

# EU funds briefing

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CEE Bankwatch Network's mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

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## Future pre-accession assistance post 2013

### Introduction

The current Regulations for the pre-accession assistance of the European Union expire at the end of 2013, coinciding with the end of the current Multi-annual Financial Framework. In the course of 2011, the European Commission will present its proposals for the post-2013 Multi-annual Financial Framework (on which annual EU budgets will then be based).

To support the preparation of the future pre-accession assistance instrument, the European Commission launched a stakeholder consultation. The purpose of the consultation is twofold:

- To gather information to explain and better substantiate the added value and priorities of pre-accession assistance; and
- To explore possibilities of how to improve specific aspects and the delivery of such assistance.

The CEE Bankwatch Network has contributed to the consultations by providing its position on the current and future pre-accession support.

### Future needs in beneficiary countries after 2013

*The ultimate aim of EU financial assistance has been to support beneficiary countries' progressive alignment with the standards and policies of the EU, with a view to EU membership. To ensure performance of assistance in terms of its relevance, efficiency, effectiveness, sustainability, and impact/results, and taking due account of the scarcity of funds compared to needs, the successor to IPA should address the most significant needs, taking also into account that the funds available to the EU are limited. The period of reference should be the next Multi-annual Framework of the EU, i.e. a period of 5 to 7 years starting in 2014.*

The CEE Bankwatch believes that in order to properly assess the needs in beneficiary countries this consultations and the questionnaire need to be accompanied with basic information about the current performance of countries. By basic performance we mean at least the ratio between available and used funds for each country. At the moment there is no place where a normal citizen would check this performance indicator. Due to suspicions that available funds in some countries have not been efficiently used, we have to raise the question of Increasing capacity for funds absorption in the future.

We cannot prioritize between the proposed sets of criteria (political, economic, ability to take on the obligations of membership, supporting structures and measures for compliance with the criteria and management of funds) as we believe that improvements are needed and possible in almost every field of functioning. However, significant efforts need to be made in the "ability to take on the obligations of membership" as the IPA beneficiary countries are all striving to become a part of the EU one day, and that is, for them the biggest challenge.

Regarding the corruption, we believe it is a serious problem in all IPA countries,

as it is interfering with legal processes and it seriously undermines the quality of processes carried out. Future IPA period should prioritise fight against corruption and minimising organized crime because EU should be able to help IPA beneficiary countries overcome these problems and come closer to the EU. We definitely do not wish to witness situations like serious accusations of countries Prime Ministers, Ministers and other high level officials.

Public reform is one common thing between most of the IPA states. Reform started in some states, but it still needs significant effort - even though capacities have been "strengthened" for several years now, still capacities are low in the institutions, including municipalities. One of the proposal for example in Croatia is also grouping of small and poor municipalities into bigger administrative units.

Connected with section C. Ability to take on the obligations of membership we should raise the current issue of non-transparency of negotiations process for the EU accession. Very little information is available for public. We again would like to emphasise the wish for more transparent procedures – as it raises confidence and support of the citizens towards the European Union. For example, Croatian NGOs are already for 3 years asking for negotiating positions from relevant institutions who consider this as secret – strategic matter, even though the environmental questions should be available under Environment Protection Act, Aarhus convention and several EU laws and bylaws. Only after all the official negotiations have been closed, on 1st of July 2011, Croatian government published the summary of all the 35 negotiation chapters. Croatian positions were kept secret for 6 years and this could be one of the reasons for citizens EU scepticism.

## The overall European added value of pre-accession assistance

*The identification of a European added value is a key criterion for the justification for spending at EU level. EU pre-accession assistance should therefore focus on actions which beneficiary countries cannot do or finance themselves; which cannot be funded from other external resources; or where EU action can secure better results, e.g. through providing specialist knowledge.*

The CEE Bankwatch Network strongly believes that the pre-accession assistance could bring the most European added value in the next period in the areas of strengthening of democratic institutions and the rule of law and promotion and protection of human rights and fundamental freedoms. Additionally, we consider the reform in the field of justice and home affairs, including the fight against corruption and organised crime an important added value of the EU funding. Development of capacities in the countries for successful management and implementation of

Structural, Cohesion and common Agricultural Policy funds is another added value of the European funding.

On the more broad perspective, as one of most important aspects of the pre-accession assistance we consider the strengthening of the market economy, economic reform and support for a sustainable economic growth. In this respect, cross-border cooperation between EU member states and beneficiary countries could play a major role.

Regarding infrastructure and environment improvements, upgrading transport infrastructure is definitely important. The IPA countries would benefit from upgrading intermodal capacities. In Croatia, Macedonia and Serbia more investments in the railway infrastructure in future period are definitely needed. For last couple of decades, railway development was neglected in favor of road transport (particularly construction of motorways in last decade). In 2008, Croatian Parliament accepted the National program of railway infrastructure for 2008-2012 that was supposed to bring 18 billion HRK (partially co-financed by IPA). Unfortunately, start of many projects has been delayed. In the development of railway infrastructure for the next period, it is important to focus on sub-urban transport of large cities. Main reason is that ROI time is much shorter than it would be in case of big and very expensive infrastructure projects, which is very important in this period of financial crisis. Bigger projects should be implemented in the next period, and IPA added value would be speeding the investments in this sector.

Resource efficiency measures were so far well prioritised in IPA countries when speaking about waste and water management, however it is of great concern the whether the chosen priorities have been implemented. By this, we mean that priorities stated in the Environmental Operational Programme (EOP) do not always reflect the projects financed by IPA funds. For example: In the Croatian EOP one of the priorities is reduction of waste by implementing separate waste collection but that priority did not receive any IPA funding. One of the reasons for this is centralized decision making where in the same time local governments desperately seek opportunities to invest in sustainable waste management

From what is visible in public, countries so far didn't put much efforts into stronger support to rural development sector. We see added value of IPA funding in future in this sector, as current conventional agricultural practice in IPA countries leads towards humus depletion in soil, desertification, damaging biodiversity and contributing to greenhouse gas emissions through excess usage of nitrate fertilizers. By supporting integrated approach and organic farming and combining with local energy planning, IPA funds would help protecting the environment and allow development of sensible farming methods resulting in healthy food supplies. When speaking about rural

development strategies – it is visible that only advanced and well-managed rural municipalities manage to secure European Funding. Small municipalities with small budgets do not have substantial capacities for managing even smallest IPA grants therefore they mostly do not even apply for those. This gives us full right to derive the opinion that additional focus of IPA funding should go towards capacity building for rural development.

We do support the claim that more EU resources are required to meet pre-accession needs. In order to confirm this statement we would like to bring to your attention that for example, in order for countries to meet EU Landfill directive, at least EUR 1.5 billion per country are needed. At least EUR 1bn additionally is necessary to meet the needs of other waste sector legislative standards (Waste framework directive, WEEE packaging directive). Meeting only waste sector standards requires all the available funding for the countries. We should prioritise funding opportunities, in this sector, for public sector projects as those are the ones who need significant improvements (Water, waste water, waste, railroads, energy) where the situation or extra funding is non existing and would otherwise mean new public loans, price increases, lowering of living standards of citizens etc.

## Future policy objectives of EU Pre accession assistance

Contributing to sustainable socio-economic development will definitely change and will be much more relevant in the future. The EU already recognised the need for clean development and green job opportunities through its resource efficient flagship document. This firm signal from EC shows that the future will be marked with raw material supply scarcity, increased demand for clean energy, high development of renewable energy market etc. IPA can do significant change by supporting projects and capacity building not only for real sustainable socio-economic development but environment should be incorporated into this statement too. We would also like to highlight two speeches from high level officials who show that EU and UN really should drive the change from the previous “development idea” towards new and sustainable development.

UN secretary general, Ban Ki Moon said: “For most of the last century, economic growth was fuelled by what seemed to be a certain truth: the abundance of natural resources. We mined our way to growth. We burned our way to prosperity. We believed in consumption without consequences. Those days are gone. In the twenty-first century, supplies are running short and the global thermostat is running high.”

Environment Commissioner Janez Potočnik said: “My old mobile phone contains gold, platinum, palladium and copper: all resources that we have too little of in Europe. A tonne of these handsets would contain

about 280 grams of gold, 140 grams of platinum and palladium and 140 pounds of copper. This is not waste that we should bury or burn; it is a resource that we should respect. We are serious about making Europe a “resource efficient economy” as we set out to do in the Europe 2020 Strategy. This is not just about reducing negative environmental impacts and green house gas emissions, it will also create jobs; in the waste recycling sector alone half a million jobs could be created.”

## Coherence with EU priorities

*Strengthening the coherence between the EU's actions and its overarching objectives and priorities is key in all EU policy areas in order to maximise the overall gains from public interventions and to ensure the sustainability of effects. Pre-accession assistance is no exception to this principle, and will be aligned, to an appropriate degree, with relevant EU priorities falling outside the actual scope of enlargement. Beneficiary countries of EU Pre accession assistance, pursuing EU membership, may also be interested in aligning their policies with the EU priorities.*

### More efficient use of resources

As already stated in other parts of this document under future policy objectives; efficient use of resources is not a wish but a firm step which needs to be taken in order to diminish the stress on the environment. Benefits of such activities are more and more visible every day, so the Environment Commissioner Janez Potočnik states that the waste recycling sector alone could create half a million new jobs, and this sentence enters the new European resource efficiency flagship initiative.

### Fighting against poverty

Poverty reduction strategy for IPA should establish a mechanism for social entrepreneurship especially in small municipalities, villages and remote areas and support local based financial mechanisms that will enable establishment of loans for social entrepreneurship. This measure should be in strong relation with measures for integral development of local agricultural policy and measures towards decentralization of energy sector and sustainable transport patterns that should be in the heart of future support mechanism for IPA countries.

In the case this kind of support is not established it is easy to see that current trends toward diminishing and further deterioration of local communities will take even more serious quantity. For example, practically more than 1800 villages in Serbia are close to vanishing, accelerated by a 50.000 mortality annual rate in Serbia. That trend is possible to be reverted only by strong measures listed in this chapter. Enlargement negotiation process

Very little and limited evidence or information is pro-

vided from governments. For example, Croatia did acknowledge the negotiations positions, but only after the negotiations were closed, 6 years after the negotiations started. We find this unacceptable as it actually disables the public to show its opinion towards the fund planning and spending, and creates serious levels of unconfidence towards European Union.

### **Alignment of pre-accession assistance with national priorities**

Countries lack overall development strategies, and sometimes, existing strategies are clashing (Energy strategy vs. strategy for sustainable development in Croatia). Generally, we believe that there should be a process of planning which starts from the national priorities, and not vice versa.

### **Prioritising for candidate and potential candidate countries**

We do agree that EU should help prioritising process for the national governments as this way we could better avoid mistakes. The other space for improvements is enabling local governments and NGOs to participate active in the planning process as centralized planning which, so far didn't manage to foresee the real needs of the cities and municipalities.

## **The policy foundations of programming**

*Assistance under IPA is required to be in accordance with the general policy framework for pre-accession. This framework (initially through the European and Accession Partnerships) sets out short and medium term priorities for the beneficiary countries, linked to the political and economic criteria for EU accession (Copenhagen criteria). In the planning of assistance under IPA in the individual beneficiary countries, due account is also taken of the Country Progress Reports/Opinions and the EU's annual Enlargement Strategy Paper. These documents have influence over the actual activities chosen and to be carried out in the beneficiary countries.*

We again have to emphasise the needs of ensuring the negotiations process as one of the major citizens concern regarding EU accession acceptance. From Macedonian point of view – it is mystery what will be negotiated. Such secret approach increases suspicions that governments could be advocating for private companies, polluters and similar on the cost of environment and health. Croatia just recently published its negotiation points, long after the 25th of october 2005, when the negotiations officially started.

More trust should be given to local and regional authorities as decentralization of governance in IPA countries should happen. As stated in previous parts of this position, the space for improvements is enabling local governments and NGOs to participate ac-

tively in the planning process as centralized planning so far didn't manage to foresee the real everyday needs of the cities and municipalities. In the field of environmental protection – the actions that should happen on the local ground are often neglected due to poverty and lack of funds (i.e. recycling schemes would increase costs for citizens so local governments do not plan the improvements).

## **Strategic planning**

*Currently all pre-accession countries receive assistance under the Transition Assistance and Institution Building component (Component I) and under Cross-border cooperation (Component II), whilst Regional Development, Human Resources Development and Rural Development (Components III to V) apply only to candidate countries. The individual Multiannual Indicative Planning Documents (MIPDs) set out - on a three-year rolling basis, updated annually - the main priorities for all EC assistance over the coming years and form the basis for annual or (under Components III to V) multi-annual country programmes.*

Due to lack of transparency and available information in general we are unable to assess the real current capacity of the fund management of the IPA users countries.

Centralization is still visible as all the decisions are made in capital cities leaving the impression that local voice hasn't been heard. We ask for insisting of broad consultations with local governments (counties, cities and municipalities) during the process. Broad consultations should also be organized with all the relevant stakeholders such as industry representative, NGOs, workers unions etc. IPA could assist by designing a general system for ensuring all the representatives input during the planning process.

Although we have limited experience on this issue we can support the idea for simplification of administrative and payment procedures. However we do not support lowering control mechanism and audits in order to prevent funds mismanagement and abuse.

Rural development in IPA countries is not effective on the local ground as municipalities and cities are not always capable of managing the EU funds projects. This issue is connected with low capacities and lack of proper education and governmental strategies for EU education programmes.

## **Overall judgement**

We consider the following as IPA strengths:

The IPA could be a good driver towards:

1. Meeting EU environmental, economic and social standards by focusing funds into priority areas; and

## 2. Increasing the governmental capacities.

We consider the following as IPA weaknesses:

1. Funding focus towards priorities (funding “big” projects instead of priority systematic ones),
2. Creating effective national public administration (not effective),
3. Increasing the capacities of local governments (cities and municipalities as Fund users – not equal opportunities for everyone),
4. Did not increase/ensure transparency towards the public
5. Did not ensure participation of all the stakeholders into programming
6. Rural development funds created financial difficulties for some of the private users (bad support for the users – control mechanisms failed)
7. Clear link between accession and IPA funds were not presented clearly

### General comments for these consultations

We believe that longer consultations period could have resulted with higher quality input from all the stakeholders. Normally one month of consultation would be enough but these consultations also have other deficiencies in terms of non-existing support documentation and unclear procedure of informing the stakeholders about this process. Support documentation is crucial in these consultations as the local governments give very little and badly summarized performance information. By this we mean the lack of evidence about absorbed funds ratio and similar performance information. We found this information from our Albanian Open Society Office, while this information in Croatia has been published on 17th of March on main EU accession webpage ([www.strategija.hr](http://www.strategija.hr)) leaving Croatian public only 11 working days for submitting the questionnaire which is besides being formed as logic matrix asking for evidences and suggestions. In Macedonia, the call was not distributed at all, and after we informed TACSO office in Macedonia that the call exists, it was forwarded to civil society organisations on 25.03.2011, leaving only 5 working days for comments. Such approach, of not systematic and organised consultation will not give sufficient results and we by this mean express our great wish for future direct involvement into evaluation and planning of IPA.

The Instrument for Pre-Accession Assistance (IPA) currently supports among others cross-border cooperation projects, institutional and human resources capacity building as well as regional and rural development measures to Western Balkan countries and Turkey.

Although treated as one, the countries of Western Balkan and Turkey are very much different from each other, each at a very different stage in terms of progress towards EU accession. Therefore, the IPA funding should allow more freedom in its design

addressing country specifics, and have an individual approach to allow for its best utilisation.

Besides marginal allocation, co-financing and up-take of funds for the environment, the IPA, within the current programming period, should promote:

- Environmentally friendly and eco-innovative approaches so that systematic approaches can deliver real environmental protection (e.g. sound waste and water management practices).
- Broader, more comprehensive support in the protection of the environment, including energy efficiency and renewable energy projects and initiatives in the countries of Western Balkans. One of the IPA aims could for example be simplifying administrative procedures for such projects (in Croatia more than 30 permits are needed for connecting small energy source to a grid). Besides the implementation of EU environmental legislation (“heavy directives”), the countries aspiring to join the EU have to meet EU climate targets, but currently are not able to use the pre-accession funds to do so.
- The Western Balkan countries are rich in biodiversity but are currently lagging behind to cope with nature protection issues due to lack of capacity, funds etc. EC should make sure that IPA funds provide for nature protection not only by providing the technical support for drafting legislation, but meaningful support for Emerald and NATURA 2000 sites.

Having said this, we would like to point out also, that we do not wish to see IPA funds going into:

- Technologically outdated solutions (e.g. preparation for waste incinerated in cement kilns by supporting Mechanical biological treatment instead of supporting system approach for separate waste collection),
- Large infrastructure projects (highways, HPPs) which lack the sufficient funding, in spite of the grants provided by EU. The countries of Western Balkan should not be forced into taking loans for politically important projects, with little benefit of the local population.
- Strictly urgent issues for the country to comply with the pre-accession road map, (such as waste water treatment and waste management - this is not to say that such projects should be avoided, but the principle upon which priority is given to a certain project should be changed and adapted to the priorities in the country).

Special attention needs to be paid to the proper development and application of the partnership principle, already at the beginning of the planning and programming process for IPA funding. Capacity building for public administration, managing authorities and stake holders is essential to develop a culture of transparent and effective cooperation between all partners.