

# **EU Funding for the Western Balkans**

## **2010 - 2012**



### **A short survey on EU funding programs and instruments in the countries of the Western Balkans**

Albania, Bosnia & Herzegovina, Croatia, Montenegro, Macedonia, Serbia, Kosovo

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For the last decade the countries of the Western Balkans region, namely Albania, Bosnia & Herzegovina, Croatia, Macedonia, Montenegro, Serbia and Kosovo have been regarded as potential candidates for EU membership. Being subject to EU Enlargement policies, rather than EU Neighborhood policies, these countries are subject to structural aid and assistance by a number of EU foreign policy instruments, with the fundamental purpose of tying these countries closer to the EU legislation, economy and values and successfully integrating them within the Single market of the Union.

An officially recognized benchmark for the preparedness of these countries to join the EU and to comply with the pursuing obligations of a full membership was sealed in 1993 and is commonly known as the Copenhagen criteria. These criteria require that a state has the institutions to preserve democratic governance and human rights, has a functioning market economy, and accepts the obligations and intent of the EU. Consequent structural and financial aid and assistance from the EU to these countries is predominantly channeled to promote and institute reforms in the countries, designed to pave the way for full compliance with the Criteria and hence - to ensure preparedness for EU membership.

All other countries, neighboring the EU, who are not, as of 2011, subject to Enlargement policies, or who are not members of the European Economic Area (EEA), fall under the auspices of the European Neighborhood Policy and are subject to different instruments of funding from the EU. These countries are generally regarded as ENP countries.

From 2007 effective, financial aid and technical assistance from the EU to the Enlargement policy countries (Western Balkans and Turkey) is disbursed through the framework of a uniform instrument - a pre-accession program, called Instrument for Pre-Accession Assistance (IPA). Main purpose of the IPA is to incorporate previous pre-accession and stabilization assistance within a single framework, in order to enhance the efficiency and coherence of the aid provided, and thus - to better prepare the countries for actual membership within the EU. These countries are also generally regarded as IPA countries.

The IPA **beneficiary countries of the Western Balkans (Albania, Bosnia & Herzegovina, Croatia, Macedonia, Serbia, Montenegro and Kosovo)** are

divided into two categories, depending on their status as either candidate countries under the EU Accession Process or potential candidate countries under the Stabilization and Association process. As of March 2011, Macedonia, Croatia, Montenegro and Turkey are officially recognized as candidate countries, while Albania, Bosnia & Herzegovina, Serbia and Kosovo are identified as potential candidates (have not yet started official negotiations for EU membership, but have been recognized as candidates).

**IPA aid is delivered through five fundamental components:**

- **Transition and Institution Building;**
- **Cross-border cooperation (I & II concern all beneficiary countries);**
- **Regional Development (providing support to transport, environment infrastructure and enhancing competitiveness and reducing regional disparities);**
- **Human Resources Development;**
- **Rural Development (III, IV & V concern only candidate countries).**

The IPA replaces all previously existing EU programs and financial instruments (PHARE, PHARE CBC, ISPA, SAPARD, CARDS and the Financial Instrument for Turkey), and is based on strategic multi-annual planning established in accordance with the broad political guidelines set out in the Commission's enlargement package, which includes a [Multi-annual Indicative Financial Framework](#) (MIFF). The MIFF takes the form of a table presenting the Commission's intentions for the allocation of funds for the three forthcoming years, broken down by beneficiary and by component, on the basis of the needs and the administrative and management capacity of the country concerned and compliance with the Copenhagen criteria.

The strategic planning introduced under the IPA is made up of multi-annual indicative planning documents (MIPDs), with the MIFF constituting the reference framework. Assistance under the IPA can take, *inter alia*, the following forms:

- investment, procurement contracts or subsidies;
- administrative cooperation, involving experts sent from the Member States;
- action by the Community acting in the interest of the beneficiary country;

- budget support (granted exceptionally and subject to supervision);
- support for the implementation process and management of the programs;

The IPA financial envelope has been custom tailored and accommodated to beneficiaries according to the needs of each country. The reinforcement of administrative capacity is one of IPA's key objectives for all beneficiaries. Hence, countries which need development of administrative capacity will be able to receive support for this under the transition assistance and institution building component. In this respect, generally, there is no competition for funds under the IPA.

In particular, beneficiary countries are due to receive support to increase their administrative capacity and to establish the proper management structures necessary to take responsibility of the management of pre-accession assistance. For candidate countries, this will then allow measures, related to human resources, rural and regional development to be undertaken and financed through the relevant IPA components (which are designed to prepare the countries for the management of structural funds and hence require adequate and well functioning management structures and capacities). For potential candidates, this development approach is essential in their preparation for the candidate status.

Until a beneficiary receives the official status of a candidate country (with the proper management structures in place), measures in human resources, rural and regional development can be carried out through the Transition assistance and Institution building component. There is no strict correlation between the number of components available to a given beneficiary and the size of their financial allocation.

Currently four countries enjoy that status of candidate countries – Croatia, Macedonia, Montenegro and Turkey (we do not mention Iceland in this report, due to geographical distance and less points of possible cooperation).

Within the Multiannual indicative planning documents for allocation of IPA funds, **Component I - Institution and Transition Building** constitutes a major priority for aid disbursement under the programming period 2007-2013. Main focus of this Component is to institute reforms in the political area, to secure improvements of civil society and to grant support for the economic sector. In this respect, assistance is targeted at public administration reform, fight against organized crime and corruption, local community development, promotion of human and minority rights and adoption

and transposition of the EU Acquis Communautaire (EU legislation) within the national legislative sources of the countries.

IPA Component I aid for the economic sector is generally aimed to be distributed in favor of the sectors of public finance, statistics, health care and social policy, improvement of incentive structures and flexibility in the labor markets, as well as for the overall improvement of the economic environment.

Particularly, as is the case in Albania, IPA Component I will also prioritize the areas of agriculture and rural development, regional development, environment, consumer protection, transport and energy. Funding for these areas will range between 40% and 50% of the total funding planned under Component I and is expected to include major municipal projects in infrastructure, as a possible medium-term response to the financial crisis.

IPA **Component II Cross-Border Cooperation** also applies to all countries – IPA beneficiaries and is intended to address activities and projects in promotion of good relations between regions and countries, as well as in development of cross-border infrastructure, flood prevention, economic cooperation and environment problems, administrative cooperation, cultural and educational exchange, research, job creation, etc.

In the case of Croatia, which is the most advanced country in the pre-accession process, hence the country staying closest to EU accession, funds under Component II will be provided for the preparation of the country to manage European Territorial Cooperation aid under the Structural Funds of the EU. Additionally, assistance in support of Bosnia and Herzegovina's participation in joint projects under the European Regional Development Fund's (ERDF) transnational programs "South-East Europe" (SEE) and "Mediterranean" (MED).

The other three Components - Regional Development, Human Resources Development and Rural Development apply solely to candidate countries, i.e. Croatia and Macedonia. However, as previously mentioned, the rest of the countries can implement pilot projects in these domains under Component I and II.

To improve funds coordination and to enhance leverage of the support measures

provided, the European Commission anticipates to coordinate assistance under the IPA with the assistance provided by International Financial Institutions (IFIs) and other

donors. An [Infrastructure Projects Facility](#) has been created with the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Council of Europe Development Bank (CEB), as a pilot predecessor of the officially launched in the end of 2009 [Western Balkans Investment Framework](#). Other initiatives include an [Western Balkans Sustainable Energy Financing Facility](#) and a single instrument for SME development – the [European Fund for South East Europe](#).

**Allocation of funds for Candidate countries under the IPA.** Figures are in EURO

Country	Component	2010	2011	2012
<b>Croatia</b>	Transition Assistance and Institution Building	39,483,458	<b>39,959,128</b>	<b>40,872,310</b>
	Cross-border Co-operation	16,216,542	<b>16,540,872</b>	<b>16,871,690</b>
	Regional Development	56,800,000	<b>58,200,000</b>	<b>59,348,000</b>
	Human Resources Development	15,700,000	<b>16,000,000</b>	<b>16,040,000</b>
	Rural Development	26,000,000	<b>26,500,000</b>	<b>27,268,000</b>
	<b>Total</b>	154,200,000	<b>157,200,000</b>	<b>160,400,000</b>
<b>Macedonia</b>	Transition Assistance and Institution Building	36,317,068	<b>34,503,410</b>	<b>32,979,479</b>
	Cross-border Co-operation	5,682,932	<b>5,796,590</b>	<b>5,912,521</b>
	Regional Development	29,400,000	<b>35,000,000</b>	<b>39,400,000</b>
	Human Resources Development	8,400,000	<b>9,400,000</b>	<b>10,580,000</b>
	Rural Development	12,500,000	<b>14,000,000</b>	<b>16,928,000</b>
	<b>Total</b>	92,300,000	<b>98,700,000</b>	<b>105,800,000</b>
<b>Montenegro<sup>1</sup></b>	Transition Assistance and Institution Building	29,238,823	<b>29,843,599</b>	<b>30,446,471</b>
	Cross-border Co-operation	4,761,177	<b>4,856,401</b>	<b>4,953,529</b>
	<b>Total</b>	34,000,000	<b>34,700,000</b>	<b>35,400,000</b>

**Source: European Commission**

<sup>1</sup>Components III to V are available for Montenegro (a candidate country since 17.12.2010) but they can only be operational when the country receives accreditation for the **Decentralized Implementation System (DIS)**.

**Allocation of funds for Potential candidate countries under the IPA.** Figures are in EURO

<b>Country</b>	<b>Component</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Albania</b>	Transition Assistance and Institution Building	82,711,421	<b>84,301,650</b>	<b>85,987,683</b>
	Cross-border Co-operation	10,488,579	<b>10,698,350</b>	<b>85,987,683</b>
	<b>Total</b>	93,200,000	<b>95,000,000</b>	<b>96,900,000</b>
<b>B&amp;H</b>	Transition Assistance and Institution Building	100,688,099	<b>102,681,861</b>	<b>104,700,000</b>
	Cross-border Co-operation	5,311,901	<b>5,418,139</b>	<b>5,526,501</b>
	<b>Total</b>	106,000,000	<b>108,100,000</b>	<b>110,200,000</b>
<b>Serbia</b>	Transition Assistance and Institution Building	186,206,679	<b>189,956,810</b>	<b>193,801,948</b>
	Cross-border Co-operation	12,493,321	<b>12,743,190</b>	<b>12,998,052</b>
	<b>Total</b>	198,700,000	<b>202,700,000</b>	<b>206,800,000</b>
<b>Kosovo</b>	Transition Assistance and Institution Building	64,484,594	<b>65,828,286</b>	<b>67,070,852</b>
	Cross-border Co-operation	2,815,406	<b>2,871,714</b>	<b>2,929,148</b>
	<b>Total</b>	67,300,000	<b>68,700,000</b>	<b>70,000,000</b>

**Source: European Commission**

### **Funding opportunities**

Generally, IPA funds are distributed either in the form of tender calls for projects, or in the form of financing for multi-beneficiary horizontal programs of the EU. The websites of the delegations of the EU in the different countries of the Western Balkans provide extensive information on anticipated, ongoing and past projects, including all information, necessary for a contractor to put together and submit a tender proposal. Following are the relevant websites, where all information, regarding funding opportunities in the countries of the Western Balkans is to be found:

**Albania** - [http://ec.europa.eu/delegations/albania/funding\\_opportunities/grants/](http://ec.europa.eu/delegations/albania/funding_opportunities/grants/)

**B&H** - <http://www.delbih.ec.europa.eu/?akcija=tenderi&jezik=2>

**Croatia** - <http://www.delhrv.ec.europa.eu/?lang=en&section=78>

**Macedonia** - <http://www.delmkd.ec.europa.eu/en/TendersAndVacancies/index.htm>

**Serbia** - <http://europa.sw4i.com/code/navigate.php?Id=737>

**Montenegro** - <http://www.delmne.ec.europa.eu/code/navigate.php?Id=85>

**Kosovo** - <http://www.delprn.ec.europa.eu/?cid=2,121>

As mentioned, countries of the Western Balkans (depending on their status under the EU accession process) are also eligible for submission of projects under some of the multi-beneficiary and horizontal programs of the EU. This type of programs serves as a framework for projects carried out using the most efficient and effective instruments with a view to achieving economies of scale or with a view to promoting regional co-operation. They usually require the participation of at least 3 partners, from at least 3 EU countries, members of the EU, EEA, the Western Balkans, etc. For the area of the Western Balkans, several horizontal programs need to be mentioned: The Southeast Europe program, INTERREG IV, 8 IPA cross-border cooperation programs among solely IPA countries (i.e. CBC Serbia-Montenegro, Albania-Macedonia Albania-Montenegro, etc.), and 9 cross-border cooperation programs between EU member states and IPA countries (i.e. CBC Serbia-Bulgaria, Macedonia-Greece, IPA Adriatic program etc).

## **Southeast Europe**

The program's global objective is to improve the territorial, economic and social integration process in South East Europe and contribute to cohesion, stability and competitiveness of the area through the development of transnational partnerships and joint action on matters of strategic importance. The program supports projects developed within **four Priority Axes: Innovation, Environment, Accessibility, and Sustainable Growth Areas** - in line with the Lisbon and Gothenburg priorities.

## **MED Program (Mediterranean)**

The program supports projects, developed within four Priority Axes: Strengthening innovation capacities, Environmental protection and promotion of a sustainable territorial development, Improvement of mobility and of territorial accessibility, Promotion of a polycentric and integrated development of the Med space.

## **INTERREG IV**

The overall objective of the INTERREG IVC Program is to **improve the effectiveness of regional policies and instruments**. A project builds on the exchange of experiences among partners who are ideally responsible for the development of their

local and regional policies. The areas of support are **innovation and the knowledge economy**, environment and risk prevention. Thus, the program aims to contribute to the economic modernization and competitiveness of Europe. INTERREG IVc is linked to the objectives of Lisbon and Gothenburg agendas.

## **Cross-border programs**

These programs foster partnerships between countries/ regions on both sides of an EU member state and a neighboring IPA country. Project partners share a single budget, common management structures, a common legal framework and implementation rules

## **IPA cross-border programs**

Promotion of regional cohesion and competitiveness through an approach that integrates economic, environmental and social development in the IPA countries. Concrete measures and priorities vary for the different programs.

## **Eligibility of partners**

(Citation from the [Practical Guide to Contract Procedures for EU external actions](#))

In terms of tenderers' eligibility, without prejudice to the specificity of each basic act which contains the eligibility provisions applicable to each instrument, participation in the procurement and grant procedures is normally open on equal terms to all natural persons who are nationals of and legal persons established in:

- a Member State of the European Union;
- a Member State of the European Economic Area;
- an official candidate country or potential candidate that is a beneficiary of the Instrument for Pre-Accession Assistance, depending on the basic act;
- a country that is directly beneficiary of the aid implemented through the corresponding basic act;
- as the case may be, another third country

These procedures are also open to international organizations. For aid channel through an international organization or in case of co-financing with third countries, the rules of nationality and origin can be applied provided that these do not exclude any eligible country according to the applicable EDF/EU basic act.

For the purposes of verifying compliance with the nationality rule, the tender dossier requires tenderers to state the country of which they are nationals or they are established by presenting the documents required under that country's law. Article 54 of the Treaty of the Functioning of the European Union links the notion of establishment and that of nationality within the EU, stating that "companies or firms formed in accordance with the law of a Member State and having their registered office, central administration or principal place of business within the Union shall [...] be treated in the same way as natural persons who are nationals of Member States".

If the Contracting Authority (or Evaluation Committee) suspects that a candidate/tenderer is not actually established in an eligible country or state and that the nationality of the candidate/tenderer is ineligible, it shall request the candidate/tenderer to provide evidence demonstrating actual compliance with the abovementioned nationality requirement. This is to avoid awarding contracts to firms whose nationalities are ineligible but which have set up 'letter box' companies in an eligible country to circumvent the rules on nationality. The decision on the eligibility (or not) of candidates/tenderers is taken by the Contracting Authority (usually on the basis of the elements and evidence provided during the evaluation).

**NB!! Experts:** Unless otherwise foreseen in the basic act and/or the Financing Agreements, experts engaged by eligible tenderers may be of any nationality.

For future reference, it is of momentous importance to mention, that as soon as a country (of the Western Balkans) successfully accomplishes the European Union accession process, the country becomes subject to funding under a set of EU programs in various fields, including agriculture, regional development, industry, health, culture, audio-visual and media, tax and finance, energy, social welfare and human resources, science, research and development, external relations, transport, etc. For more information, please follow the link: [http://ec.europa.eu/contracts\\_grants/grants\\_en.htm](http://ec.europa.eu/contracts_grants/grants_en.htm).

## SOURCES:

European Commission - [http://ec.europa.eu/index\\_en.htm](http://ec.europa.eu/index_en.htm)

European Commission - [http://ec.europa.eu/regional\\_policy/funds/ipa/index\\_en.htm](http://ec.europa.eu/regional_policy/funds/ipa/index_en.htm)

Southeast Europe Program - <http://www.southeast-europe.net/en/>

MED Program - <http://www.programmemed.eu/>

CBIB – Cross-border Institution Building - <http://www.cbib.eu/en/welcome/index.html>

[Practical Guide to Contract Procedures for EU external actions](#)