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POLICY STUDY

Enhancing Parliamentary Scrutiny over the use of EU Funds in the Republic of Macedonia

Aleksandar Jovanoski, MA Skopje, February 2013

European Fund for the Balkans

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INTRODUCTION

With the establishment of the Instrument for Pre-Accession (IPA) in 2007, the Republic of Macedonia as a candidate country for EU membership gained access to 622.5 million EUR for the period 2007-2013. According to the latest EC Annual Report on Implementation of Financial Assistance for Enlargement for 2011 published in December 2012, Macedonia has one of the lowest level of implementation of IPA funds for the period 2007-2011 for 3 out of 5 IPA components (27, 9% paid out of the committed funds for the I component, 24.7% for the III Component, 28, 7% for the IV Component). In addition, the 2011 EU's Enlargement strategy calls upon the candidate countries to streamline activities and improve performance focusing on "key areas of the reform agenda of the beneficiary countries by using IPA funds".

Compared to previous instruments, IPA is more demanding on national authorities, as it is meant to prepare the country for EU membership and the use of structural and cohesion funds. Consequently, the level of ownership for IPA compared to previous EU assistance instruments should be significantly strengthened, especially that management for all IPA components should be conferred to national authorities. Currently only management of the Component II Cross-Border cooperation is still not deferred to national authorities.

The issue of efficient use of EU funds has been raised in Macedonian Parliament. However, the effective role of Parliament in the scrutiny of EU funds is symbolic in this phase of the process. A synthesised and regular presentation of the absorption of EU funds by Government to the Parliament is lacking. In practice, the quality of deliberation on this issue is low and it largely depends on the will of the Government to share information and facilitate comprehensive discussion. The presentations on IPA are complex and multiple sources need to be explored in order to acquire accurate information on the status of implementation of a certain project, review of a component, or IPA in general. Most importantly, there are not publically available information on the total allocation of financial resources per project, the level of national co-financing, status of implementation (monthly reports) and the level of realized transfers of payment. The overall situation lacks transparency and involvement of other relevant stakeholders in the monitoring of EU funds. The current trends at EU level demand greater involvement of the national parliaments (as indicated by the changes introduced by the Lisbon Treaty in 2009), civil society organizations, the academia, the professional associations, trade unions, etc.

The increased interest of MPs, civil society and media, on one side, and the lack of synthesised, structured and regular information on the use of EU funds, on the other side, have instigated the European Policy Institute (EPI) to establish a Programme on Monitoring EU funds (IPA Monitor) in 2012. The Programme functions as a regular multi-annual activity of the Institute.

 $¹ http://ee as.europa.eu/de legations/the_former_yugos lav_republic_of_macedonia/eu_the_former_yugos lav_republic_of_macedonia/eu_assistance/index_en.htm. \\$

³http://ec.europa.eu/enlargement/pdf/key_documents/2011/package/strategy_paper_2011_en.pdf

Against this background EPI implemented the Project ENHANCING PARLIAMENTARY SCRUTINY

OVER THE USE OF EU FUNDS IN THE REPUBLIC OF MACEDONIA, supported by the Think and Link

Programme of the European Fund for the Balkans

The research objectives were:

- To provide evidence on EU best practices of parliament's scrutiny of use of EU funds, with focus on New Member States (Bulgaria and Slovenia) and the acceding country Croatia);
- To identify the existing gaps and obstacles preventing efficient scrutiny by the Macedonian Parliament of the use of EU funds;
- To assess the feasibility for establishment of effective monitoring mechanisms of EU funds by the Parliament.

METHODOLOGY AND RESEARCH DESIGN

Research objectives and methodology

The main aim of the research "Enhancing Parliamentary Scrutiny over EU Funds in the Republic of Macedonia" is to provide a set of recommendations based on three case studies on effective mechanisms for parliament's scrutiny on the use of EU funds in Macedonia.

Even though academic literature on the scrutiny power of parliaments in the accession process is available, the issue of parliamentary scrutiny and the role of the Assembly in the control of EU funds is limited. This particular research offers primary evidence-based information collected through analysis of the case studies. Therefore, in terms of contribution to the area of EU funds in the Republic of Macedonia, this policy study provides an original research and input on the matter. The conclusions and policy options offer perspectives on different models identified though the case studies.

The analysis of the discourse on use of EU funds in the Macedonian Parliament was carried out at: specialised bodies on EU affairs (Committee for European Affairs, National Council for Eurointegration); other committees (Finances and Budgeting Committee). The content analysis method was applied. The time-frame of the research was the past four years 2009-2012. Secondary sources included submitted reports by the Secretariat for European Affairs (SEA) and official minutes of the

Committees. Even though written requests were submitted to SEA for an interview, on several occasions, there was not any response.

Regarding the identified case studies, structured interviews/inquiry with Members of Parliament (MP's) parliamentary staff and representatives of Government was used to collect primary data. In order to identify best practices at EU level the comparative method was used, with focus on three cases studies (Slovenia, Bulgaria and Croatia). The research method applied focuses on identification and collection of primary sources though interviews with representatives from the parliaments.

In most national parliaments at the European Union level, the European affairs committees have a central role in ensuring scrutiny procedure, with some exceptions where the subject committee responsible for finance or budget has taken charge of scrutiny

On the chosen case studies in the research, Croatia was selected on the basis of similarity of the parliamentary and political system, the similar experience in management and implementation of IPA (qualified for implementation of all five IPA components) and the experience in concluding the accession negotiations and preparing for EU membership. Moreover, Bulgaria was selected due to the unique parliamentary model for control of EU funds. Since 2009, Bulgaria extended the scope of the Committee for European Affairs with an oversight on European funds. Detailed information is provided on the functioning of the scrutiny system. Finally, Slovenia also has a unique system for control over EU funds. The responsible body is the Committee for Public Finance Control.

From the methodological perspective, open-ended questions were asked, giving the opportunity to the participants to provide detailed information on the issue of control of EU funds. The interviews' length was around 40 minutes.⁴

Finally, based on the identified best practices by the target countries, the assessed gaps in the practices of the Macedonian parliament, as well as the assessed feasibility for introduction of effective monitoring mechanisms, a tailor made set of policy options were drafted.

⁴ Annex 1 – List of questions

EU Member States monitoring the use of EU funds

According to COSAC's Report on Parliamentary Scrutiny, decisions on the spending of EU funds envisage three levels of agreement, emerging in three forms of legislation: the multi-annual financial framework, specific spending programmes and the annual budget. In most cases specialised EU Affairs committees exercise control; however, in certain parliaments the committees in charge of Finance and Budget have the main role.

In most national parliaments at the European Union level, the European affairs committees have a central role in ensuring scrutiny procedure. However, depending on the established parliamentary practices, number of parliaments' sectoral committees also participates in the scrutiny process, by providing specialist advice to European affairs committees in the early stages of EU decision making.

According to the COSAC report, the overwhelming majority of national parliaments monitor EU financial programmes. In essence, the scrutiny procedure is very similar to the scrutiny of any other legislative proposal of the European Commission. Nevertheless, "decisions on the spending of EU funds envisage three levels of agreement, emerging in three forms of legislation: the multi-annual financial framework, specific spending programmes and the annual budget". Almost all national parliaments of the EU Member States have scrutinised the multi-annual financial framework that fixes the ceilings for spending in each category of EU expenditure. Due to its extensive financial implications, several national parliaments opted to examine the multi-annual financial framework in plenary session.

The essence of parliamentary scrutiny of the EU's annual budget, as demonstrated by the COSAC report, is an assurance of efficient and effective manner of spending of the funds. The main role here is generally taken by European affairs committees, with some exceptions where the subject committee responsible for finance or budget has taken charge of scrutiny.

 $^{5\,}Conference of Community and European Affairs Committees of Parliaments of the European Union (COSAC,) http://www.cosac.eu/en/documents/biannual/$

⁶ http://www.cosac.eu/en/documents/biannual/, page 43.

Case study - Republic of Slovenia

The role of the Commission for Public Finances Control in exercising scrutiny over the use of EU funds

The Commission for Public Finances Control in the Slovenian Assembly is one of the five standing parliamentary commissions, meaning that it must be established in every parliamentary term. The Commission is headed by the members of the opposition deputy groups, which also have the majority of members therein.

Generally, in the Republic of Slovenia, the public finance control (thus, including the control over EU funds) is exercised by the Court of Auditors, internal audits and internal control within budget users, the Budget Supervision Office within the Ministry of Finance and the National Assembly of Slovenia

(the Commission for Public Finances Control). The Commission monitors the implementation of the budgets of the state budget and the financial plans of different state agencies in terms of legality, purpose, and efficiency of spending, and the accuracy of their financial statements on the basis of the Court of Audit reports. In addition, the powers of the Commission extend to monitoring of the implementation of the budgets of local communities which receive financial resources to balance their accounts, and control the intended use of resources allocated from the state budgets, including EU funds.⁷ The Commission, upon internal deliberation on the reports submitted by the national authorities, prepares an integral report with proposed set of necessary measures which is later discussed by the National Assembly.

In the Parliamentary term 2004-2008, the Commission for Public Finances Control engaged in the twinning Programme "Strengthening of the Parliamentary

In the 2004-2008 Parliamentary term, the Commission for Public Finances Control engaged in the twinning Programme "Strengthening of the Parliamentary Supervision on the Public Finances Auditing. The project aimed at enhancing parliamentary control over public finances, in particular by implementing the following three procedures: enabling the members of the Commission to better perform their work, adopting good practices from abroad and incorporating them into the Slovenian system, and improving cooperation between the Commission and the Court of Audit.

Supervision on the Public Finances Auditing, funded by the European Commission's PHARE Program. The twinning partner was the National Audit Office of the United Kingdom. The project aimed at enhancing parliamentary control over public finances, in particular by implementing the following three procedures: enabling the members of the Commission to better perform their work, adopting

⁷ Interview with Mr. Joze Koncan, secretary of the Commission for Public Finances Control in the Assembly of the Republic of Slovenia, 18.02.2013, Ljubljana, Slovenia.

good practices from abroad and incorporating them into the Slovenian system, and improving cooperation between the Commission and the Court of Audit.

All the Commission reports originate from the Court of Audit. The
Commission can request that the Court of Audit produces a report on a specific topic, including management and implementation of Structural and Cohesion Funds

In the beginning of the parliamentary term 2004-2008 (just after accession to the European Union), the Commission for Public Finance Control adopted a decision to participate with the EU Parliament in a twinning project related to public finances control. The project was intended to provide the parliamentarians access to information experience on public finance control as identified by the best practices of the European Parliament.

The main objective was to contribute to an improvement of the Commission's activities and to foster cooperation of the Commission with the Court of Auditors. The British National Audit Office was chosen as the project partner. The project was divided into a number of key activities: training events; study visits; review of existing legislation; provision of good practice materials, as well as interim and final reports.⁸

The strongest message that emerged from the project was the improvement in more effective partnerships and relations within the Commission and with the Court of Audit. According to the Slovenian counterparts, there was no doubt that the Commission and the Court of Audit would have a greater impact in the long run, by working together more closely, with the intention of focusing and reporting on the ways in which users of public funds and EU funds have managed to deliver better programmes and services to the Slovene public.

The Commission meets about twice per month and, in the past sessions often lasted several hours. During the initial meetings, it was identified that Members of the Commission and key stakeholders considered the duration of the sessions to be a heavy burden. However, one benefit to all those attending the recent sessions, focusing on performance audit reports, was the reduced time-span of the sessions, coupled with a more effective approach. In fact, we observed one Commission session where two Court of audit reports were considered by the Commission in less than three hours. The Commission is also involved in budget setting for the Court of Audit and other public agencies.

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⁸ Ibid.

⁹ Ibid.

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Structural and Cohesion Funds, but the Court of Audit Act limits the number of requests to five per annum. The Commission takes between 60 and 80 Court of Audit reports each year. The majority of these reports deal with regularity issues, with performance audits comprising between 10 and 20 per cent. The budget report, prepared during the middle of the financial year, is considered to be the most important report. However, the work of the Court of Audit is rapidly evolving and there is a clear intention to increase substantially the number of performance audit reports

produced - performance audits may represent 50 % of Court of Audit annual output within the next few years. ¹⁰ All major reports provide detailed information on implementation of EU funds.

One of the main outcomes was the practice of the Court of Audit discussing its programme of work with the Commission on a regular basis, following the terms of the National Assembly. This supported a mutual relationship whereby the Commission is dependent on the reports of the Court of Audit and the Court of Audit requires an effective and influential Commission that ensures that audited bodies are obliged to implement audit recommendations. The Court of Audit formalised the contact between itself and the Commission. This was achieved by appointing a Court of Audit coordinator to work closely with the Clerk to the Commission. This arrangement supports the briefing process and facilitates the meetings and discussions between the two bodies.

As in their own experience, it was recommended that the "the Commission should develop vision and mission statements that encourage the Members of the Commission to focus on outcomes and to be accountable". Concretely for Slovenia, these statements sent signals to key stakeholders such as the Court of Audit, audited bodies, the Slovene media and public about the core values and principles to be upheld by the Members of the Commission. In simple terms, the vision statement defines what the Commission wants to achieve or become and the mission statement why it exists.

 $¹⁰ http://www.rs-rs.si/rsrs/rsrseng.nsf/V/KB55060624D03BF03C12578A00031392F/\$file/Letno_Porocilo_2010_ang.pdf$

¹¹ Interview with Mr. Joze Koncan, Secretary of the Commission for Public Finances Control in the Assembly of the Republic of Slovenia, 18.02.2013, Ljubljana, Slovenia

One of the recommendations from the project was that "The Commission should ensure that the process of the session is not undermined by political disagreement". 12 It was suggested that there should be a clear understanding by the Members of the Commission and audited representatives that the focus of the session is on whether use of public funds is in compliance with the intentions of the Government and whether value for money was obtained. Regarding the relations with the Government, the Commission is adhering to its fundamental financial oversight and scrutiny role, and in principle does not question the Slovene Government policy in budget and spending decisions. Rather, the Members mainly focus on whether the audited body/institution has implemented policy in a way that demonstrates or results in value for money (results of the project financed under EU funds) to the benefit of the Slovene public.

The Commission is adhering to its fundamental financial oversight and scrutiny role, and in principle does not question the Slovene Government policy in budget and spending decisions. The work of the Committee mainly focuses on whether the audited body/institution has implemented policy in a way that demonstrates or results in value for money (results of the project financed under EU funds) to the benefit of the Slovene public.

The Commission for European Affairs¹³

Commission for European Affairs was indirectly involved in the EU funds through the discussion of the national priorities set in the different operational programmes under every Community programme.

Related to monitoring of EU funds, the Commission for European Affairs "...does not have any direct control in conducting such scrutiny". 14 The control is mainly performed by the Commission for Public Finance Control. However, because it is deemed as a political body which reflects upon the obligations from the membership of Slovenia of the European Union, the Commission occasionally deliberates on the reports submitted by the Ministry of Finance. In the preaccession phase, the Commission was the parliamentary

body responsible for full deliberation on the national positions on every negotiating chapter, still according to Mr. Bergant "the role was quite limited."

However, the Commission was indirectly involved in the EU funds through the discussion of the national priorities set in the different operational programmes under every Community programme.

¹² Ibid

¹³ Interview with Mr. Zvonko Bergant, secretary of the Commission for European Affairs in the Assembly of the Republic of Slovenia, 18.01.2013, Ljubljana, Slovenia

¹⁴ Ibid.

On the basis of submitted report by the Government on the national priorities, the Commission on its sessions deliberated on the justification and applicability of the determined priorities. When asked whether the Commission had any different view on the proposed priorities, it was answered that the consultation process initiated by the Government had the purpose to streamline different interests between national stakeholders, including representatives from the relevant working bodies of the National Assembly. For instance, upon membership into the EU, the Chair-person of the Commission was quite pro-active in terms of Commission's discussion on EU funds. The Government responded with a submission of an annual report on implementation of EU funds, including status of implementation of projects, financial statements and complete reports from the Court of Auditors.

However, this was the case due to the personal involvement into the matter by the Chairperson of the Commission. Moreover, the practical involvement of the Commission was visible during the discussion on the Multi-Annual Indicative Framework when the Commission performs cross-referencing with the currents state on use of EU funds, the appropriateness of the applied model in execution of EU funds and considers the need for any possible change in the system.

One of the main recommendations given by Mr. Bergant was to ensure flow in information between the Government and the Assembly in the pre-accession stage on EU funds. For Slovenia, this was essential in accumulation of relevant knowledge and expertise in the working bodies of the Assembly which later showed to be quite useful when preparing the sessions of the Commissions.¹⁵ As identified, on the reasons for continuous success of the Committee was the gained institutional memory from the accession process and storage of knowledge. This was quite useful in understanding the legislation and functioning mechanisms behind the pre-accession funds, which were later heavily used when the country was preparing for the structural and cohesion funds of the EU.

Due to the complexity of the matter, it is extremely useful for the country to start preparing for effective execution of the EU funds in the pre-accession phase. In addition, the relations established between the Government and the Assembly will further intensify as the country prepares for EU membership, thus the procedures for government's reporting and parliamentary monitoring should be well in place. The decision of the Slovenian Government to conduct open and transparent accession process with close cooperation with the Assembly provided for streamlined and effective cooperation. After nine years of membership into the EU, it can be stated with quite certainty that Slovenian National Assembly exercises effective scrutiny over the EU funds. The need for such mechanism was realized in the early phase of the membership, whereby EC resources were used to strengthen the capacity of the relevant Commission (Commission for Public Finance Control).

¹⁵ Interview with Mr. Zvonko Bergant, secretary of the Commission for European Affairs in the Assembly of the Republic of Slovenia, 18.01.2013, Ljubljana, Slovenia.

Case study - Republic of Bulgaria

Oversight of EU Funds in the National Assembly of the Republic of Bulgaria

Bulgaria's performance with Structural Funds and Cohesion Fund implementation in the early years of the 2007-2013 programming period suggests that relevant capacities were not fully in place by the time of accession. This is partly due to difficulties in the transition from the former pre-accession support to support under the Structural and Cohesion Funds. The changes in the institutional set-up for management of EU funds in the Republic of Bulgaria came as a response to the real threat facing Bulgaria on losing a significant amount of financial resources under the Structural and Cohesion Funds on the basis of mismanagement and fraud.

Commission on European Affairs:

Deliberation on EU funds on the Multi-Annual Indicative Framework and cross-referencing with the currents state on use of EU funds, the appropriateness of the applied model in execution of EU funds and considers the need for any possible change in the system.

The cooperation between the Government and the Assembly in the pre-accession stage is essential to ensure accumulation of relevant knowledge and expertise in the working bodies of the Assembly

The changes in the institutional set-up for management of EU funds in the Republic of Bulgaria came as a response to the real threat facing Bulgaria on loosing sufficient amount of financial resources under the Structural and Cohesion Funds on the basis of mismanagement and fraud.

Prior to accession to the EU, the last PHARE Evaluation Review report on Bulgaria 2006 Country, PHARE noted that the '... heavy focus on disbursement has had a negative impact on the strategic and operational performance of the PHARE assistance as a whole". PHARE in Bulgaria is perceived primarily as an implementation exercise. Monitoring reflects this mind-set, with little or no discussion within the Sectoral Monitoring Sub-Committee meetings over sectoral issues, lessons learnt, or suggestions or decisions for improving existing approaches and systems.

The political response in the aftermath was aimed at improving existing management systems for EU funds, in addition to strengthening of parliamentary oversight of the management of those funds by expanding the role of the Committee for European Affairs.

The Committee on European Affairs and Oversight of the European Funds was established in 2009 with a main task to participate in the European decision-making process and to ensure oversight of the management of the European funds and programmes of the European Union in Bulgaria. ¹⁶ As a parliamentary body which deals with EU affairs of Bulgaria, it is responsible to monitor the transposition of EU legislation and perform subsidiarty and proportionality control after the Lisbon Treaty entered into force.

The parliamentary oversight and control on the absorption of the EU funds and Programs is conducted through regular hearings of representatives of the executive branch, responsible for the managements of the EU funds and its financial instruments. The responsible body is the Committee for European Affairs and Oversight of EU funds in the National Assembly of Bulgaria

Concretely on the matter, the parliamentary oversight and control on the absorption of the EU funds and Programs is conducted through regular hearings of representatives of the executive branch, responsible for the managements of the EU funds and its financial instruments. Based on the hearings, CEAOEF prepares regular reports (interim and annual) for the management of the European funds in Bulgaria.

The main objective was to appoint an independent political body within the Assembly will full powers to conduct a thorough and effective scrutiny. Every six months the Committee communicates with all relevant ministries on the status of all operative programmes.

Then, the responsible institutions prepare Information on the financial progress of the overall programme and the projects implemented under the program. A status up-date is provided on the implementation and an in-depth assessment on the potential risks, which might impact the smooth implementation of the program/projects. This constitutes one of the main challenges because most institutions are not willing to disclose challenges in the process of implementation, however, as

The Committee closely cooperates with the Council on stakeholders' consultations on the level of implementation of EU funds, the justification of the national priorities and the overall development strategy and absorption of EU funds.

pointed by the representatives of CEAOEF the practice has improved and the information submitted to the Committee reflect reality.¹⁷ The main counterpart of the Committee in the Government is the Minister without portfolio responsible for control of EU funds.

The work of the Committee is supported by a small expert secretariat which main task is to collect and analyze the submitted reports by the national institutions. However, in terms of its functioning, its mandate is tight to the political mandate of the

¹⁶ Interview with the Secretariat of the Committee for European Affairs and Oversight of European Funds, 28.01.2013, Assembly of the Republic of Bulgaria, Sofia, Bulgaria 17 Ibid.

Committee. Once there is a change in the Assembly and new chair-person is appointed, the supporting staff is changed as well. The representatives from the Secretariat consider this practice not be the most effective, because it possess challenges to the institutional memory and administrative capacity of the Committee, however, in their words this has not been identified as a challenge to the functioning of the Committee.

The Minister is responsible to submit to the Committee regular reports on the status of implementation of EU funds, and as the representatives from the Committee stated, more than 50% of the information flow is secured through the Office of the Minister. Moreover, on any public hearing or session which is organized on the overall implementation of EU funds, the Minister is responsible to represent the Government and to deliberate upon the provided data. If the Committee decides to hold a thematic sessions on particular operational program or set of projects from a similar sectoral policy, the responsible ministry is invited as well.

As presented during the interview, the interim/annual reports of the Committee are quite detailed.¹⁸ They provide the current status of every operational program, assessment on the effectiveness and efficiency of the implementation, an outlook on the challenges, number of contracted projects and econometric analysis evaluating impact of the implemented projects.

This new approach goes beyond the starting point of the Committee, because not only keeps the reporting mechanism to the Assembly in place, but at the same time evaluates the obtained results from the EU funds. This mechanism is quite useful in assessing the justification of the strategic priorities in the programs and helps the Committee to adopt well-grounded conclusions on further improvement of EU funds implementation. The reports of the Committee are closely consulted with the State Audit Office of Bulgaria which provides useful practice to cross-reference information provided by different state institutions.

Once deliberations are finalized within the Committee, the official Report is then submitted for final approval of the plenary session of the Assembly. The adopted conclusions are recommendations by the Committee are also endorsed by the plenary. This represents a solid ground for a follow-up of the Committee on important matters detected in the process of deliberation. The secretariat of CEAOEF keeps a track-record of the adopted recommendations¹⁹. Every six month an annex to the report is prepared on the 'status update' on the level of realization of the adopted recommendations.

¹⁸ http://www.parliament.bg/en/parliamentarycommittees/members/240/documents

¹⁹ Ibid.

In terms of consultation with the national stakeholders, the Committee closely cooperates with the Council on stakeholders' consultations on the level of implementation of EU funds, the justification of the national priorities and the overall development strategy and absorption of EU funds. This Council has the purpose to initiate a debate between the representatives from the Government and the Assembly and the representatives from the civil society sector, the academia, professional associations, business interests and trade unions. The Council meets 2-3 times annually and prior to the scheduled consultations CEAOEF is responsible to supply all required materials for the meetings.

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The recommendations and observations provided by the Council are usually considered and become an integral part of the final report prepared by CEAOEF. According to the information provided by the representatives from CEAOEF, in the early years of Committee's functioning the consultation process was quite pro-form with a purpose to fulfil the obligations under the Rules of Procedure. However, since 2011, significant efforts were made to restructure the Stakeholders Council and to formally link them with representatives from the national institutions responsible for management of EU funds. Particularly,

for the new financial perspective of the Union 2014-2020, the Committee had begun initial consultations in early 2012 in order to discuss national positions and to reflect on the level of

Example of reporting by CEAOEF:
The 2012 Annual Report provides a comprehensive and detailed analysis on the overall situation regarding EU funds, spreading over 163 pages, provided analysis on 14 programmes with a total budget of 11, 75 billion EURO. 7 operational programmes were fully elaborated, in addition to 5 Crossborder cooperation operation programmes, the Rural development programme and the Fisheries sector development.

absorption of EU funds.²⁰ The progress of the consultation process is recorded and considered by every sectoral committee for the next programming period. Because the secretariat of CEAOEF has allocated financial resources for outsourced research, it has the possibility to contract different CSOs and other agents partners to conduct an independent analysis on a thematic subject — particular priority axis of an operational program, a set of projects or absorption level. These materials are later used as grounds for even deeper discussions in the Committee.

At the beginning when the responsibility of the Committee for European Affairs was extended with oversight of EU funds, it needed time to readjust and to

²⁰ Interview with the Secretariat of the Committee for European Affairs and Oversight of European Funds, 28.01.2013, Assembly of the Republic of Bulgaria, Sofia, Bulgaria

allocate the appropriate mechanisms to perform control. At the same time there were additional changes in the system when a Minister without portfolio in charge of EU funds was appointed as a focal point for the overall management of the funds. These institutional changes started yielding fast results even in 2010 as evident by the first ever Report prepared by the Committee. The latest annual Report for 2012 provides a comprehensive and detailed analysis on the overall situation regarding EU funds, spreading over 163 pages, provided analysis on 14 programmes with a total budget of 11,75 billion EURO. Seven operational programmes were fully elaborated, in addition to 5 cross-border cooperation operation programmes, the Rural development programme and the Fisheries sector development.

During the performed control for 2012, the Report by the Committee found "low percentage of financial corrections –1.59% of the total amount paid under the SCF as of 31.10.2012 (Certifying Authority data); low error rate in financial terms in the OPs – well below the admissible 2% materiality threshold (Audit Authority data). Furthermore, no operational programme has been "stopped"- making Bulgaria one of the four member states in EU with this impressive track-record together with Finland, Sweden and Denmark.²¹

Regarding current challenges, the Committee is focusing on fine-tuning of the existing system and the need for more expertise in the secretariat of the Committee due to overburdening. However, the Committee firmly believes that the system is functioning properly and has the needed strong foundation for further development. Regarding cooperation with the central government, the relations between the Committee and the Minister in charge of control of EU funds is on satisfactory level due to timely submission of requested information and personal presence at the main deliberations within the Committee. The cooperation with the Ministry of Finance still has potential for improvement and this is now even more feasible with the implementation of the Open Government Initiative. Under this initiative, the Ministry of Finance is obliged to publish all central government expenditures of a given day within 24 hours. This information is public and available on the web-site of the Ministry.²² Consequently, the Committee has direct overview of all public expenditures, including the finances allocated under the co-financing of EU funded projects.

²¹ http://www.parliament.bg/pub/cW/20121204112320PPT_Report_2012_EN_final.pdf

²² http://www.minfin.bg/bg/transparency

The improvement of the utilization of EU funds is more than evident, as shown by the latest report of the European Court of Auditors. Bulgaria has managed to stay within the range of 5% errors in processing tender documentation (the current status is 2% error), which demonstrates significant improvement of the management and control. The role of the Committee has been of paramount importance because it aided in streamlining of political will in practice by enabling effective mechanism for efficient parliamentary control - in-depth and insightful analysis of the level of implementation of every operative programme, accompanied with latest status on every contracted project, list of beneficiaries and status of payments. The next phase will be improved econometric analysis on the impact of the structural and cohesion funds in Bulgaria and codification of all existing legislation on EU funds into one Law on EU funds.²³ The Government had already established a working group for that matter by including all relevant stakeholders and CEAOEF. The main aim will be to identify current legal loopholes, particularly in the area of public procurement and administrative disputes in second instance, which are considered to be most troublesome for timely conclusion of the awarded contracts. According to CEAOEF, the new law will further simplify and streamline procedures so to avoid unnecessary delays in procedures, thus increasing

CEAOEF is an example of improvement:

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The next phase will be improved econometric analysis on the impact of the structural and cohesion funds in Bulgaria and codification of all existing legislation on EU funds into one Law on EU funds.

effectiveness in the contracting procedures. The first draft of the law is expected in the second half of 2013 and entering into force in 2014 when the new financial perspective of the Union 2014-2020 begins.

The Committee has real scrutiny power over the use of EU funds, the current system in place is an efficient mean to exercise control over EU funds, thus demanding greater responsibility of the central Government.²⁴ The radical changes in the system was the response to the freezing of EU funds towards Bulgaria, and the role Committee played in retrieving the trust of the European institutions is of outstanding importance. The current procedures are designed to detect weakness and to point "weak points" in all programmes under the EU funds. The deliberations in the Committee are opened to the public, almost always with solid media presence, and opportunity for

²³ Interview with the Secretariat of the Committee for European Affairs and Oversight of European Funds, 28.01.2013, Assembly of the Republic of Bulgaria, Sofia, Bulgaria.

²⁴ Interview with Mr. Assen Agov, a parliamentarian and a member of the Committee for European Affairs and Oversight of European Funds. Mr. Agov has been part of the last five parliamentary mandates and member of CEAOEF since its establishment in 2009. He is part of the parliamentary opposition, 30.01.2013. Sofia, Bulgaria.

the citizens to participate at the sessions. After the discussion in the Committee is finalized and endorsed by its members it is dispatched to the National Assembly for adoption.²⁵ The Committee insists to consensually adopt the reports and the recommendations.

The importance of the Stakeholders Council was reiterated as a mean of fostering inclusiveness and participation in the process of deliberation on EU funds. The inclusion of the Council made the work of the Committee even richer by being exposed to different opinions and views on the instruments needed to improve the efficiency for absorption of the funds. In terms of the political representation of the Committee the chairperson of the Committee is a representative from the parliamentary opposition for the purpose of maintaining balance. Moreover, this particular Committee is not subject to the proportionality model (meaning allocation of members in the Committee according to the won votes), but it consists of equal number of representatives from both the opposition and the parliamentary majority. This decision was based on previous experience when committees were used by the parliamentary position to only present 'positive' results by the Government.

The Committee is chaired by a member of the opposition. It consists of equal number of representatives from both the opposition and the parliamentary majority. This balanced approach created a change in behaviour by ministers, who now presents the real situation with identified challenges

This balanced approach created a change in behaviour by ministers, who now presents the real situation with identified challenges, thus allowing space for substantial discussion and identification of problems and solutions. It was recognised that the recomposition of CEAOEF led to substantial changes in the system, thus allowing the Committee to fully exercise control over the use of EU funds. Faced with previous scandals and mismanagement of EU funds in the early years of membership in the EU, all stakeholders in Bulgaria (including CEAOEF) are eager not to repeat any of the mistakes that led to

suspension of large amounts of structural and cohesion funds. The increased involvement of the National Assembly in all EU related matters is in line with the provision of the Lisbon Treaty, which increased the powers of the Parliament in the EU decision-making (including control over the EU funds).

The inclusion of the civil society in the entire process (and within the work of the Committee) is of outstanding importance to the process to further increase control and to further exercise pressure over the Government for greater accountability and responsibility.²⁶ He informed that the Committee occasionally contracts relevant think tanks and other relevant civil society organization

²⁵ Ibid.

²⁶ Interview with Mr. Assen Agov, a parliamentarian and a member of the Committee for European Affairs and Oversight of European Funds. Mr. Agov has been part of the last five parliamentary mandates and member of CEAOEF since its establishment in 2009. He is part of the parliamentary opposition. 30.01.2013, Sofia, Bulgaria

to prepare an independent study/research on particular operational programme/project which provides solid ground for even deeper analysis and elaboration. This mechanism allows the Committee to consider other experts' opinions (for the purpose of greater objectivity) and not to exclusively rely on the information provided by the Government.

In order not the repeat the mistakes made by Bulgaria in the early years of membership, according to Mr. Vladimir Kissiov, Chief negotiator of Bulgaria with the EU (2000-2001) and President of the European Institute - Sofia, it is of outstanding importance to ensure full implementation of the financial regulations governing management and control of EU funds.²⁷ The 'pressure' is on the Government to adopt the new practices by the EU, or otherwise it faces freezing of substantial financial resources which really have the potential to transform the society. The role of the media and the

The Committee occasionally contracts relevant think tanks and other relevant civil society organization to prepare an independent study/research on particular operational programme/project which provides solid ground for even deeper analysis and elaboration.

civil society is of paramount importance to detect defects in the system and thorough constructive criticism to help the Government in eliminating malpractices.

Concretely, the civil society should fully utilize the consultative mechanisms established by the Government to endorse national priorities and to use them as an off-set mechanism for control of EU funds. The participation of the public limits the possibility of fraud and mismanagement; therefore, civic engagement is one of the first major steps in building an effective control mechanism over EU funds.

One of the greatest challenges in the pre-accession period is the alignment of the national legislation, particularly the public procurement legislation, which later might cause unforeseen delays in the execution of EU funds. One of the recommendations was that the Republic of Macedonia should learn from the 'mistakes from the others, and adopt new practices that would enable effective and efficient absorption of EU funds.²⁸ The general trend at EU level is that EU funds should be closely scrutinized by the Assembly as a mean of ensuring greater transparency and accountability of the Government before the public. By enabling formal working groups within the Assembly to discuss important aspects of EU funds – focusing on strategic priorities and detailed discussion on priority axis, the stakeholders can only provide value-added by securing wide national and political consensus on EU funds.

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²⁷ Interview with Mr. Vladimir Kissiov, Chief negotiator of Bulgaria with the EU (2000-2001) and President of the European Institute – Sofia, 28.01.2013, Sofia, Bulgaria. 28 lbid.

Facing changes in administration,
limited administrative capacities and
lack of specialized knowledge in
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with the EU funds

During the interview with the representatives from the Central Agency for Coordination of EU funds under the Council of Ministers of Bulgaria (hereafter Central Agency), it was restated that the Government is in process of drafting a single Law on EU Funds to address shortcomings as identified in the practice. ²⁹ Many of the recommendations that would be included in the new law were identified during the detailed deliberations within CEAOEF. The fragmented legislation was noted in the annual Report of the Committee in 2011, and was further restated in 2012. Moreover, one of the novelties which will be introduced by the new law will be the establishment of an Institute for management and control of EU funds. Facing changes in administration, limited

administrative capacities and lack of specialized knowledge in particular priority axes for some of the operational programmes, it was consensually decided that the country needs a Centre of excellence (Institute on EU Funds) that would provide the necessary knowledge, training and study visits for the employees dealing with the EU funds, including the civil servants in the Assembly working on EU funds related issues. The creation of the institute will be supported by EU funds, as well. This national centre for EU funds will provide detailed courses on legislation on EU funds, elaborate the EU's best practices and offer specialized programming courses.

The issue of administrative capacity still remains a challenge. In 2011, the Bulgarian Government decided to amend the Law on civil servants and increase the salaries for the category of employees working on EU funds by half. Even though this resulted in greater motivation and dedication by the staff, it caused an outraged reaction by the other civil servants. After a while, the Government made a revision of the decision, however the salary is still higher than the average calculated in the public administration. The pro-argumentation suggests that experts working on EU funds are faced with strict deadlines and procedures, vast legislation, and enormous responsibility; thus, the reimbursement should reflect these parameters. Despite these motivational amendments, still the administrative capacity for management of EU funds is not at the desired level. After 3-4 years active engagement in programming and implementing EU funds, employees flee to the private/consulting firms or to Brussels' structures.

²⁹ Interview with the Central Agency for Coordination of EU funds in the Council of Minister of Bulgaria, 29.01.2013, Sofia, Bulgaria.

The communication and cooperation of the Agency with the Assembly, and specifically the Committee for European Affairs and Oversight of European Funds are according to procedures, with regular supply of all requested materials on implementation of the structural and cohesion funds. Due to the fact that the head of the Central Agency is the Minister without portfolio for management of EU funds, the Agency is the main counterpart in the central government. The Agency considers that there is an

Mr. Kissiov:" One of the greatest challenges in the pre-accession period is the alignment of the national legislation, particularly the public procurement legislation which later might cause unforeseen delays in the execution of the EU funds".

effective scrutiny mechanism in place within the Assembly, because the suggestions, recommendations and conclusions of the CEAOEF are obligatory for the Agency. On several EU funds issues, the Committee often has concrete suggestions on how to overcome a particular situation (ex. delay in payments or contracting) and those suggestions almost all of the times are carefully examined in the Agency (and other relevant state institutions), thus allowing the possibility to correct. The Minister for coordination of EU funds often stimulates open discussion, where constructive criticism and recommendations are welcomed, thus fostering openness and transparency of the overall system. According to the Minister himself "the National Assembly should always be informed on the positional problems and always be part of the solution". The Agency, after the interim and annual deliberations in the CEAOEF, receives the conclusions and secures their implementation by the other state institutions. Every six months it prepares a Report on the status of implementation and submits it to the Committee for further verification. The focal responsible point at the Committee is the Minister in charge of management of EU funds.

Representatives from the Central Agency participate in the mentioned working groups for every operative programme. The working groups were established during 2009 to secure inclusiveness and transparency of the overall process. The engagement of the stakeholders (civil society, academia, professional associations, trade unions, etc) resulted in widening of the national consensus on the priorities in every operative programme and also, increased control by demanding greater responsibility and transparency of the Government, especially during the programming period. The 'partnership principle' although already embedded in the system, would become part of the new Law on EU funds, thus formalizing the working groups. The aim will be to further engage civil society, because at the moment it is deemed that the level of CSOs engagement is not at the desired level. However, the stakeholders who are highly specialized in an area under the operational programme (ex. Environment, agro-environment measures, and rural development) are automatically part of the programming period. The Central Agency has a Register of Stakeholders with detailed specifications for every registered subject, thus it is quite easy to allocate the highly specialized stakeholders and

30 Ibid.

31 Ibid.

to include them in the process. In the past several years, there have been occasions where stakeholders had organized themselves to discuss EU funding – pointing challenges, arguing feasibility of some projects or even demanding additional justification for approval of some projects.

According to Ms. Juliana Nikolova, transparency in programming and spending EU funds is essential for effective scrutiny role of the Parliament.³² Therefore, much focus in Bulgaria was put on a reliable and transparent information system; thus, the Unified Management Information System (http://umispublic.minfin.bg/), which is a centralized data-base for all operational programmes was updated. The system offers break-down of information for all programmes by years, beneficiaries, and all contracted projects under each programme. It is a visualized system which is updated weekly to provide the latest status in all aspects of payment and implementation of projects. In the next phase, with the new financial perspective 2014-2020, Bulgaria will move forward with e-Cohesion to further streamline procedures on-line, thus decreasing the administrative burden for all beneficiaries (upload of invoices, electronic processing of documentation, electronic verification and timely execution of payment).

One concrete recommendation was gradual introduction of a management information system, even in the pre-accession phase, in order to be fully prepared for efficient and effective management of structural and cohesion funds after membership in the EU. The establishment of the system in Bulgaria was quite slow in the early years, and as Ms. Nikolova pointed, Bulgaria would have never faced the scandals of mismanagement of EU funds if the country had the current system in place upon accession.

Case study - Republic of Croatia

Croatia and the Instrument for Pre-Accession Assistance

The Republic of Croatia as a candidate country for EU membership (now acceding country) since the introduction of the Instrument for Pre-Accession Assistance (IPA) was qualified for all five components under IPA. Very similar to the development in the Republic of Macedonia, Croatia had to introduce new procedures for coordination and implementation for management of EU funds. For better coordination of

The very special feature of the IPA Programme is that it prepares for the structures for the management and implementation of the structural and cohesion funds after the accession to the EU.

³² http://www.europeaninstitute.bg/en/page.php?c=96&d=146

national institutions, the Ministry for Regional Development and EU Funds was established as a National IPA Coordinator for Croatia. This institution is responsible for "coordination between the participants and coordinating the activities of planning, programming, implementation, monitoring and evaluation of the annual and perennial regional development programmes and projects aimed at developing countries and the wider regions, encouraging development of areas lagging behind the national average, improving cross-border, interregional and trans-national cooperation, as well as the preparation of priorities and annual and perennial strategic and operational documents for the use of EU funds and other international sources of funding for regional development initiatives".³³

According to the Ministry for Regional Development and EU Funds (MRDEUF), the creation of IPA was based on the lessons learned by the EC from previous Community instruments such as PHARE, CARDS, ISPA, and SAPARD in former pre-accession countries. Due to IPA regulation, in Croatia the structures were established first, then accredited, and only then have funds been decentralized, unlike the PHARE experience where decentralized implementation system (DIS) started in the absence of clear rules and regulations. According to MRDEUF representatives, the Central Financing and Contracting Department in the Ministry of Finance considers the IPA rules and regulations to be quite useful and well designed. The Ministry considered that the new regulation "provide clear guidance without over-regulation", thus ensuring greater control on how EU funds are actually spent in the country. The very special feature of the IPA Programme is that it prepares for the structures for the management and implementation of the structural and cohesion funds after the accession to the EU. Having learned from the problems faced by Bulgaria and Romania on the preparations for structural funds management systems, particularly the lack of strategic planning, Croatia has adopted advanced individual organizational development strategies for key organizations involved in the management and implementation of Cohesion policy.

PHARE and other pre-accession instruments have now been replaced by the Instrument for Pre-Accession (IPA) in order to better reflect the structural and cohesion funds. Nevertheless, feedback from the Croatian authorities and other stakeholders notes that these earlier instruments did provide important experience in the management of EU funds, which has been useful in adapting to the management of the much larger structural and cohesion funds. When asked on the lessons learned from other countries in the region, the example of the Bulgaria's Organisational Development Strategy for the Management of EU Funds Directorate at the Ministry of Finance was pointed out. This was an initiative of the Bulgarian Ministry of Finance, developed with funding from different sources, as well as pre-accession support to streamline national activities on strengthening of administrative and institutional capacities for management of EU funds.

Regarding the Chapter 22 - Regional policy and coordination of structural instrument, Croatia was able to finalize negotiations on 15 April 2011.³⁵ As lessons learned from the negotiation process, several issues were pointed out. The first set of important legislative changes included 'completion of legislative and procedural changes on multi-annual budget programming and largely aligning

framework and implementing legislation with the acquis in the area of public procurement as regards award of public contracts, concessions, public-private partnerships and remedies, as well as regards sustainable development/environment and principles of non-discrimination, gender equality, social dialogue and in the area of state aid'. The EU particularly insisted on complete the alignment in the area of procurement and establishment of fully public implementing systems and procedures ensuring compliance of operations financed by the Structural Funds and the Cohesion Fund with EU policies and legislation. Regarding institutional framework, the implementation of IPA regulation and the process of DIS implementation streamlined activities of national authorities to complete that particular benchmark in the negotiation. In Croatia, the administrative capacity still remains a challenge, as the implementation of structural and cohesion funds demands far more than IPA implementation.

Issues noted in Chapter 22 – Regional development and coordination of structural instruments: "Completion of legislative and procedural changes on multi-annual budget programming and largely aligning framework and implementing legislation with the acquis in the area of public procurement as regards award of public contracts, concessions, public-private partnerships and remedies, as well as regards sustainable development/environment and principles of non-discrimination, gender equality, social dialogue and in the area of state aid"

Cooperation with the Parliament – especially the European Integration Committee, was quite intensive in the negotiation process for EU membership. The responsibility of the Ministry, as national IPA coordinator, was to prepare Report on the status of IPA implementation accompanied with national position of on Chapter 22. Since IPA entered into force, the Ministry prepared and submitted reports to the Committee twice per year (June, December).³⁶ Once the report was received, a thematic session on EU funds was scheduled to discuss the latest development on IPA. Interestingly, because the accession negotiations were parallel to IPA implementation, the Committee had more focus on the negotiation on Chapter 22 rather on the Government's report *per se*.

³⁵ http://www.mvep.hr/custompages/static/hrv/files/pregovori/ZSEUEN/22.pdf 36 lbid.

The reason behind this was that the European Integration Committee was quite over-burdened with the overall accession process. Due to the Committee's high level of involvement in the negotiation chapters, it was not able to dedicate additional resources to impose greater scrutiny over EU funds. However, the parliamentary control over EU funds was not raised as an issue in Croatia due to the close association of the Parliament in the overall accession process. Despite this factual situation, the Ministry for Regional Development and EU Funds regularly submits reports to the Committee.

The role of the European Integration Committee³⁷

The interview with the European Integration Committee³⁸ of the Croatian Parliament was with Mr. Daniel Mondekar, the Chairperson of the Committee. At large extent, Mr. Mondekar confirmed previously given information by the Ministry for Regional Development and EU funds.

The difference in IPA implementation, as pointed out, between Macedonia and Croatia in the period of 2008 and 2012 was that Croatia negotiated for EU membership. The demands from the IPA Regulation not only introduced a new system for management of pre-accession assistance, but at the same time prepared the country for future coordination and management of EU funds. When the first analytical examination of the Acquis was conducted by the European Commission on Chapter 22, the content of the screening reflected implementation of the IPA regulation.³⁹

As the Chairperson of the Committee pointed out, the Government of the Republic of Croatia in the accession process practiced open and transparent policy with high level of inclusion of the Assembly. The European Integration Committee was associated with the negotiation process completely, thus adopting national negotiation positions – including Chapter 22. The Committee was able to monitor the overall implementation of IPA, setting up of national institutions and the introduction of the procedures for decentralized implementation system. Due to the access in European Commission's reports on the status of accession negotiation, the Committee had an access to identified loopholes and issues. Based on these reports, and reports submitted by the Ministry for Regional Development and EU funds, it was able to issue conclusions. Those conclusions were in form of 'urges' to the Government to implement EC recommendations for successful implementation of IPA regulation.

³⁷ Interview with Mr. Daniel Mondekar, Chairperson of the European Integration Committee, Assembly of the Republic of Croatia, 16.10.2012, Zagreb, Croatia. 38 http://www.sabor.hr/Default.aspx?sec=5263

The European Integration Committee was associated with the negotiation process completely, thus adopting national negotiation positions—including Chapter 22. The Committee was able to monitor the overall implementation of IPA, setting up of national institutions and the introduction of the procedures for decentralized implementation system.

The work of the Committee was closely associated with the working group on Chapter 22 (in addition to all other working groups for every Acquis chapter). This allowed participation and inclusiveness of relevant stakeholders in the process, including civil society organizations which were quite active in the area of EU funds monitoring. The established demand instigated the Committee to seriously consider positions argued by the stakeholders in order to improve the national position of Croatia during the accession negotiations phase. The involvement of the stakeholders is expected to increase once Croatia becomes a Member State of

the EU.

According to their analysis of the institutional changes upon EU membership, it is quite possible that the system will be re-adapted to integrate the obligations of membership. With an objective of not to repeat the 'mistakes' made by other acceding member states, it is expected that the Parliament will be more involved in the implementation of the structural and cohesion funds. Croatian authorities are completely aware of the future challenges of EU membership and the need for greater responsibility and accountability in the process, thus certain changes are already initiated.

On the identified challenges, it was mentioned that the Committee was quite over-burdened with work during the negotiations process. Because of the tight involvement in deliberation on the national positions, the issue of control over EU funds was limited within the discussion on Chapter 22 and the reports received by the Government. Due to the dynamism and the demand of the accession negotiations process, all institutions in the country were focusing on drafting and negotiating national positions, thus limiting the time for deeper and insightful deliberation on EU funds. The overall IPA system was guided by the national IPA coordinator and the Ministry of Finance, with submission of semi-annual reports to the Assembly on the status of IPA implementation. In order to perform control over the use of EU funds, greater involvement of the responsible Committee is needed. Regular thematic sessions and public hearings are some of the instruments for involvement of the Members of Parliament in discussion on IPA implementation.

This process will allow accumulation of knowledge and understanding of EU funds within parliament services, and at the same time, will open the process to the public, thus ensuring greater transparency. The semi-annual Government's reports on IPA are not sufficient to ensure control of the Parliament over the EU funds; however it is a starting point. Additionally, it also depends on the Assembly to initiate debates and to demand presence of the Government when discussing the status

of IPA implementation. Only by ensuring synergy between the Government and the Assembly (referring to the existence of political will) the scrutiny over EU funds is feasible.

The opening of the accession negotiation, demonstrated by the Croatian example, is one instrument of ensuring parliamentary control over EU funds. The participation of the European Integration Committee in the adoption of the national positions ensured oversight on the actions implemented by the Government and the overall preparation of the country for the structural and cohesion funds. In addition, the Ministry for Regional Policy and EU Funds is required to submit reports on IPA implementation to the Committee twice per year. However, the real oversight powers were exercised during the negotiations on Chapter 22 - Regional policy and coordination of structural instruments. The role of the Committee is expected to evolve and change once the country becomes a member of the EU and starts implementing structural and cohesion funds. On the other hand, Croatian civil society organizations were not

Conclusion:

The opening of the accession negotiation, as demonstrated by the Croatian example, is one instrument of ensuring parliamentary control over EU funds. The participation of the European Integration Committee in the adoption of the national positions ensured oversight on the actions implemented by the Government and the overall preparation of the country for the structural and cohesion funds. In addition, the Ministry for Regional Policy and EU Funds is required to submit reports on IPA implementation to the Committee twice per year.

satisfied with the level of involvement during the accession process, including on monitoring use of EU funds. Pressure by civil society for more transparency increased as the negotiation process was wrapping up.⁴⁰

⁴⁰ Statement at the debate "What is the role of the civil society (if any) in the accession process?, Representative of CENZURA, 16 January, Skopje

The system of parliamentary control over the use of EU funds in the Republic of Macedonia

The experiences of Central European and South-East European countries show that the role of the executive increases in the accession process. It is warned that the overall European integration process contributes in the creation of a super-executive (positioned as a focal point for every aspect of the accession negotiation)⁴¹; thus it can be expected that the role of the Government would further increase and intensify. As the power of the Government versus Parliament in Macedonia has significantly increased (which is not due to the EU accession process), it is of utmost importance to ensure that parliamentary control requirement is embedded in the EU accession process, e. i. conditionality for the use of EU funds.

Furthermore, as this study was being finalised, a political crisis and boycott of Parliament of most opposition political groups developed in Macedonia, which have greatly aggravated the situation not only considering monitoring of the EU accession process, but the political situation in general. A functioning plural parliament is a pre-requisite for a functioning parliamentary democracy and any kind of efficient control and balance of powers.

This is even more valid as comparative practices demonstrate that the best practice in acceding and EU MS is the leading role of the opposition in monitoring EU integration and the use of EU funds.

Transparency

Information concerning use of EU funds in Macedonia is dispersed and multiple sources need to be consulted in order to get a clearer overview on the status. A synthetised and structured presentation by Government to the Parliament is lacking. Thus, MPs and parliamentary working bodies lack relevant information for deliberation on the use of EU funds.

According to Radmila Sekerinska, Chairperson of the National Council for Euro-integration, because of "the lack of political will" the concept of transparency on the use of EU funds could not be exercised at the moment. "If there is a political will [of the government], the discussion [on IPA] will be completely different"⁴². Regarding transparency and participation of the public, the public should be more engaged in the discussion, thus creating a greater demand for information on EU funds.

No role in programming

The National Assembly has no role in programming the use of EU funds. The only established practice is the regular consultation on the annual review of National Programme for the Adoption of the Acquis. Initially (in 2006), the National Programme for the Adoption of the Acquis was a solid instrument for reporting and monitoring IPA because it provided cross-reference on the use of budgetary resources with EU and other bilateral/multilateral donors, thus creating a clear picture on

⁴¹ Discussion, Mr. Ivica Bocevski, former Deputy Prime Minister in he Republic of Macedonia", 21.02.2013, Skopje.

⁴² Interview Ms. Radmila Sekerinska, chairperson on the National Council for Euro-integration, Assembly of the Republic of Macedonia, 22.02.2013.

distribution of financial resources across accession criteria and acquis chapters.⁴³ However, the document has lost its relevance and accuracy especially in terms of programming EU funds.

The Parliament is not informed or consulted on the Multi-annual indicative planning document, nor on the operational programmes for any IPA component. Furthermore, the Parliament is not consulted on the Pre-accession Economic Programme. Thus it can be stated that a wider agreement in the country on the priorities of the EU financial programmes does not exist.

Reporting mechanisms – lack of compliance by Government

The Government is required to submit to the Committee quarterly report on the overall progress in the accession process, which is stated in the Declaration for application for a membership of the Republic of Macedonia to the European Union adopted by the Assembly in February 2004 ("Official Gazette of RM", No. 7/2004).⁴⁴ The Declaration in Article 3 determines that "the Government of the Republic of Macedonia shall inform the Assembly, every three months, on the envisaged and implemented activities, as well as the realization of all related programmes and other activities which are obligation for EU membership".⁴⁵ In line with the Declaration, the Deputy Prime Minister in charge of European Affairs is responsible to present the report in the Committee and to answer any question submitted by the members of the Committee.

The responsible working body is the Committee on European Affairs, which has an explicit competence to monitor the implementation of the obligations deriving from the Agreements between the Republic of Macedonia and the European Union, including "the financial instruments available to the country".

The Government has not complied with the obligation to submit the reports on EU funds implementation on time. As evident from the data-base on received materials in the Assembly, the two last IPA reports submitted by the Government were in 2009 and 2012, which is a time-span of three years. The 2009 Report might be considered as part of a 'regular' reporting; however the 2012 was provoked by the public hearing organized by NCEI on the collection of study prepared by the European Policy Institute (EPI) "The Use of EU Funds in the Republic of Macedonia – Efficiency, impact and absorption".

The Information on the Instrument for Pre-Accession Assistance (IPA) was submitted by SEA in July, 2009. It is a quite short document (only 18 pages) focusing on factual information regarding IPA, the status of implementation and establishing of national capacities for decentralized implementation

⁴⁴ http://www.sobranie.mk/en/default.asp?ltemID=6D77DBE8C0ADEA45B6C6F804BF4D70A0

⁴⁵ Ibid.

system. The entire information is without substance, listing only priority axis under each IPA component and the considered project within each component.

The initial idea, since the Republic of Macedonia received the candidate status for EU membership in 2005, was for the Assembly to be engaged in the monitoring of EU funds. The Secretariat for European Affairs in the quarterly report submitted to the Committee for European Affairs and the National Council for Euro-integration on the status of the accession process used to submit an additional annex on the status of IPA implementation. By analyzing the content of the reports, it was determined that it included information on total allocation of financial

DEU identified the following obstacles in effective parliamentary scrutiny:

lack of reporting rules on IPA

implementation;

lack of transparent information and

IPA visibility on the side of the

Government;

lack of interest of the MP's in IPA

matters due to their technical nature;

lack of interest by Parliament

Committees to discuss IPA/EU Matters in addition to the EC Progress Report

resources, the status on agreed operational programmes with the European Commission and projects in pipeline for approval. The Information on IPA was intended to inform the Members of Parliament on the latest development and status of EU funds, selected national priorities, and reform of national institutions for accreditation and conferral of EU funds management.⁴⁶

The changes in the political will resulted in the Government's failure to report on 'sensitive' issues including the status of every project, determined challenges and administrative capacities issue, level of national co-financing and financial construction of the overall project. ⁴⁷ In line with EU's best practices, these reports should contain information on selection procedures for contractors and subcontractors, the public procurement procedure, appeals and decision of the Government. For every violation of the previously agreed time-table, justification should be provided.

Regarding the existing reporting procedures of the Government (institutions concerning management/implementation of EU funds) to the Assembly on the use of EU funds, the Delegation of the European Union in the Republic of Macedonian considers that there is *lack of reporting rules* on *IPA implementation; lack of transparent information and IPA visibility on the side of the Government* and that the reporting process may be strengthened and made regular.⁴⁸

This approach would contribute to increasing the leverage of EU funds, and would allow for constant debate for achieving better results and impact on the ground. In addition, the Government, through the NIPAC, in cooperation with the IPA Implementing Structure, the National Authorising Officer and

⁴⁶ Ibid.

⁴⁷ Ibid

 $^{48\} Written\ interview\ with\ the\ Delegation\ of\ the\ European\ Union\ in\ the\ Republic\ of\ Macedonia,\ 20.02.2013,\ Skopjender (Control of Macedonia),\ Skopjender (Con$

the Programme Authorising Officer, should explore ways to increase regular information sharing with the legislative branch.⁴⁹ This would allow for improved monitoring and use of the monitoring and evaluation indicators for better policy creation on the side of both the Government and the Parliament.

The Committee on European Affairs and the National Council on Euro-integration

One of the main responsibilities of the **Committee for European Affairs** of the Assembly of the Republic of Macedonia, as part of the monitoring of the accession process of the country, is control over the use of EU funds. ⁵⁰ The tasks of the Committee are determined by the Rulebook of the Assembly of the Republic of Macedonia and the Decision establishing working bodies in the Assembly. The Committee has competence to monitor the implementation of the obligations deriving from the Agreements between the Republic of Macedonia and the European Union, including the financial instrument available to the country.

By analyzing the competencies of the Committee, it can be determined that the Committee has controlling mechanisms over the Government on implementation of EU funds. This scrutiny is usually conducted through discussion on reports (communications) submitted by the Secretariat for European Affairs on the progress in the accession process, and occasionally during thematic sessions of the National Council for Euro-integration dedicated on IPA funds.

The Committee receives information through the review of the National Programme for the Adoption of the Acquis and the quarterly reports on NPAA implementation, which include limited information on utilization of IPA funds. After deliberation within the Committee, the members adopt opinion which is communicated to the Government. The Committee, as well, has the power to directly approach the Government and to demand additional information.⁵¹

According to the Law on the Assembly of the Republic of Macedonia from 2008, the Committee for European Affairs has the power to organize public (consultative and supervisory) hearings on EU related issues, including the use of EU funds. ⁵² These public hearings, according to law, are open and can be attended by the representatives from the Government, civil society organizations, professional association, experts and other relevant stakeholders. However, these mechanisms have not been applied by the Committee on the issue of EU funds. In the interview with Mr. Misini, the chairperson of the Committee for European Affairs, he noted that he was considering a thematic

⁴⁹ Ibid.

⁵⁰ Interview with the staff of the Committee for European Affairs, Assembly of the Republic of Macedonia, 11.02.2013, Skopje. Interview with Mr. Hajrula Misini, chairperson of the Committee for European Affairs of the Assembly of the Republic of Macedonia, 13.02.2013, Skopje. More on:

http://www.sobranie.mk/en/default.asp?ItemID=066AA344A29E3842AF72BA054BD2DC11

⁵¹ Ibid.

⁵² Ibid.

public hearing for the implementation of EU fund. He underlined that the Committee will have its first public hearing in the first half of 2013.⁵³

Even though the Terms of Reference of the National Council for Euro-integration (NCEI) does not exclusively include monitoring of EU funds (but a general provision on monitoring the EU accession process), in practice the National Council has been the body that has put most focus on monitoring of EU funds. In November 2012, NCEI held its first public debate on IPA funds, based on the collection of studies prepared by the European Policy Institute (EPI) "The Use of EU Funds in the Republic of Macedonia – Efficiency, impact and absorption capacity". ⁵⁴The Council has also widely explored public hearings as a mode of scrutiny and involved civil society in the deliberations, despite the lack of willingness on the side of the position MPs. On the other hand, the practice of joint sessions with the Committee for European Affairs is to be commended. According to the Council Chairperson, Ms. Sekerinska, the current scrutiny system is 'weak' and substantial information is required to address issues of IPA programming, monitoring and evaluation, timely contracting of projects and implementation and level of absorption of EU funds. The quarterly reporting mechanism is a starting point; however, the Government should comply with this obligation and it should be regularly implemented. There is the need for overall IPA analysis and a specialized knowledge for every component.

In November 2012, the National Council for Euro-integration organized a public hearing on the results of the publication prepared by the European Policy Institute (EPI) on the "Use of EU funds in the Republic of Macedonia". The public hearing received extensive media coverage and it was reported in most of the media outlets (television, daily and online newspapers). The study and the hearing had a practical policy impact on the matter and raised open debate in the Parliament. The Secretariat for European Affairs (the office of the National IPA Coordinator) which had not submitted a report on the use of EU funds in Macedonia to the Assembly since 2009, committed to prepare and submit a Report by the end of November as a response to the public hearing initiated by EPI's publication.

The public hearing initiated an open debate in the Parliament and attracted the attention of the politicians and the media. Moreover, it contributed for increasing the transparency of the use of EU funds. Due to the sensitivity of the discussed issues, the parliamentary majority proposed different date for the public hearing on justification grounds that the Deputy Prime Minister for EU Affairs was not able to attend the public hearing due to already scheduled activities. Besides the attempt to postpone the event, the public hearing was realized on that date. As a result, a Report on IPA by the

⁵³ Interview with the staff of the Committee for European Affairs, Assembly of the Republic of Macedonia, 11.02.2013, Skopje. Interview with Mr. Hajrula Misini, chairperson of the Committee for European Affairs of the Assembly of the Republic of Macedonia, 13.02.2013

 $^{54\} http://epi.org.mk/docs/use_of_eu_funds_in_the_republic_of_macedonia.pdf$

⁵⁵ http://sobranie.mk/default.asp?ItemID=E7D088CCF8949A4E96C97754FDE9FF42

Government was announced for the beginning of December 2012. This report did not provide any substantial information though, and the session of the National Council was not open to the civil society sector.

Moreover, within the regular parliamentary procedure, the Members of Parliament can exert control over the use of EU funds through the parliamentary questions (every last Thursday of the month), interpellation of the member of Government, and the right of every Member of Parliament to request information from the Government and to demand full plenary discussion on the subject matter. However, the analysis of the existing situation determined that Members of Parliament rarely use these mechanisms to control the use of EU funds. ⁵⁶ However, the mechanisms on disposal are underused.

The Committee for European Affairs considers that the Assembly can contribute in increasing the transparency and responsibility of the Government on the use of EU funds. This contribution is embedded in the constitutional position of the Assembly to control the Government through the elected representatives. The enhanced role to control and monitor the EU funds will provide added value to the overall accession process, by ensuring regular public hearings on EU funds, broadcast of the Committee's session on TV and regular posting of all related materials to the web-page of the Assembly. There are opportunities to amend the practices of the Committee for European Affairs to enhance their control mechanisms based on the best practices of other EU member states which were able to establish effective scrutiny over the use of EU funds. 57

Importantly, one of the main competencies of the Committee for European Affairs is to provide opinions on the communications submitted by the Government to the Committee. It is highly recommended for the Committee to maximize the use of this instrument by regularly submitting official opinions on the accession process and the use of EU funds based on the materials submitted by the Government.

The Law on the Assembly and the amendments to the Rulebook of the Assembly provided the necessary instrument for exerting parliamentary scrutiny over the use of EU funds in the Republic of Macedonia. However, a systematic approach to the control is missing.⁵⁸ A coherent procedure is lacking which is essential in enabling functional and coordinated control mechanisms regarding the control of EU funds. There is a need for enhanced coordination between the governmental and parliamentary procedures which will lead towards elimination of soft-spots in the reporting by the Government and the deliberation of the Assembly.⁵⁹

⁵⁶ Interview with the staff of the Committee for European Affairs, Assembly of the Republic of Macedonia, 11.02.2013, Skopje. Interview with Mr. Hajrula Misini, chairperson of the Committee for European Affairs of the Assembly of the Republic of Macedonia, 13.02.2013

57 Ibid.

⁵⁸ Discussion, Dr. Karolina Ristova Aasterud former chairperson of the Committee on European Affairs, Round Table "Enhancing Parliamentary Scrutiny Over the Use of EU Funds in the Republic of Macedonia", 21.02.2013, Skopje

Other control mechanisms

Another mechanism on disposal to the Members of Parliament is the annual plenary session of the Assembly on the status of European integration process, established by the Declaration of the Assembly in 2003.⁶⁰ This session acts as public hearing instrument on the overall progress in the European integration. This mechanism could be used to initiate plenary discussion on the use of EU funds, thus enhancing the control mechanisms.

There is a need for enhanced coordination between the governmental and parliamentary procedures which will lead towards elimination of soft-spots in the reporting by the Government and the deliberation of the Assembly on the subject of EU funds

The role of the Parliament in the scrutiny over the EU funds could be increased through its Committees and the NCEI. The Parliament could be included in the preparation phases when setting the broad long-term priorities for the EU Agenda in the IPA 2 'financial framework' 2014-2020. When the National Budget is being adopted in Parliament, there is a need for ensuring that the major allocations for implementation of the EU Agenda have sufficient funds for co-financing from the national funds. ⁶¹ This would allow for greater scrutiny of Parliament over the budget and EU funds expenditures and follow-up on implementation of EU Legislation.

Furthermore, The Government should prepare regular Annual Reports on IPA implementation, allowing Parliament, through the Committee on European Affairs, the Finance and Budget Committee (for the part on national co-financing) and the NCEI to provide an opinion on the implementation of the targets/benchmarks and the use of EU funds. The Pre-accession Economic Programme, part of the pre-accession fiscal surveillance procedure, which aims at preparing the candidate countries for the participation in the multilateral surveillance and economic policy co-ordination procedures should be discussed in the Finance and Budget, and European Integration Committee, as well as the NCEI ensuring a public debate through the representatives of different non-state actors, before the Government has adopted it. A regular report on the implementation of the programme must be submitted by Ministry of Finance to the Finance and Budget committee. ⁶²

Efficient control of public finance – a prerequisite for scrutiny of EU funds

Even though not directly pointed out as a responsible Committee for control over EU funds, the *Finances and Budgeting Committee*⁶³ in the Assembly of the Republic of Macedonia in line with its

⁶⁰ Ibid.

⁶¹ Written interview with the Delegation of the European Union in the Republic of Macedonia, 20.02.2013, Skopje

⁶² Ibid

 $^{63 \} Desk \ research from \ the \ of flicial site of \ the \ Assembly \ of \ the \ Republic \ of \ Macedonia: \ http://sobranie.mk/en/default-en.asp?ltemID=71F35AA9E9995C44AB21E6933E3D5C0$

Terms of Reference has indirect powers to exercise scrutiny control on EU funds. Being responsible for the overall budgeting and finance system in the country, the Committee scrutinizes the national budget, including the co-financing of IPA. In addition, the Committee has limited overview on the implementation of the relevant IPA legislation (ex. Law on supervision of the Instrument for Pre-Accession Assistance). The Reports on the status of IPA implementation submitted by the National IPA Coordinator to the Committee for European Affairs and the National Council for Euro-integration are not submitted to the Finances and Budgeting Committee. ⁶⁴

The Assembly of the Republic of Macedonia has the mechanisms for exercising scrutiny over the Government, however due to lack of political will, those mechanisms are rarely used. One of the basic functions of the parliament is to exert control; however the control over the public finances, including the EU funds, is on extremely low level.

The Reports on the status of IPA implementation submitted by the National IPA Coordinator to the Committee for European Affairs and the National Council for Eurointegration are not submitted to the Finances and Budgetina Committee

The Government of the Republic of Macedonia, in line

with IPA regulation, is required to financially commit to the implementation of every project through co-financing (ownership principle). By deliberation on the budget, the Committee can exercise greater control on how the Government is implementing the project under IPA. Moreover, as it was demonstrated by the Slovenian case study, the Finances and Budgeting Committee had developed partnership with the National Court of Auditors, thus every report that is prepared by the Auditor Court is deliberated in the Committee. In addition, the cooperation with the other committees in the Assembly should be strengthened. One possible method is combined or joint sessions on EU funds, joint conclusions and recommendations, in addition to regular public hearings and open debates in the Assembly as illustrated by the Slovenian model later in the study. These instruments might exert greater pressure over the Government to ensure greater accountability and responsibility on the use of EU funds, thus strengthening the participation of the Assembly and its working bodies in the control of EU funds

The debate on the control of EU funds is undeniably linked to the issue of control of public finances in general. Concerns are raised that the Republic of Macedonia has a problem with the control of public finance and the problem is getting even deeper.⁶⁵ The country in continuity notices a decrease of the budget transparency index, which in 2012 was by 40% lower when compared with 2008. With

⁶⁴ Ibid.

⁶⁵ Discussion, Mr. Jovan Manasievski, former Chairperson of the Committee on Finance and Budget, Round Table "Enhancing Parliamentary Scrutiny Over the Use of EU Funds in the Republic of Macedonia", 21.02.2013, Skopje.

the budget transparency index, the Republic of Macedonia holds the lowest position in the region and the ${\rm EU.}^{66}$

There cannot be effective parliamentary scrutiny of the use of EU funds, if the control of public finances is deficient.

In order to improve the discussion in the Assembly, the parliamentary control should consider the expert referent reports by the Secretariat for European Affairs and the State Audit Office; otherwise any debate would turn into a political discussion. It is of extreme importance for the Reports prepared by the

State Audit Office to enter parliamentary procedure and to have an institutional outcome.

The institutionalization of the SAO Reports could be seen as a first step ahead in enabling true parliamentary control over the use of public finances, including the IPA funds. For that purpose, in line with the recommendation by the European Commission in the Progress Report, there is the need to establish a formal mechanism for cooperation between the State Audit Office and the Assembly for a debate and control on the public finances on the basis of SAO reports.

There is a need for establishment of a referent point, a body in the Assembly for a control of public finances, because the Committee for European Affairs and the Finances and Budget Committee are overburdened with other items of the agenda – thus, limiting the availability of their members to engage in substantial discussion on public finances and EU funds.

The Slovenian model is a good example for effective control over public finances and EU funds, particularly due to the increased role of the parliamentary opposition in the composition of the Committee. Previously, when Mr. Manasijevski was a chairperson of the Finances and Budget Committee, there were attempts to hold public hearings on the issue of public finances control, however, the members of the parliamentary position used procedural mechanisms to postpone or even cancel the public hearing. ⁶⁷ This demonstrates low level of political commitment and will to enhance the scrutiny control of the parliament on the matter.

The solutions for the current situation can be found in opening of the accession negotiations and the increased pressure and presence of the European Union and the investment in the human capital/resources for additional strengthening of the units for internal audit in the line ministries.

The scrutiny of the use of EU funds by the Assembly should be conducted together with the control of the public finances and the budget. There is a need for more radical approach in enabling control mechanism; otherwise the country is facing further decrease of the budget transparency index and with that increase in political irresponsibility and a possibility for fraud and corruption with EU funds.

 $^{66\} http://internationalbudget.org/wp-content/uploads/OBI2012-Report-English.pdf$

⁶⁷ Round Table "Enhancing Parliamentary Scrutiny Over the Use of EU Funds in the Republic of Macedonia" organized by the European Policy Institute (EPI), 21.02.2013, Skopje.

One possible mechanism for ensuring greater control over the public finances, including the EU funds, is the establishment of a separate body in the Assembly (or a Sub-committee within the Finances and Budget Committee)⁶⁸ which would analyze the reports of the State Audit Office (SAO), particularly the negative reports of SAO. Additionally, the establishment of the Parliamentary Institute will help the Members of Parliament and the services of the Assembly in

One possible mechanism for ensuring greater control over the public finances, including the EU funds, is the establishment of a separate body in the Assembly (or a Sub-committee within the Finances and Budget Committee.

preparing positions and analyses on IPA implementations, which can be used during the debate in the committees and the plenary session.

The issue of the IPA Audit body has been identified as troublesome⁶⁹. The main objective was to create an independent audit body selected by the Assembly. The IPA audit body would analyze the implementation of IPA, including all transfers of payments, and would later inform the Assembly on the conducted audit. However, the IPA audit body is appointed by the Government and the reporting is only towards the Ministry of Finance/Government. The Assembly does not have access to these reports, thus the Members of Parliament do not have access to information on how IPA is used by the Government. It is of extreme importance for the IPA audit body to be appointed by the Assembly in order to ensure independent assessment of IPA implementation and objective reporting to the Parliament. All reports regarding spending of public finances, including EU funds, prepared by the State Audit Office and the IPA Audit Body should be available to the Assembly for further discussion and deliberation.

Administrative capacity of the Assembly to analyse the use of EU funds

In terms of the administrative capacity and accumulation of knowledge on EU funds within the Assembly, it was found that it is quite insufficient, despite the increased number of personnel. In the past five years there were limited trainings and courses for the Members of Parliament and the staff of the Assembly on EU funds, thus this particular issue remains a challenge. The current situation does not allow for the Assembly to provide a quality debate and to ensure sufficient control over the use of EU funds.

⁶⁸ Discussion, Mr. Goran Misovski, deputy Chairperson of the Committee on Finance and Budget and Mr. Jovan Manasievski, former Chairperson of the Committee on Finance and Budget, Round Table "Enhancing Parliamentary Scrutiny Over the Use of EU Funds in the Republic of Macedonia", 21.02.2013, Skopje

The National Assembly, including the staff of the Committees dealing with EU funds, does not possess the required administrative capacity to monitor IPA and prepare internal reports independently from the Government. There is the need for overall IPA analysis and a specialized knowledge for every component. The current system is 'weak' and substantial information is required to address issues of IPA programming, monitoring and evaluation, timely contracting of projects and implementation and level of absorption of EU funds.⁷¹ The quarterly reporting mechanism is a starting point; however, this obligation of the Government should be valued and regularly implemented.

Conclusions and policy options

The Assembly of the Republic of Macedonia has sufficient mechanisms in place to exercise its scrutiny powers over the use of EU funds. However, the existing mechanisms are not explored to their full potential; thus, scrutiny of Parliament over Government on EU financial programmes is weak.

A part of the causes can be adhered to the complexity of EU funds, as well as the fact that the stall in the EU accession process does not instigate parliamentary There is an overall lack of reporting rules on IPA implementation; lack of transparent information and IPA visibility on the side of the Government;

The reporting process should be strengthened and made regular

debate as it did for accession countries during negotiations on Chapter 22 *Regional policy and coordination of structural instruments*. Still, the basic causes lie in the tendency of weakening of Parliament compared to Government in Macedonia and lack of political will to strengthen Parliament's scrutiny in general.

Furthermore, EU best practices are that the leading role in EU scrutiny should be assigned to the opposition, especially in acceding countries. Such an approach would be beneficial for Macedonia. This would strengthen both the scrutiny and national consensus on the EU integration process,

First of all, there is a *lack of transparent information and IPA visibility on the side of the Government*. The volume of data and quality of information provided by the Government has dramatically decreased during recent years. Information on the use of EU funds should be made public systematically and regularly in order to prevent misuse (as the Bulgarian case demonstrated) and to encourage debate on efficiency. The Government, through the NIPAC office, in cooperation with the IPA Implementing Structure, the National Authorising Officer and the Programme Authorising Officer, should urgently explore ways to increase regular information sharing with the legislative

⁷¹ Interview Ms. Radmila Sekerinska, chairperson on the National Council for Euro-integration, Assembly of the Republic of Macedonia, 22.02.2013.

The Assembly of the Republic of
Macedonia, including the Committee
for European Affairs and the Finances
and Budgeting Committee, has
available mechanisms to fully exercise
its scrutiny powers over the use of EU
funds. However, political will is lacking.

branch and set-up a regular information-sharing mechanism. This would allow for improved monitoring and use of the monitoring and evaluation indicators for better policy creation on the side of both the Government and the Parliament.

While the Parliament does have mechanisms for scrutiny (general and EU-integration related), they do not yet form a consistent system for scrutinizing the Government on the use of EU funds.

A role of the Parliament is completely lacking in programming EU assistance. The Assembly (its relevant bodies) should deliberate and issue an opinion on the Multi-Annual Indicative Pogramming Document, national strategic documents related to EU financial programmes and operational programmes.

Clear rules on Government reporting on IPA should be set and complied with (which is now not the case) In line with EU's best practices, the Report on the implementation of EU funds should contain information on selection procedures for contractors and sub-contractors, the public procurement procedure, appeals and decision of the Government. For every violation of the previously agreed time-table, justification should be provided. A comprehensive and analytical annual report is a "must" at this phase of the process.

The institutional set-up of the relevant bodies and their ToRs should be streamlined in order to avoid overlapping and to best use the expertise of each body (CEA, NCEI, CFB).

The capacities of the Assembly do not allow for an independent analysis of EU funds, and even if this is provided for discussion, there is reluctance in the Assembly to discuss these issues. There is a lack of discussion on the financial construction of the EU related projects, the administrative capacities of national institutions to coordinate and implement IPA, and outcome-assessment which will focus on the practical results achieved from implementation of the projects.

The Committee for European Affairs
(and Finances and Budgeting
Committee and National Council for
Euro-integration) might increase the
number of public hearing which is one
direct scrutiny tool. In addition, those
hearings could be thematic and
dedicated on every IPA component so
to allow for in-depth deliberation on
the status of IPA implementation.
Most importantly, the Committee is
required to increase the level of
stakeholders' participation.

Concretely, the Committee for European Affairs should increase the number of public hearings, which is one direct scrutiny tool. This should be included in the working programme of the

Committee. In addition, those hearings could be thematic and dedicated to every IPA component as to allow in-depth deliberation on the status of IPA implementation. Most importantly, the Committee is required to increase the level of stakeholders' participation, civil society organisations, the academia etc. The Assembly should also make better use of the annual plenary sessions on the EU accession process to raise the issue of EU funds control.

The IPA audit body should be appointed by the Assembly in order to ensure independent assessment of IPA implementation and objective reporting to the Parliament. All reports regarding spending of public finances, including EU funds, prepared by the State Audit Office and the IPA Audit Body should be available to the Assembly for further discussion and deliberation.

All reports regarding spending of public finances, including EU funds, prepared by the State Audit Office and the IPA Audit Body should be available to the Assembly for further deliberation.

The role of the Finance and Budget Committee should be strengthened. The Committee should have insight in ensuring co-financing of IPA in the State Budget. Further on, it should deliberate on the reports by the Secretariat for European Affairs and the State Audit Office. It is important for the reports prepared by the State Audit Office to enter parliamentary procedure and to have an institutional outcome. The institutionalization of the SAO Reports could be seen as a first step ahead in enabling true parliamentary

control over the use of public finances, including the IPA funds. For that purpose, there is the need to establish a formal mechanism for cooperation between the State Audit Office and the Assembly. One possible policy option is enabling mechanism for ensuring greater control over the public finances, including the EU funds, by establishing of a separate body in the Assembly (or a Subcommittee within the Finances and Budget Committee).

The scrutiny of the use of EU funds by the Assembly should be conducted as a part of an effective control of the public finances and the budget. There is a need for more radical approach in promoting control mechanisms; otherwise the country is facing further decrease of the budget transparency index and with that increase in political irresponsibility and a possibility for fraud and corruption with EU funds.

ANNEX 1: List of interview questions:

1.In short, please do describe how the execute government (institutions concerning management/implementation of EU funds) report to the Parliament on the use of the funds.

2.In your opinion, is there a sufficient level of knowledge, expertise and understanding of IPA in the Parliament for efficient control over the use of EU fund?

3.Do you deem the current system efficient in terms of Parliament's control over the use of the EU funds?

4. Which are the existing control mechanisms on disposal to the Parliament?

5.In your opinion, which are the current greatest obstacles for preventing efficient scrutiny of the Parliament over the use of EU funds?

6. How do you consider the role of the Parliament in the scrutiny over the EU funds? Is this necessary for ensuring greater transparency and accountability of the Government in the implementation of the EU funds?

7. What were the milestones in the Parliament for ensuring greater control of EU funds? What are the lessons learned? Which best practices do you consider to be effective for Macedonia?

8. Any other comment? Recommendations?