary public administrations in the whole Western Balkan region, the Commission successfully set up ‘public administration reform special groups’.
These special groups systematically addressed the strategic framework for public administration reform, public service and human resources management, policy development and coordination, service delivery to citizens and businesses, accountability of the public administration, as well as public finance management. They were established in 2010 in the former Yugoslav Republic of Macedonia, in 2012 in Albania, in 2013 in Kosovo in 2014 in Montenegro and Serbia and in 2015 in Bosnia and Herzegovina.
Conclusions and recommendations

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

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

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

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

Recommendation 1
Objectives. Indirect management

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

In order to simplify management requirements, when the Commission identifies a weak administrative capacity, it should apply indirect management selectively, taking into account the volume of the funds involved and the complexity and political sensitivity of projects to be decentralised.
Under IPA I, the Commission did not systematically apply strict conditions and follow up on them. Despite some shortcomings in its ROM reporting, it was effective in monitoring the implementation of IPA projects. It was also partly effective in following up on the conclusions and recommendations of IPA evaluations. Finally, despite considerable beneficiary shortcomings, it was able to support donor coordination effectively (paragraphs 27 to 37).

**Recommendation 2**

**Conditions. Monitoring. Evaluation**

The Commission should apply relevant conditions at sector, programme and project level and follow up on them. For instance, it could apply, where appropriate, a net reduction in future IPA allocations, suspend payments, cancel projects not yet contracted and systematically monitor project compliance with predefined conditions. The Commission should systematically monitor sensitive programmes and projects and carry out external evaluations of interventions in priority sectors in the Western Balkans.

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

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

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

Recommendation 3
Track record. Resources

In the context of the political dialogue and under IPA I and II, the Commission should engage the beneficiary countries in stronger political commitment so that they establish a convincing track record of effective investigation, prosecution and final convictions in cases of high-level corruption and organised crime. To this end, it should require each of the beneficiaries to build up their track records further. This should be done in the framework of the political dialogue and should be reflected into future national IPA allocations and other potential sources of EU funding.

Furthermore, upon availability of political commitment, and better absorption capacity, the Commission should better target resources in key areas of the rule of law where we noted a significant need for support: the fight against corruption and organised crime (with a particular focus on the public prosecution) and media freedom.

73
Enhancing regional cooperation and strengthening administrative capacity in the region as a whole is of high importance and has been encouraged by the Commission, notably through the Western Balkans Investment Framework (paragraphs 19, 39, and 55).

74
However, during the period audited, the Regional Cooperation Council did not have a significant impact on the ground. For the Regional School of Public Administration, it was too early to establish whether it improved administrative capacity in the Western Balkans (paragraphs 39, 45 and 57).

Recommendation 4
Regional cooperation

Under IPA I and II, the Commission should support regional cooperation. In particular, it should ensure that its financial contributions to the RCC and ReSPA yield measurable and sustainable results on the ground.
Conclusions and recommendations

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

**Recommendation 5**

**Political dialogue**

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

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

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA  
President
### Key events for understanding EU–Western Balkan relations

<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1 June – The Santa Maria da Feira European Council states that all the countries involved in an SAA process are potential candidates for EU membership.</td>
</tr>
<tr>
<td>2001</td>
<td>1 April – Former Yugoslav President Slobodan Milosevic, wanted on charges of war crimes, abuse of power and corruption, is arrested.</td>
</tr>
<tr>
<td></td>
<td>13 August – The Ohrid Framework Agreement seals the peace deal between the government of the former Yugoslav Republic of Macedonia and the country’s ethnic Albanian community.</td>
</tr>
<tr>
<td>2003</td>
<td>20 June – The Thessaloniki European Council confirms the EU perspective for the Western Balkans.</td>
</tr>
<tr>
<td>2004</td>
<td>22 March – The former Yugoslav Republic of Macedonia applies for EU membership.</td>
</tr>
<tr>
<td></td>
<td>1 April – The SAA with the former Yugoslav Republic of Macedonia enters into force</td>
</tr>
<tr>
<td>2005</td>
<td>16 December – The Council confirms the former Yugoslav Republic of Macedonia as a candidate country.</td>
</tr>
<tr>
<td>2006</td>
<td>3 June – After a successful referendum, Montenegro declares its independence.</td>
</tr>
<tr>
<td>2007</td>
<td>1 January – IPA I enters into force</td>
</tr>
<tr>
<td></td>
<td>26 February – In Bosnia and Herzegovina vs. Serbia and Montenegro, the ICJ rules that the Srebenica massacre was an act of genocide, whilst clearing the respondent for responsibility for the massacre.</td>
</tr>
<tr>
<td>2008</td>
<td>17 February – Kosovo declares its independence.</td>
</tr>
<tr>
<td></td>
<td>11 July – At the donors’ conference for Kosovo, the Commission and EU Member States pledge nearly 800 million euros to specifically support Kosovo.</td>
</tr>
<tr>
<td></td>
<td>15 December – Montenegro applies for EU membership.</td>
</tr>
<tr>
<td>2009</td>
<td>1 April – The SAA with Albania enters into force.</td>
</tr>
<tr>
<td></td>
<td>24 April – Albania applies for EU membership.</td>
</tr>
<tr>
<td></td>
<td>22 December – Serbia applies for EU membership.</td>
</tr>
<tr>
<td></td>
<td>22 December – The ECHR condemns Bosnia and Herzegovina for the violation of the democratic rights of citizens of non-majority communities.</td>
</tr>
<tr>
<td>2010</td>
<td>1 May – The SAA with Montenegro enters into force.</td>
</tr>
<tr>
<td></td>
<td>22 July – The ICJ issues an advisory opinion that the unilateral declaration of Kosovo’s independence did not violate any applicable rule of international law.</td>
</tr>
<tr>
<td></td>
<td>17 December – The Council confirms Montenegro as a candidate country.</td>
</tr>
<tr>
<td>2011</td>
<td>26 May and 20 July – prominent Serb war criminals sought by the International Criminal Tribunal for the former Yugoslavia are arrested.</td>
</tr>
<tr>
<td>Year</td>
<td>Event Description</td>
</tr>
<tr>
<td>------</td>
<td>-------------------</td>
</tr>
</tbody>
</table>
| 2012 | 1 March – The European Council confirms Serbia as a candidate country.  
|      | 29 June – Montenegro’s accession negotiations formally start. |
| 2013 | 19 April – The Prime Ministers of Kosovo and Serbia sign the Brussels Agreement, normalising relations between the two countries.  
|      | 1 September – The SAA with Serbia enters into force. |
| 2014 | 1 January – IPA II enters into force  
|      | 21 January – Serbia’s accession negotiations formally start.  
|      | 27 June – The Council confirms Albania as a candidate country.  
|      | 15 July – Declaration by the incoming President of the Commission that no new accessions will take place before 2020.  
|      | 28 August – Western Balkans Summit in Berlin. |
| 2015 | 1 June – The SAA with Bosnia and Herzegovina enters into force.  
|      | 20 August – Western Balkans Summit in Vienna. |
| 2016 | 15 February – Bosnia and Herzegovina applies for EU membership.  
|      | 30 March – Western Balkans Summit in Durrës, Albania.  
|      | 1 April – The SAA with Kosovo enters into force. |

Source: ECA, on the basis of European Commission data.
## Audit sample of IPA I national projects

<table>
<thead>
<tr>
<th>No</th>
<th>Beneficiary</th>
<th>Project</th>
<th>IPA decision year</th>
<th>Amount (euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Albania</td>
<td>Police Assistance Mission of the European Community to Albania (PAMECA III)</td>
<td>2007</td>
<td>6 768 790</td>
</tr>
<tr>
<td>2</td>
<td>Albania</td>
<td>Project against Corruption in Albania (PACA)</td>
<td>2008</td>
<td>2 000 000</td>
</tr>
<tr>
<td>3</td>
<td>Albania</td>
<td>Support for Anti-Money Laundering and Financial Crime Investigations Structures</td>
<td>2009</td>
<td>1 500 000</td>
</tr>
<tr>
<td>4</td>
<td>Albania</td>
<td>Civil Society Facility – Civic Initiatives and Capacity Building</td>
<td>2009</td>
<td>1 500 000</td>
</tr>
<tr>
<td>5</td>
<td>Albania</td>
<td>Support for Witness Protection</td>
<td>2009</td>
<td>554 199</td>
</tr>
<tr>
<td>6</td>
<td>Albania</td>
<td>Police Assistance Mission of the European Community to Albania (PAMECA IV)</td>
<td>2009</td>
<td>1 000 000</td>
</tr>
<tr>
<td>7</td>
<td>Albania</td>
<td>EURALIUS III: Technical Assistance for the Justice System</td>
<td>2009</td>
<td>2 300 000</td>
</tr>
<tr>
<td>8</td>
<td>Albania</td>
<td>Construction of a new prison in Fier</td>
<td>2010</td>
<td>9 654 814</td>
</tr>
<tr>
<td>9</td>
<td>Albania</td>
<td>Case management system for the General Prosecutor Office of Albania</td>
<td>2010</td>
<td>990 396</td>
</tr>
<tr>
<td>10</td>
<td>Albania</td>
<td>Construction of the Justice Palace in Tirana</td>
<td>2012</td>
<td>0</td>
</tr>
<tr>
<td>11</td>
<td>Bosnia and Herzegovina</td>
<td>Joint training of the SIPA Financial Intelligence Unit and Crime Investigation Unit, Prosecutors, financial regulatory agencies and institutions</td>
<td>2007</td>
<td>392 973</td>
</tr>
<tr>
<td>12</td>
<td>Bosnia and Herzegovina</td>
<td>Financing of War Crime Chamber (State Court)</td>
<td>2008</td>
<td>2 999 599</td>
</tr>
<tr>
<td>13</td>
<td>Bosnia and Herzegovina</td>
<td>Assistance to the Directorate for coordination of police bodies</td>
<td>2008</td>
<td>1 200 000</td>
</tr>
<tr>
<td>14</td>
<td>Bosnia and Herzegovina</td>
<td>Strengthening institutional capacities to prevent and combat corruption</td>
<td>2009</td>
<td>488 048</td>
</tr>
<tr>
<td>15</td>
<td>Bosnia and Herzegovina</td>
<td>Responsible Journalism’s Watching Eye: Anti-corruption and the Media</td>
<td>2009</td>
<td>102 923</td>
</tr>
<tr>
<td>16</td>
<td>Bosnia and Herzegovina</td>
<td>Construction of a High Security State Prison in Sarajevo - Phase II</td>
<td>2010</td>
<td>5 150 000</td>
</tr>
<tr>
<td>17</td>
<td>Bosnia and Herzegovina</td>
<td>High Judicial and Prosecutorial Council</td>
<td>2010</td>
<td>1 000 000</td>
</tr>
<tr>
<td>18</td>
<td>Bosnia and Herzegovina</td>
<td>Twinning assistance to the Directorate for coordination of police bodies</td>
<td>2008</td>
<td>1 200 000</td>
</tr>
<tr>
<td>19</td>
<td>Bosnia and Herzegovina</td>
<td>Support for law enforcement institutions</td>
<td>2010</td>
<td>6 999 999</td>
</tr>
<tr>
<td>20</td>
<td>Bosnia and Herzegovina</td>
<td>Enhancing capacity of parliaments in the context of EU accession</td>
<td>2012</td>
<td>3 499 966</td>
</tr>
<tr>
<td>21</td>
<td>the former Yugoslav Republic of Macedonia</td>
<td>Support for the drafting of the follow-up strategic documents and corresponding action plans for the prevention and repression of corruption and conflict of interest</td>
<td>2008</td>
<td>165 968</td>
</tr>
<tr>
<td>22</td>
<td>the former Yugoslav Republic of Macedonia</td>
<td>Exchange of EU best practices in the area of anticorruption monitoring on local level</td>
<td>2009</td>
<td>138 500</td>
</tr>
<tr>
<td>No</td>
<td>Beneficiary</td>
<td>Project</td>
<td>IPA decision year</td>
<td>Amount (euro)</td>
</tr>
<tr>
<td>----</td>
<td>-------------</td>
<td>--------------------------------------------------------------------------</td>
<td>-------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>23</td>
<td>Montenegro</td>
<td>Support to the implementation of the anti-corruption strategy and action plan</td>
<td>2012</td>
<td>700 000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Corruption in local government – zero tolerance!</td>
<td>2012</td>
<td>190 308</td>
</tr>
<tr>
<td>25</td>
<td>Serbia</td>
<td>Police reform: internal affairs</td>
<td>2007</td>
<td>1 000 000</td>
</tr>
<tr>
<td>26</td>
<td></td>
<td>Improvement of efficiency and transparency of the judiciary system (courts)</td>
<td>2007</td>
<td>2 643 064</td>
</tr>
<tr>
<td>27</td>
<td></td>
<td>Fight against corruption</td>
<td>2008</td>
<td>2 147 000</td>
</tr>
<tr>
<td>28</td>
<td></td>
<td>Improvement of transparency and efficiency (prosecutors and penal system)</td>
<td>2008</td>
<td>1 891 517</td>
</tr>
<tr>
<td>29</td>
<td></td>
<td>Support for civil society (I and II)</td>
<td>2007 2008</td>
<td>1 983 458</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td></td>
<td></td>
<td><strong>60 161 522</strong></td>
</tr>
</tbody>
</table>

**Public administrative reform**

<table>
<thead>
<tr>
<th>No</th>
<th>Beneficiary</th>
<th>Project</th>
<th>IPA decision year</th>
<th>Amount (euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Albania</td>
<td>Support for the Albanian Department of Public Administration (DOPA)</td>
<td>2008</td>
<td>958 892</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Support for the Albanian public procurement, concessions and public auctions systems</td>
<td>2008</td>
<td>899 076</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>Strengthening the Assembly of Albania</td>
<td>2010</td>
<td>1 454 147</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>Support for the Albanian Customs Administration</td>
<td>2011</td>
<td>1 424 496</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>Implementation of a modern Financial Management and Control System and Public Financial Inspection</td>
<td>2012</td>
<td>2 500 000</td>
</tr>
<tr>
<td>6</td>
<td>Bosnia and Herzegovina</td>
<td>Capacity building of the Office of the Coordinator for Public Administration Reform</td>
<td>2007</td>
<td>1 824 961</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>Development and implementation of a nationwide public internal financial control strategy</td>
<td>2007</td>
<td>1 105 904</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>Capacity Building of General Government and Public Finance Statistics</td>
<td>2009</td>
<td>1 603 790</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>Curricula for transparency and accountability</td>
<td>2010</td>
<td>445 253</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>Support for coordination and Implementation of Public Administration Reform</td>
<td>2011</td>
<td>476 450</td>
</tr>
<tr>
<td>No</td>
<td>Beneficiary</td>
<td>Project</td>
<td>IPA decision year</td>
<td>Amount (euro)</td>
</tr>
<tr>
<td>----</td>
<td>-------------</td>
<td>---------</td>
<td>-------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>11</td>
<td>Public administrative reform</td>
<td>Technical assistance for the IPA training and support facility</td>
<td>2007</td>
<td>856 280</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>Strengthening the capacity of institutions to manage and implement operational programmes</td>
<td>2008</td>
<td>1 599 710</td>
</tr>
<tr>
<td>13</td>
<td>the former Yugoslav Republic of Macedonia</td>
<td>Support for the Public Procurement System</td>
<td>2008</td>
<td>986 442</td>
</tr>
<tr>
<td>14</td>
<td></td>
<td>Technical Assistance to the Ministry of Information Society and Administration and Strengthening the implementation of the National System for Training Coordination</td>
<td>2009</td>
<td>1 095 000</td>
</tr>
<tr>
<td>15</td>
<td></td>
<td>Further development and strengthening of the public procurement system</td>
<td>2009</td>
<td>1 080 017</td>
</tr>
<tr>
<td>16</td>
<td></td>
<td>Strengthening the management and control systems for EU financial assistance</td>
<td>2009</td>
<td>2 000 000</td>
</tr>
<tr>
<td>17</td>
<td>Montenegro</td>
<td>Strengthening State Audit Institution</td>
<td>2014</td>
<td>751 068</td>
</tr>
<tr>
<td>18</td>
<td></td>
<td>Audit Quality control in the State Audit Institution</td>
<td>2014</td>
<td>250 000</td>
</tr>
<tr>
<td>19</td>
<td></td>
<td>Strengthening the management of EU funds and general administrative procedures</td>
<td>2014</td>
<td>1 261 500</td>
</tr>
<tr>
<td>20</td>
<td>Serbia</td>
<td>Municipal support programme</td>
<td>2007</td>
<td>22 501 150</td>
</tr>
<tr>
<td>21</td>
<td></td>
<td>Support for the Public Procurement Office</td>
<td>2007</td>
<td>116 650</td>
</tr>
<tr>
<td>22</td>
<td></td>
<td>Support for the development of Public Internal Financial Control</td>
<td>2008</td>
<td>2 000 000</td>
</tr>
<tr>
<td>23</td>
<td></td>
<td>Harmonisation of the Customs Enforcement Division with the standards, organisation and operational methodology of EU enforcement agencies</td>
<td>2008</td>
<td>1 399 641</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>48 590 427</strong></td>
</tr>
</tbody>
</table>

Source: ECA on the basis of European Commission data, 30 June 2015.
## Audit sample of IPA I regional programmes

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

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

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

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

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

Introduction

09
The Commission would like to underline that the enlargement process is a strict but fair process built on established criteria and lessons learned from the past. Each country is assessed on the basis of its own merit. The challenges faced by the current enlargement countries are such that none will be ready to join the EU during the mandate of the current Commission, which will expire towards the end of 2019. The Council in December 2015 reiterated that enlargement remains a key policy of the EU and reiterated the EU’s unequivocal commitment to the European perspective of the Western Balkans.

Observations

23
The Commission would like to point out that all countries have strategies in the area of the rule of law. However, not all may have an overarching or updated strategy in the justice sector.

Box 4 — Experience with decentralising management under IPA I
The former Yugoslav Republic of Macedonia
The Commission would like to highlight that in order to mitigate the risk of further losses of projects, the procedure for the review of contractual documents has been improved and is more selective in decentralising funds under IPA II. The Commission also closely monitors the procurement plans prepared by the national authorities and advises on the prioritisation of projects. Moreover, the Commission monitors the implementation of the DIS action plan prepared by the national authorities to address any issues related to the implementation of IPA.
Box 4 — Experience with decentralising management under IPA I

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

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

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

28
The Commission would like to point out that conditionality has been applied, where appropriate, and at the appropriate level, to achieve the maximum possible impact of the enlargement policy objectives, in often difficult political contexts.

Box 6 — Strict conditionality not applied during IPA

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

36
The Commission partially agrees. As a general policy, the Commission systematically follows up on all evaluations, notably through a detailed table of recommendations and follow-up actions. The Commission would also like to point out that result oriented monitoring (ROM) is based on generic questions which may be used for all countries and/or sectors. However, experts with the relevant targeted experience can be used to provide a more balanced view.

37
The Commission points out that a comprehensive strategic evaluation of PAR is currently ongoing.

Box 7 — Regional donor coordination in the Western Balkans

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

The RCC has built a donor database (SEEDAD). A beta version was finalised in December 2015 and the database was presented to the donor community at the donor coordination meeting held in March 2016 (http://www.rcc.int/seedad).
Despite some shortcomings in the donor coordination process on the part of the national authorities, due to the support provided by the Commission and the EU Delegations, this did not have an impact on the correct implementation of the IPA financial assistance.

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

**Kosovo**

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

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

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

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

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

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

In the case of Kosovo, the Commission would like to refer to its recent report on progress by Kosovo in fulfilling the requirements of the visa liberalisation roadmap, including on building up a track record in fighting corruption and organised crime (COM(2016) 276 final).
The Commission partially disagrees. The project did not in itself meet targets such as a decrease in perceived levels of corruption, or an increase of seizure of assets, which are results of a more long-term nature. However, other important objectives of the project were successfully met and have had a positive impact on tackling corruption in Albania. The recent thematic evaluation on IPA support in the fight against corruption concluded that the project ‘contributed to the prevention of corruption in the education sector’ and positively assessed its contribution to the implementation of the recommendations by GRECO and Moneyval.

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

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

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

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

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

The Commission points out that political dialogue can only encourage reform, but the ownership of the reform process lies with the national authorities.
Box 15 — Limits of political dialogue regarding the rule of law
Common Commission reply to ‘Bosnia and Herzegovina’ and ‘Kosovo’
The Commission points out that the political dialogue with the Western Balkans countries has been conducted in an efficient and result-oriented manner and delivered progress as outlined in the annual Enlargement packages/progress reports. However, the complexity of the reforms assessed in this audit means that the process requires time, in particular as the Commission applies a quality before speed approach. In addition, the speed of reforms in the countries concerned is under the responsibility of the national authorities.

Conclusions and recommendations

Recommendation 1 — Objectives. Indirect management
The Commission accepts this recommendation.

Recommendation 2 — Conditions. Monitoring. Evaluation
The Commission accepts this recommendation.

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

Recommendation 3 — Track record. Resources
The Commission accepts this recommendation.

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

Recommendation 4 — Regional cooperation
The Commission accepts this recommendation.
The Commission would like to point out that, where political dialogue has had limited impact on the rule of law, this has been primarily due to the lack of political commitment on the part of the national authorities.

**Recommendation 5 — Political dialogue**
The Commission accepts this recommendation.
HOW TO OBTAIN EU PUBLICATIONS

Free publications:
- one copy:
  via EU Bookshop (http://bookshop.europa.eu);
- more than one copy or posters/maps:
  from the European Union’s representations (http://ec.europa.eu/represent_en.htm);
  from the delegations in non-EU countries (http://eeas.europa.eu/delegations/index_en.htm);
  by contacting the Europe Direct service (http://europa.eu/europedirect/index_en.htm) or
calling 00 800 6 7 8 9 10 11 (freephone number from anywhere in the EU) (*).

Priced publications:

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption of the audit planning memorandum/Start of audit</td>
<td>10.3.2015</td>
</tr>
<tr>
<td>Official sending of draft report to Commission (or other auditee)</td>
<td>6.6.2016</td>
</tr>
<tr>
<td>Adoption of the final report after the adversarial procedure</td>
<td>12.7.2016</td>
</tr>
<tr>
<td>Commission’s (or other auditee’s) official replies received in all languages</td>
<td>31.8.2016</td>
</tr>
</tbody>
</table>
The EU Western Balkan enlargement policy has dealt with six European countries which have historically been affected by serious ethnic, political and economic conflicts and aspire to join the EU. The Court assessed whether the Commission’s management of the IPA in the Western Balkans in the key areas of rule of law and public administration was effective and whether it actually did strengthen administrative capacity in the region. In addition, the Court examined the achievements of the EU–Western Balkan political dialogue in strengthening administrative capacity.