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Kosovar Civil Society Foundation

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[EU PRE-ACCESSION INSTRUMENTS: DEVELOPMENT OF ABSORPTION CAPACITIES IN KOSOVO]

POLICY PAPER

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The European Union



European Agency for Reconstruction

Civil Society Organizations in Support of
Kosovo's European and Regional Integration

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Programs and Activities

Through focus on European Integration KCSF board of governance aims to promote better knowledge of the functioning of the EU, raise public awareness and promote dialogue on the project of European Integration. Communication and information activities aim to facilitate a better understanding, coherence and consistence in the approach towards European Integration. The target groups to be reached consist of: civil society, civil administration, public and private sector, media, academia and targeted professional associations.

HIGHLIGHTS

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- 403 SCHOLARSHIPS FOR RAE STUDENTS
- 15 PUBLICATIONS
- MORE THAN 100 BASIC AND ADVANCED TRAININGS
- 260 GRADUATES FROM EUROPEAN INTEGRATION SCHOOL

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Scope of Work:

Information on European Integration Process

- EU Resource Centre and Newsletter
- Support the Implementation of the Government Communication Strategy

Improved Knowledge on European Integration

- European Integration School
- Capacity Building for CSOs in European Integration
- Tailored Trainings for CSOs, Media, Political Parties and Administration
- Media Support Programs

Provision of Analyses related to European Integration Process

- Research and Publications
- Public Debates
- Experts Roundtable and Policy Recommendations

Cooperation with countries in the Region and EU in relation to European Integration

- Knowledge Transfer about Regional and EU Integration
- Promotion of Regional Cooperation in the field of EI
- Networking and Sectorial Partnerships

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List of Acronyms Used

AIE	Agency for European Integration
BC	Beneficiary Country
BH	Bosnia and Herzegovina
CARDS	Community Assistance for Reconstruction, Development and Stabilization
CBC	Cross-Border Cooperation
CODEF	Central Office for Development and Coordination of EU Funds
DG	Directorate General
DIS	Decentralized Implementation System
EAR	European Agency for Reconstruction
ECHO	EC Humanitarian Office
ECLO	European Commission Liaison Office
EUMS	European Union Member State
PHARE	Pologne, Hongrie Assistance à la Reconstruction Economique
FYROM	Former Yugoslav Republic of Macedonia
GERAP	Reform of Public Administration
IPA	Instrument for Pre-Accession Assistance
ISPA	Instrument for Structural Policies for Pre-Accession
KDSP	Kosovo Development Strategic Plan
MEDA	Euro- Mediterranean Partnership Programme
MIPD	Multi annual Indicative Planning Document
MIFF	Multi annual Indicative Financial Framework
MLGA	Ministry for Local Governance Administration
MTEF	Medium Term Expenditure Framework
NIPAC	National IPA Coordinator
OPM	Office of the Prime Minister
PISG	Provisional Institutions for Self-Government
SAP	Stabilization and Association Process
SAPARD	Special Accession Programme for Agriculture and Rural Development
SEE	South Easter Europe
STM	SA Tracking Mechanism
TACIS	Programme for Easter Europe and Central Asia
TAIEX	Technical Assistance and Information Exchange Instrument
UNMIK	United Nations Mission in Kosovo
UNSCR	United Nations Security Council Resolution

1. Introduction

In the Thessaloniki European Council Conclusions, European Parliament acknowledged that “each of the Western Balkan countries was moving towards accession, but at the same time it insisted that each country should be judged on its own merits”¹. Subsequently, Western Balkan countries, candidate (Croatia, Macedonia, and Turkey) and potential candidate (Albania, BH, Montenegro, Kosovo and Serbia) were given perspective of joining EU shall they keep the path of reforms and pre-accession assistance funds and programs that were put at their disposal to this end.

Programs like ECHO, PHARE and OBNOVA were initially established for Central and Eastern European countries, and were subsequently made accessible to Western Balkan countries as well. Kosovo benefited from EU programs, initially from CARDS and since 2007 from newly established IPA instrument.

This study will give a modest contribution toward overcoming the difficulties of aid absorption capacities in the context of European Integration. Coordination and management of funds deriving from various instruments represents a challenge for Kosovo Government. In connection to this, the study will try to highlight main EU instruments (leaving aside non-EU aid) and bring those to interested audiences (namely PISG). It will moreover review difficulties that were faced in the past and at present, in designing sound institutions capable of absorbing and managing funds, and will provide some ideas on how to construct future institutional structures for effective EU aid management.

The study is divided into three parts. First part will elaborate previous and ongoing EU assistance projects and will provide some explanation on how and by whom was this assistance managed. Whereas the second part will be mainly dealing with Instrument of Pre-Accession (IPA) as the most important financial instrument, and other complementary programs such are TAIEX, Twinning, and EC Community Programs that will become more and more prevalent in the coming years. The study will provide a short analysis of existing structures dealing with such instrument within PISG followed up by a case study. The last part of the study gives some recommendations of how European Integration institutional structures in Kosovo shall be designed in order to effectively absorb the said funds.

¹ Thessaloniki Conclusions, Paragraphs 40, 41, 42 and 43. http://www.europarl.europa.eu/summits/pdf/the_en.pdf

2. Overview of past and ongoing EU financial assistance to Kosovo

Before 1999, all EU assistance directed to Kosovo was managed by Federal Republic of Yugoslavia where Kosovo was a constitutional part. At that time, all the support to Kosovo was directed toward relief and emergency. However, during 1999 and afterwards the quantity and quality of this financial support was made in accordance with dynamics of needs and developments in Kosovo.

2.1. Previous programmes

After 1992 most of EU aid to Kosovo was given through EU's Humanitarian Aid Office (ECHO) - aid that is not subject to political conditionality- and included support to refugees, internally displaced persons and vulnerable groups in Kosovo. Apart from the above mentioned assistance, EU also provided around € 36 million in 2000 for assistance programmes. During the years 1999-2000 EU has spent € 112 million on projects within Kosovo.

2.2. Ongoing programmes- CARDS

The largest EU financial support to Kosovo so far was channeled through the CARDS programme. The Community Assistance for Reconstruction, Development and Stabilization programme was established by the Council Regulation (EC) 2666/2000², with the aim of providing assistance to Western Balkan countries, including Kosovo (territory under United Nations jurisdiction and administration governed by UNSCR 1244³). The total EU funds dedicated to this program over a period of six years (2000-2006) amounted to € 4 650 million and aimed at supporting EU aspiring Western Balkan countries in the Stabilization and Association process. Since 1999 until 2006, financial support allocated to Kosovo was € 1, 635, 70 million and projects under this programme were managed by the European Agency for Reconstruction through its operational centre in Prishtina.

Table 1

CARDS and other EC support	1,173.50
Support to UNMIK Pillar IV	126.43
Exceptional financial assistance (including budgetary support)	115
Humanitarian assistance (for the period 1999-2002)	378
Total	1,792.93

EC support to Kosovo since 1999 (in € million)

² For more info see http://ec.europa.eu/enlargement/pdf/financial_assistance/cards/general/2666_00_en.pdf

³ See <http://www.unmikonline.org/press/reports/N9917289.pdf>

Fields covered by this programme include reconstruction, institution building, sustainable economic development, social development, regional and cross-border cooperation, etc. Although, the EU assistance is intended to be implemented with the help of domestic institutions in the receiving country, it can be observed that due to the lack of Kosovo's institutional (PISG) capacities most of CARDS programs were programmed and managed by the EAR.

The Instrument for Pre-Accession Assistance (IPA) was recently established; however several CARDS projects are still under implementation and will go on for two additional years until the last project is finally implemented.

3. Pre-Accession financial instruments

The preparation for EU membership is a long and demanding process. Having this in mind, the European Union is finding new ways and modalities to help the "EU want to be members" to apply EU values, laws and standards. Naturally, this requires commitment, strong and determined leadership on behalf of EU. Moreover, this has to be accompanied with concrete investments in beneficiary countries in order to help them embrace EU values and approximate their legislation with *Acquis Communautaire*.

Apart from financial support through different programs (namely CARDS), EU has opened its doors for Kosovo Institutions (PISG) to participate in other instruments. Most important instruments that were made accessible to Kosovo institutions will be presented below. However, it shall be noted that they are not presented based on chronology of their respective availability (i.e. TAIEX was established prior to IPA) but rather on their importance.

3.1. Instrument for Pre-Accession Assistance (IPA)

The Instrument of Pre-Accession Assistance (IPA) is a new EU financial instrument established by Council Regulation (EC) No 1085/2006⁴ on 17 July 2006. As of 1 January 2007, it replaced all five existing instruments, (PHARE, ISPA, SAPARD, Turkey pre-accession instrument and CARDS), and it simplified and streamlined the EU external assistance during the pre-accession period. The IPA instrument will provide financial assistance to candidate and potential candidate countries in an amount of 11.468 billion Euros during the period from 2007 until 2013.

The assistance will support beneficiary countries in the following areas⁵: strengthening of democratic institutions and rule of law- including its enforcement; promotion and protection of human rights, minority and gender rights, and promotion of non-discrimination; public administration reform, including the establishment of system of decentralized management of assistance in the beneficiary countries; economic reform; civil society development; social inclusion; reconciliation, confidence-building and reconstruction; and regional and

⁴ http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_210/l_21020060731en00820093.pdf

⁵ Council Regulation (EC) No 1085/2006 of 17 July, Official Journal of the European Union L210/82, Article 2

cross-border cooperation. In the case of Kosovo, the IPA funds will be also facilitated to a) progressively align its legislation with the *Acquis Communautaire* and to b) to support social, economic and territorial development including, *inter alia*, infrastructure and investment related activities, in particular in the areas of regional, human resources and rural development.

The pre-accession assistance will be programmed and implemented according to the following components:

- 1) Transition Assistance and Institution Building;
- 2) Cross-Border Cooperation;
- 3) Regional Development;
- 4) Human Resources Development; and
- 5) Rural Development.

Since Kosovo is listed in Annex II⁶ of the IPA Regulation, it can only benefit from the first two components. However, these two components can be used interchangeably provided that there is a good justification and reasoning for that. The assistance shall be based in the European Partnership Action Plan and shall cover “priorities and overall strategy resulting from a regular analysis of the situation in each country and on which preparation for further integration into the European Union must concentrate”⁷.

Before commencing programming and implementation, a multi indicative planning document⁸ shall indicate main priorities to be by financed by IPA. The Multi-annual Indicative Planning Document (MIPD) 2007 - 2009 is the key strategic planning document for assistance to Kosovo under the Instrument for Pre-Accession Assistance (IPA). It follows the Multi-annual Indicative Financial Framework⁹(MIFF) which indicatively allocates funds per beneficiary and per component.

⁶ Annex II of the IPA Regulation enlists Potential Candidate countries for EU accession, among others Kosovo, that are eligible only for first two components of IPA, whereas Candidate Countries are eligible for all IPA components and are enlisted in Annex I. Different European Countries are at various stages in their road toward EU, with potential candidate countries having more to do in order to fulfill accession criteria. See more on this topic at http://ec.europa.eu/enlargement/countries/index_en.htm

⁷ Ibid Article 6(3).

⁸ Multi Indicative Planning Document (MIPD) for Kosovo.

⁹ The Multi-Annual Indicative Financial Framework (MIFF) for the Instrument of Pre-Accession Assistance (IPA) is designed to provide information on the indicative breakdown of the overall IPA envelope proposed by the Commission in accordance with article 5 of the IPA Regulation (EC) 1085/2006. It acts as the link between the political framework within the enlargement package and the budgetary process.

Component	2007	2008	2009	2007-2009
<i>Institution Building and Transition Support</i>	60,7	62,0	63,3 ¹⁰	186,0
<i>Cross-Border Cooperation</i>	2,7	2,7	2,8	8,2
Total	63,4	64,7	66,1	194,2

Table 2

Multi-annual Indicative Financial Framework (MIFF) agreed for Kosovo under IPA allocation for 2007-2009 (in € million)

As indicated above, Kosovo benefits from first two components:

3.1.1. IPA I Transition Assistance and Institution Building component

The Transition Assistance and Institution Building sets priorities as stipulated in the European Partnership in three sub-components:

1. Political requirements: EC assistance will be dedicated to supporting a stable, modern, democratic, multi-ethnic and open society based on the rule of law. Special attention will be given to Public Administration and Judiciary Reform;
2. Socio-economic requirements: EC assistance will be used to support the development of the socio-economic environment;
3. European standards: EC assistance will support and accompany Kosovo in its European integration plan (legal and policy approximation, administration needs and requirements for DIS).

1. Under political requirements, the following needs in the context of 1st IPA component were highlighted in the MIPD¹¹:

- Assist Kosovo institutions to support the implementation of the status settlement;
- Improvement of Kosovo public administration's performance at all levels;
- Advance the reform of local governance as part of overall decentralization process, including improvement of managerial competences and service delivery;

¹⁰ IPA Annual Programme 2007 for Kosovo is € 68,3 million

¹¹ MIPD for Kosovo

- Consolidate rule of law through police reform and fighting corruption- in collaboration with relevant stakeholders;
- Promote human rights and minority rights, IDP and repatriation of refugees, preservation of cultural heritage etc.

2. Socio-economic requirements include objectives as set below:

- Improving Kosovo's investment climate and support to small and medium-sized enterprises, including promotion of export;
- Promoting rural development;
- Developing infrastructure and especially in the transport sector;
- Investing in the education sector.

3. Under European Standards heading¹² MIPD highlights the need of empowering institutional capacities in order to:

- Develop sectorial strategies and policies in compliance with EU standards, especially in the field of public procurement, intellectual property rights and veterinary services;
- Enhance capacities in internal affairs prominently in border control, asylum and migration;
- Support Kosovo's participation in Energy Community Treaty of SEE.

3.1.2. IPA II Cross-Border Cooperation component

The Cross-Border Cooperation component supports cooperation between Member States, Candidate and Potential Candidate countries at the border regions. It also supports the above mentioned categories of countries to cooperate among themselves and between them and Member States.

The objectives of CBC are directed toward promotion of good neighborly relations, fostering stability and security for their mutual interest and promoting balanced and sustainable development¹³.

Regarding IPA CBC 2007, Kosovo will not engage in genuine cross-border activities with neighboring countries due to its unsolved political and legal status. However, financial allocation for this component for the year 2007 will be invested in technical equipment or in improving facilities of Kosovo border posts with its neighbors¹⁴. Notwithstanding, Kosovo government, namely AIE and MLAG, have been involved in regional initiatives such as CBIB project, or initiatives involving local NGO's and other parts of the civil society.

¹² Ibid

¹³ Council Regulation (EC) No 1085/2006, Art. 9

¹⁴ For more info see IPA 2007 Annual Programme for Kosovo

3.2. Technical Assistance and Information Exchange Instrument (TAIEX)

TAIEX is the Technical Assistance and Information Exchange Instrument of the Institution Building Unit of the Directorate General Enlargement of the European Commission. This newly created instrument has proven to be very efficient in transposing *Acquis Communautaire* and aligning legislation of countries aspiring EU membership. This instrument offers short-term assistance and advice in the area of approximation, application and implementation of *Acquis Communautaire* in the system of countries benefiting from TAIEX. The main TAIEX duties include: provision of technical assistance and advice, collection and distribution of information regarding *Acquis Communautaire*, offering of a database in order to facilitate and monitor the progress of approximation as well as identification of the needs to be covered by TAIEX assistance.

TAIEX offers its services in different forms. Primarily by deploying EU Member States experts on short notice to beneficiary countries (BC) to help them understand and apply *Acquis Communautaire* and its specificities. Further, it organizes study visits for officials of BC and enables them to see how is *Acquis* implemented and transposed in other EU countries. It also organizes seminars and workshops for broader audiences aiming at explaining *Acquis* to larger number of officials involved in this process. In addition to this, it organizes trainings, monitoring, and maintains a database of all experts available for these services. Finally it helps countries in the pre-accession phase to translate *Acquis* relevant parts and other documents. Public sector and parts of civil society are beneficiaries of TAIEX services, ranging from civil servants of central and local government, Assembly Committee members to representatives of professional and commercial associations, including trade unions.

Since its creation in 2003, TAIEX was made accessible to Kosovo institutions and other above potential participants; nevertheless Kosovo only began to gain benefits out of this instrument in 2004, either through direct invitation sent by TAIEX services to PISG or through the latter's initiation (all requests generating from PISG are forwarded by the Agency for European Integration). Recent statistics¹⁵ show that number of applications sent to TAIEX by Kosovo institutions has increased progressively¹⁶.

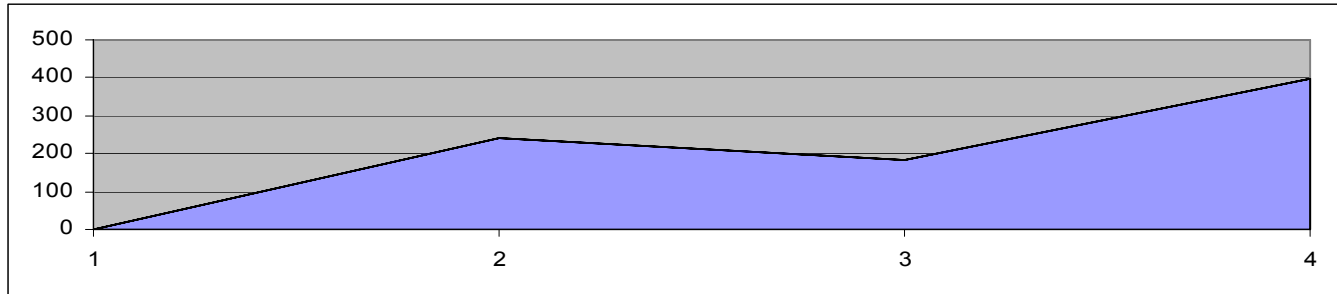
Table 3

Number of Participants according to Beneficiary Country				
	2003	2004	2005	2006
Kosovo (UNSCR 1244)	0	239	182	397

¹⁵ Extract of Table of Statistics published in http://www.center.gov.ua/data/upload/publication/main/ua/550/taieux_2006_statistics.pdf

¹⁶ See TAIEX website for more information <http://taieux.ec.europa.eu/>

Diagram 1



3.3. Twinning Instrument

The Twinning instrument¹⁷ will be elaborated in this part of policy paper, although this is an instrument which can interchangeably be used for different kind of programs (even prior IPA era, i.e. CARDS). Twinning is a European Commission's instrument mandated to strengthen administrative and judicial capacities of candidate and potential candidate countries in their endeavors to implement EU legislation as future EU members. This instrument has had a paramount importance in the context of institution –building in the countries of last two accession rounds and it will remain a crucial instrument for remaining countries. Twinning has been offered to Western Balkan countries through the CARDS programme and has been put in disposal to all institution-building programs regardless from specific sectors. It has several features, namely all Twinning projects are build around common EU policies, i.e. EU Enlargement, further strengthening of administrative capacities of new members states, or enhancing of cooperation as envisaged by CARDS, MEDA¹⁸ and TACIS¹⁹.

The main principles of Twinning projects are as follows: beneficiary countries (BC) select their EU member state (MS) partners; Twinning projects must produce concrete operational and tangible results in order to show that BC meets Acquis related requirements or other EU policies; Twinning partners take responsibility for achieving concrete results and the end of project should result with new adapted functional system that should be run by BC. Twinning projects must have detailed plan before commencing the work²⁰, a plan that can be adjusted during project implementation. However, project management has to set clear project stages in order to allow progress monitoring. Finally, it shall be observed that ownership of the project must remain with beneficiary country.

¹⁷ See more on http://ec.europa.eu/enlargement/financial_assistance/institution_building/twinning_en.htm

¹⁸ Euro- Mediterranean Partnership Programme. See http://ec.europa.eu/external_relations/euromed/meda.htm

¹⁹ Programme for Easter Europe and Central Asia. See http://ec.europa.eu/external_relations/ceeca/tacis/

²⁰ See more on Twinning Manual http://ec.europa.eu/enlargement/pdf/financial_assistance/institution_building/final_version_of_the_manual_060707.pdf

3.4. EC Community Programmes

The European Union complements its policies by funding different programmes. Community Programme is “an integrated series of actions adopted by the European Community in order to promote co-operation between its member states in different specific fields related to Community policies, over a period of several years”²¹. Although in principle they have been conceived as tailored especially for EU member states, these programmes were also made available for candidate and even potential candidate countries.

Since Kosovo has the status of potential candidate country it can benefit from the mentioned programmes should there be enough administrative capacities within its Government. Moreover, the following procedures must be met before applying to Community Programmes:

- Decision of Kosovo Government to which programme to access;
- Exchange of letters between the relevant Government officials and the Director General of the concerned EC DG;
- Negotiation of the specific terms and conditions of a Framework Agreement and additionally the Memorandum of Understanding between the EC and Kosovo on the specific programme;
- Establishment of the entry fee, also with regard to available co-funding within the Instrument of Pre-Accession (IPA);
- Setting up of the necessary national administrative and institutional structures to manage with specific programme;
- Conclusion of the MoU, signature and ratification by the Kosovar Parliamentary Assembly.

The only community programme from which Kosovo gained benefit so far is Erasmus Mundus. This is a European Commission’s programme for cooperation and mobility in the field of higher education. This programme enables students and scholars from non-EU countries to engage in post-graduate studies. In case of Kosovo, a contact point²² has been established to manage with the Erasmus Mundus programme.

Intensification of dialogue between Kosovo Government and the European Union, namely European Commission, will bring the need for more active participation in different Community Programmes. In a study²³

²¹ Tanritanir, Nuray, “European Community Programmes and Agencies”, January 2002, pp. 1.

²² Salto Youth Resource Centres, <http://www.salto-youth.net/seeprocedure/>

²³ Strengthening the PISG’s Institutional Capacity to Participation in the Stabilisation Association Process - An EU funded project implemented by Sofreco- “Participation of Kosovo to Community Action Programme”, October 2006

carried out by an EU sponsored project, a set of Community programmes were displayed for the benefit of Kosovo. Moreover other practical information were disclosed as regards the legal framework through which Kosovo can participate in the said programmes, and templates of documents, agreements and MoU's were also attached to this report.

For illustration, programmes with internet references are presented below:

Table 4.

<p>Entrepreneurship and Innovation Programme</p> <p>http://ec.europa.eu/enterprise/enterprise_policy/cip/index_en.htm#entr</p>	<p>Part of the Competitiveness and Innovation Framework Programme, (Decision 1639/2006/EC). NB: the programme will be operational as of January 2007</p> <p>This programme will bring together activities that were previously carried out under the Multi-annual Programme for Enterprise and Entrepreneurship (MAP), and the environmental technologies part of the LIFE-Environment programme. CIP will also build on innovation activities that were previously implemented through framework programmes for research, technological development and demonstration.</p>
<p>Community Programme for Employment and Social Solidarity - PROGRESS</p> <p>http://ec.europa.eu/employment_social/progress/index_en.html</p>	<p>Community Programme for Employment and Social Solidarity, (COM(2004)488 – Decision 1672/2006/EC).</p> <p>The Programme will be divided in 5 sections corresponding to the 5 main fields of activities: (1) Employment; (2) Social protection and inclusion; (3) Working conditions (4) Anti-discrimination and diversity; (5) Gender equality</p>
<p>Intelligent Energy-Europe Programme</p> <p>http://ec.europa.eu/enterprise/enterprise_policy/cip/index_en.htm#ict</p>	<p>Part of the Competitiveness and Innovation Framework Programme (Decision 1639/2006/EC).</p> <p>NB: the programme will be operational as of January 2007</p>
<p>ICT Policy Support Programme</p> <p>http://ec.europa.eu/enterprise/enterprise_policy/cip/index_en.htm#ict</p>	<p>Part of the Competitiveness and Innovation Framework Programme (Decision 1639/2006/EC).</p> <p>NB: the programme will be operational as of January 2007</p>
<p>Interoperable Delivery of European e-Government services to Administrations, Businesses and Citizens (IDABC Programme)</p> <p>http://ec.europa.eu/idabc/</p>	<p>Decision 2004/387/EC of the European Parliament and of the Council of 21 April 2004 on interoperable delivery of pan-European e-Government services to public administrations, businesses and citizens (IDABC)</p>
<p>Lifelong Learning</p>	<p>Proposal establishing an integrated Action Programme in the field of Lifelong Learning, COM(2004)474</p>

http://ec.europa.eu/dgs/education_culture/newprog/index_en.htm	<p>This "Integrated programme" aims to foster the inter-change, cooperation and mobility between education and training systems with the Community so that they become a world quality reference.</p>
<p>Culture 2007</p> http://ec.europa.eu/dgs/education_culture/newprog/index_en.htm	<p>Culture 2007 Programme (2007-2013), (COM(2004)469 - Decision 1904/2006/EC)</p> <p>The programme aims to enhance the cultural area common to Europeans through the development of cultural cooperation between creative artists, cultural players and cultural institutions of the countries taking part in the programme, through inter alia trans-national mobility, circulation of works and cultural and artistic products and inter-cultural dialogue.</p>
<p>Citizens for Europe</p> http://ec.europa.eu/dgs/education_culture/activecitizenship/new_programme_en.htm	<p>2007-2013 programme "Citizens for Europe" to promote active European citizenship (COM(2005)116 - Decision 1904/2006/EC)</p> <p>The programme will provide the Union with instruments to promote active European citizenship, put citizens in the centre and offers them the opportunity to fully assume their responsibility as European citizens</p>
<p>Youth in Action</p> http://ec.europa.eu/dgs/education_culture/newprog/index_en.htm	<p>Proposal creating the Youth in Action Programme for the period 2007-2013, COM(2004)471</p>
<p>LIFE +</p> http://ec.europa.eu/environment/life/news/futureoflife.htm	<p>Proposal concerning the Financial Instrument for the Environment (LIFE+), COM(2004)621</p>

4. Administrative and institutional capacities for coordination of EU instruments

The membership in the European Union requires that apart from other criteria, countries are able to manage funds and programmes in decentralized manner. As indicated above, most of CARDS projects and other instruments in Kosovo were managed either by EAR operational center in Prishtina or centrally from Brussels (European Commission).

Kosovo presently lacks stable institutions and well trained staff for effective planning, coordination and management of EU funds. This however, does not mean that nothing has been done to increase the local ownership of managing EU assistance. In order to effectively implement the EU assistance and ultimately to reach the DIS stage, more needs to be done in terms of legislative and Institutional framework and administrative capacity.

4.1. Legislative Framework

The Kosovo Government through the Agency for European Integration (AIE) has to ensure that legislative framework is put in place in order to allow for multi-annual programming. It shall also in its legal acts foresee clauses for budget flexibility as co-financing is one of IPA preconditions. In doing so, since Kosovo is undergoing the process of approximation of legislation, it has to ensure that relevant pieces of legislation i.e. law on public procurement; competition, non-discrimination etc. are drafted in strict convergence with that of European Union.

In most of above said, Kosovo Government has taken concrete steps toward approximating its legislation with relevant measures of *Acquis Communautaire*, nevertheless still remains to be done in this direction. Namely, in the coming months all legal arrangements must be done in order to allow Kosovo Government to programme and implement IPA based projects including legal acts deriving from the principle of co-financing. Moreover, templates and other necessary arrangements need to be prepared for participation in the community programmes. Additionally, secondary legislation, documentation and internal documents shall be developed for other programmes and instruments (i.e. Twinning operations).

4.2. Institutional Framework

The process of European Integration in Kosovo is managed by the Agency for European Integration which functions as part of the Office of Prime Minister. This Agency was established by UNMIK Administrative Direction 2006/06 and it is responsible for “coordination of Government actions in aligning practices and legislative activities with relevant European Union (EU) norms and standards in the context of the EU

Stabilization and Association Process (SAP) with a view to facilitating economic, social and other reforms and capacity-building to support Kosovo's involvement in European integration processes"²⁴.

For its purposes, AIE has established a mechanism through which it coordinates activities among line ministries and governmental agencies. This mechanism is spread across line ministries in the form of Offices for European Integration, which serve as focal points and reference offices for all European Integration activities. This network is mainly facilitated to provide inputs for EC progress-reports and organize STM meetings, but also to report to European Commission on different issues. The EI mechanism is further extended to the local level through MLGA or directly from the centre (AIE).

Internally, AIE has its own department²⁵ that serves as counterpart to ECLO and EAR on the IPA programming. Likewise, this department- which presently employs three staff members- covers coordination of TAIEEX, Twinning and CBC activities. Besides the AIE staff, there are EU and other donors' financed projects²⁶ in support support of AIE's daily activities.

However, to be able to absorb IPA funds and to be in position to coordinate and programme EU aid and consequently to create DIS²⁷, more and sophisticated institutional structures have to be put in place. This includes planning and establishing all structures at national and local level, as well as implementation bodies with clear role and responsibilities- as required by IPA regulations. Apart from mentioned structures, an efficient mechanism has to be established for inter-ministerial coordination, with inclusion of other stakeholders (i.e. civil society, professional organizations, etc.) in the process of programming and implementation.

Concretely, the Agency for European Integration has to work with Government in setting up an inter-ministerial coordination group (i.e. Croatian respective body) or IPA committee that will be mandated with preparation of strategic documents (IPA framework, MIPD and similar documents). Subsequently, line ministries have to establish (those who haven't created yet) offices for strategic planning²⁸ or existing offices shall be merged with European Integration Offices, and they would be the main interlocutors to AIE for preparation of IPA programme. Notwithstanding, other structures have to be designed and formalized- structures along various sectors (EAR invites similar *ad hoc* Sector Review Meetings), with special emphasis on inclusion of the civil society.

²⁴ UNMIK Administrative Direction 2006/06, Article 2.1

²⁵ See Annex 1 Directorate for Coordination of EU Assistance

²⁶ EU Support to European Integration project and DFID project for standards implementation and European Integration

²⁷ The Decentralized Implementation System (DIS) is an implementation system where management and responsibilities are conferred to the Beneficiary Country in accordance with the provisions of Article 164 (1) of the Financial Regulation, where the Commission still exercises a systematic ex-ante control over tendering and contracting of projects and whilst it retains the overall final responsibility for general budget execution under Articles 53 and 164 FR and under relevant provisions of the EC Treaties.

²⁸ Similar structures are planned by Kosovo Donor Coordination Centre in its Discussion Note "Aid management in Kosova", June 2007, pp. 2

The Kosovo Government, respectively the Agency for European Integration, shall also build up institutional capacities to benefit from mentioned instruments like TAIEX, Twinning, Community Programmes, etc. Currently, the AIE operates with minimum personnel regarding coordination of EU assistance, therefore structures or appointment of officers with clear portfolio must be done for separate instruments.

4.3. Administrative capacities

Kosovo is undergoing a public reform administration and for this purpose a strategy and action plan were prepared under the guidance of Ministry of Public Services strategic group. However, this process will not address separately capacities, analysis of staff and training needs for IPA and other EU instruments' implementation structures. Neither has the Government undertaken serious measures to create capacities solely for coordination and implementation of IPA programmes.

As observed above, the Agency for European Integration created a Directorate for Coordination of EU Assistance which for the time being operates with a limited number of personnel²⁹.

Up to date, no assessment has been carried as to the real needs of this sector, although projects in support of European Integration process in Kosovo have developed schemes and potential structures of IPA Decentralized Implementation System (DIS)³⁰.

The AIE has organized with all involved stakeholders several training modules on EU related affairs. It has moreover involved most of European Integration officers in the trainings of strategic planning and project planning and implementation. Recently, the AIE drafted an annual training plan, anticipating all training measures in the field of European Integration, including package of training on EU instruments and their coordination.

The challenge of public administration and especially European Integration mechanism remains in keeping the skilled staff within the process and recruiting additional personnel with relevant skills and affinities. Low level of salaries, low political support and stereotypes surrounding the Government work renders this process extremely difficult.

²⁹ See Annex 1

³⁰ WYG project in support of AIE prepared similar un-published draft-analysis

5. EU financial assistance programming in Kosovo

Kosovo has drafted and it is in the process of revising its Development Strategic Plan (KDSP), a document of paramount importance for Kosovo's economic development in the medium-term. Preparation of this document gathered most prominent experts, however the aspect of European Integration and its implications were not encountered seriously while drafting this document.

Recently, the Kosovo Medium-Term Expenditure Framework (MTEF)³¹ has been finalized. This document represents Government's three-year spending plan that feeds Kosovo budget process. It moreover reflects growth strategy for Kosovo drawn from KDSP. Most importantly, the second volume of MTEF presents Government's specific priority sectors for the next three years.

The Kosovo National Development plan (KDSP) hasn't been finalized and this represents difficulty at the outset when it comes to programming of EU assistance, that is to say Instrument for Pre-Accession (IPA). However, with finalization of the MTEF, at least a framework of priorities of expenditures has been established and therefore will render IPA programming less cumbersome.

The programming of IPA 2008 in the given circumstances, when European Agency for Reconstruction is transferring its personnel to European Commission Liaison Office, with latter assuming more responsibilities in the programming and management of EU assistance projects, and understaffed Agency for European Integration does not promise for drastic improvements in IPA 2008 programming, and especially regarding local ownership.

With aim of ensuring better coordination and programming of IPA 2008 Annual Programme but also trying to ensure an inclusive process, ECLO and EAR have prepared an action plan in cooperation with AIE through which it sets the main programming stages with institutions in charge of specific actions. This plan replicates last year's plan with not many substantial changes in it.

³¹ MTEF, Volume 1 (The Macro-Fiscal Framework) and Volume II (Sector Spending Strategies), Draft 12 September 2007

6. A model to follow- Case of Croatia

One of the countries in the Western Balkans regarded as the most advanced in its road to EU is Croatia, a candidate country together with FYROM and Turkey. The status of candidate country suggests that those countries are more advanced in their way toward accession, and accordingly their administrative and institutional capacities are at higher level vis-à-vis potential candidate countries (including Kosovo). This renders Croatia as the country in South Eastern Europe with the most promising prospects of joining EU.

The Croatian administration is organized in such a manner that “national level institutions feature not only as beneficiaries of EU assistance; they are also in charge of managing this assistance and ensuring its absorption by final beneficiaries outside state administration (i.e. NGO’s, private and public enterprises etc.)”³². This in turn made specific line ministries and governmental agencies to be more closely involved in planning and management of sector specific EU funding and hence ease the process of contracting most of EU money allocated to Croatia³³. Croatian administrative capacities were allocated against the workload that EU assistance poses and sufficient number of professionals were dedicated to relevant institutions (100 staff members work in the area according to CODEF³⁴). A special body was mandated with preparations of IPA and structural Funds- the Central Office for Development Strategy and Coordination of EU Funds (CODEF)-, however the main task for planning and preparations of projects lies with relevant units within line ministries and agencies.

Modalities used by Croatian state administration resulted with success not only in the first two components of IPA, but also in Regional, Human Resources Development and Rural Development Components. Consequently the whole DIS³⁵ system in Croatia proved to be flexible, tailor-made and efficient. The same model³⁶ was used more or less by FYROM state administration, but unlike Croatia the former is still awaiting full accreditation by EC relevant body.

Kosovo in the future shall establish similar structures which are moreover anticipated by EC IPA programming guidelines for the first component of the Instrument for Pre-Accession Assistance.

³² Iva Frkic and Dalibor Dvorny, “Case of IPA in Croatia: Invitation to strategic thinking or <business as usual>? 2006, p.3

³³ Ibid. p. 4

³⁴ See more at <http://www.strategija.hr/Default.aspx?art=445&sec=110>

³⁵ See Annex 2

³⁶ See Annex 3

7. Concluding remarks and Recommendations

This study aimed at bringing at spotlight the most important EU financial instruments and assesses whether Kosovo has sufficient institutional and administrative capacities to coordinate and manage with them.

As can be observed throughout the study, Kosovo Government suffers in terms of institutional and administrative capacities for effective coordination and management of EU funds, as a consequence of various factors. In spite of the fact that several financial and technical instruments were put at disposal of Western Balkan countries, consequently Kosovo, the benefits gained from these projects remain very low.

In order to improve the local ownership in managing the EU assistance, PISG have to lead the process and take a more proactive role in programming and management. The Kosovo government has to create legislative framework, improve its institutional structures and tailor them against EU instruments. Moreover, it shall strive to engage as much as possible, skilled professionals with profound knowledge of EU structures and keep them in process by using different incentives (higher salaries, promotion, investing in their future and giving them more space).

As it has been shown in the case of Croatia, a coordinative approach not only facilitated administration's efforts toward management of EU assistance, but it moreover helped the administration to extend IPA principles even at national development funding i.e. the planning, preparation and implementation based on EU principles on management.

Despite all, Kosovo Government shall establish clear national development priorities and shall maintain the European agenda as a firm priority which is integrated horizontally into all governments' priority areas. Well defined priorities at national level and coherent framework and time-table in the context of European Integration and respective European Partnership Action Plan and future partnership agreements and arrangements will allow for more coordinated approach of IPA programming in the side of Kosovo institutions.

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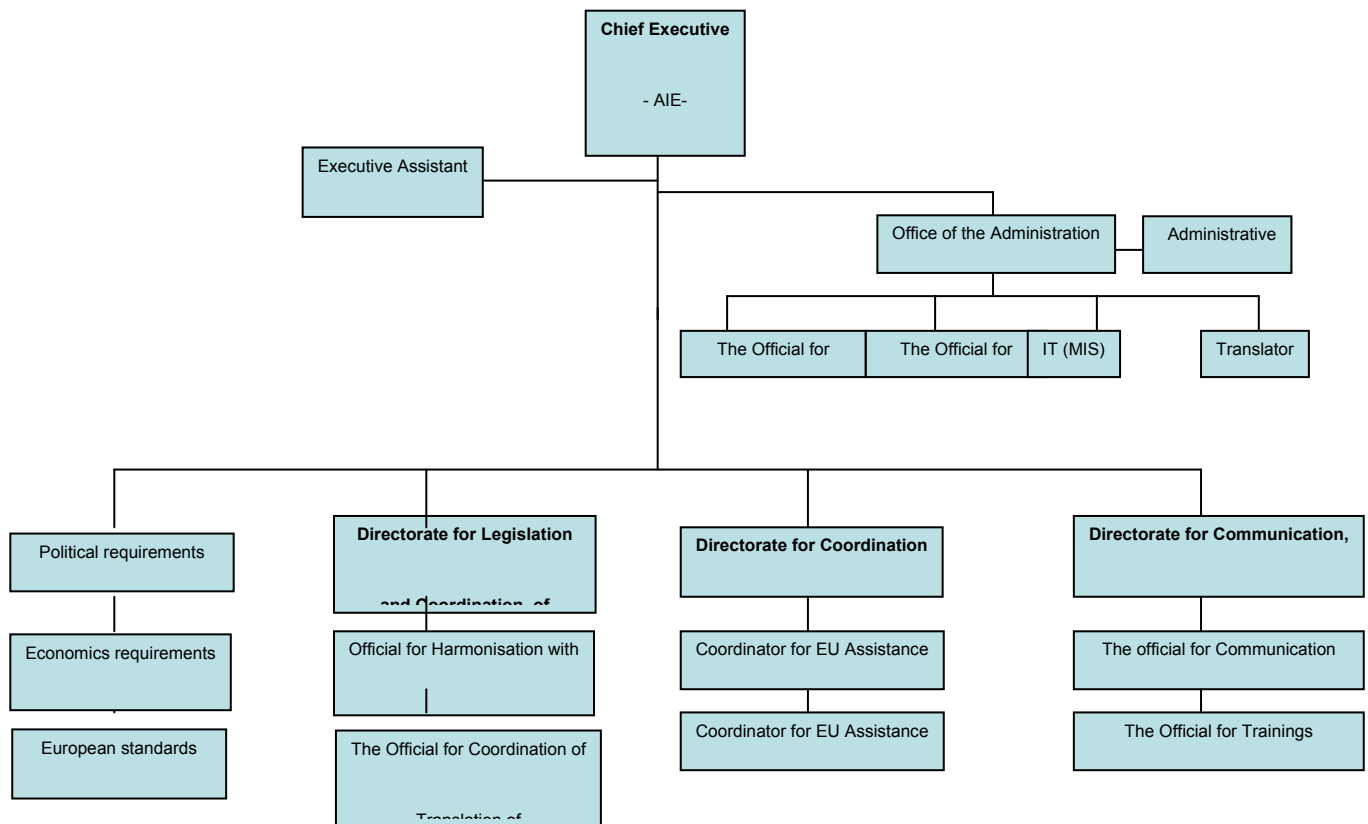
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8. Annexes

8.1. Annex 1

Organizational Chart

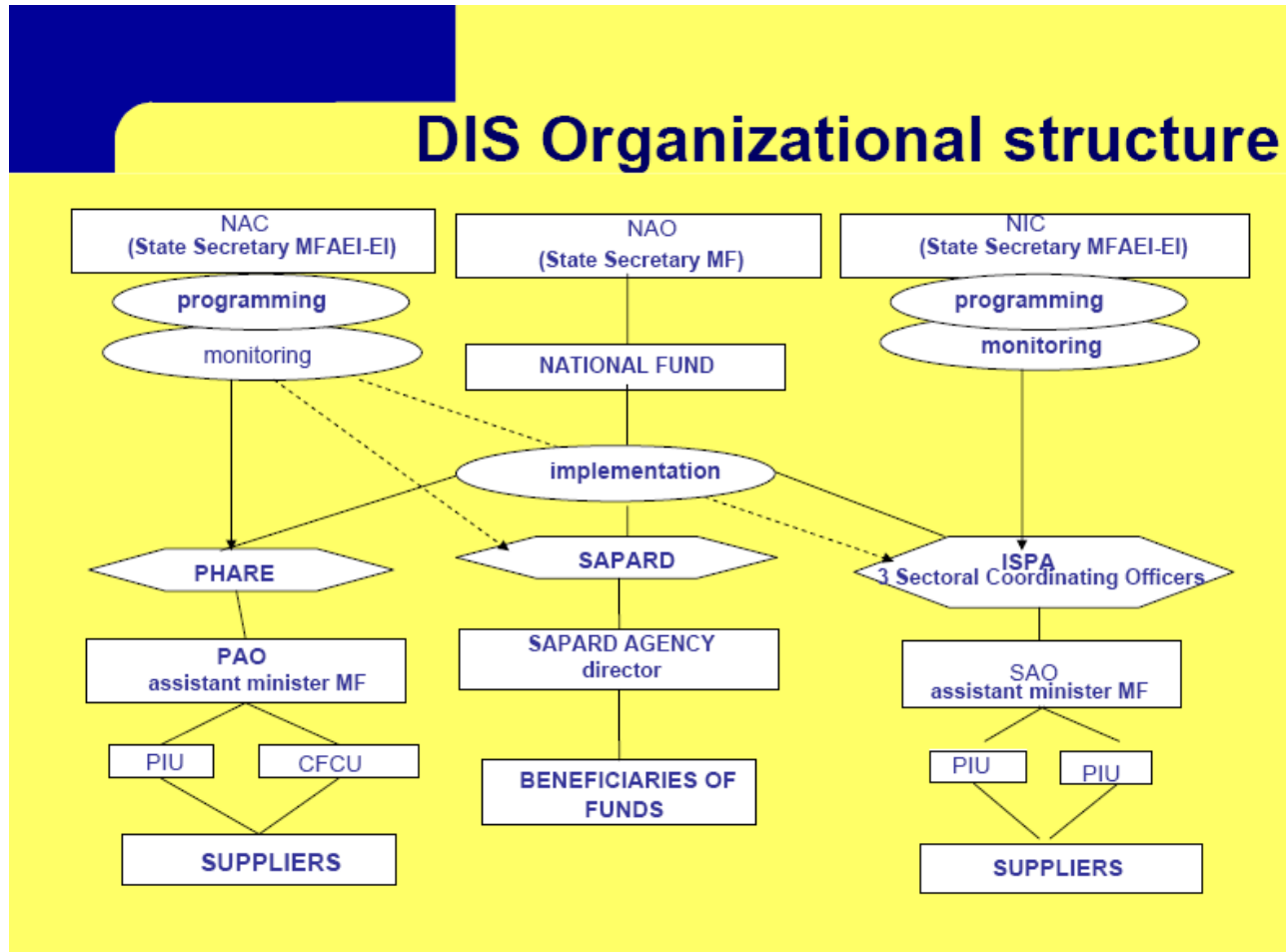
Kosovo Agency for European Integration



8.2. Annex 2

Croatian Decentralized Implementation Structure

(Source: Maria Pejcinovic Buric)



8.3. Annex 3

FYROM- IPA Operational Structure

