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

*Aleksandar Jovanoski, MA*

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European Policy Institute (EPI) - Skopje  
Ul. Dame Gruev, 28/V  
1000 Skopje  
Republic of Macedonia  
[contact@epi.org.mk](mailto:contact@epi.org.mk)  
[www.epi.org.mk](http://www.epi.org.mk)

**Editor:**

D-r Malinka Ristevska Jordanova

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## INTRODUCTION

Before the introduction of the Instrument for pre-accession (IPA), from 1992-2006, EU assisted the Republic of Macedonia with around 800 mil EUR, mainly through PHARE. 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<sup>1</sup>. 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)<sup>3</sup>. 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<sup>4</sup>."

*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.*

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 overall implementation of IPA is generally guided by the central institutions responsible for management of the funds, and the reporting is mostly performed by the units for internal audit. In addition, the Delegation of the European Union in the Republic of Macedonia acts as a control mechanisms in the pre-accession phase, through its ex-ante evaluation.

*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*

<sup>1</sup>Delegation of the European Union in the Republic of Macedonia  
[http://eeas.europa.eu/delegations/the\\_former\\_yugoslav\\_republic\\_of\\_macedonia/eu\\_the\\_former\\_yugoslav\\_republic\\_of\\_macedonia/eu\\_assistance/index\\_en.htm](http://eeas.europa.eu/delegations/the_former_yugoslav_republic_of_macedonia/eu_the_former_yugoslav_republic_of_macedonia/eu_assistance/index_en.htm)

<sup>2</sup> [http://ec.europa.eu/enlargement/pdf/press\\_corner/key\\_documents/financial\\_assistance/2010/com-2011-647.pdf](http://ec.europa.eu/enlargement/pdf/press_corner/key_documents/financial_assistance/2010/com-2011-647.pdf), 10.11.2011, Brussels.

<sup>3</sup> [http://ec.europa.eu/enlargement/pdf/key\\_documents/2012/2011\\_ipa\\_annual\\_report\\_with\\_annex\\_new\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2012/2011_ipa_annual_report_with_annex_new_en.pdf), 2012.

<sup>4</sup> Enlargement Strategy and Main Challenges 2011 - 2012,  
[http://ec.europa.eu/enlargement/pdf/key\\_documents/2011/package/strategy\\_paper\\_2011\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2011/package/strategy_paper_2011_en.pdf), October 2011, Brussels.

*discussion.* Reports are prepared at the level of IPA component and adopted by Sectoral Monitoring Committees, but these reports are not accessible for the Parliament and the wider public. Information used to be available on the web-site of the Secretariat of the European Affairs, as well as on the web-site and document registers of the European Commission. However, the presentations 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 lack more transparency and involvement of other relevant stakeholders in the monitoring of EU funds.

On the other hand, 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, academia, professional associations, trade unions, etc.

## Research objectives

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.

The research objectives are:

- 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 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.

## The system of parliamentary control over EU funds in the Republic of Macedonia<sup>5</sup>

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 deliberation on the use of EU funds. The tasks of the Committee are coined 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.

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<sup>5</sup> 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: <http://www.sobranie.mk/en/default.asp?ItemID=066AA344A29E3842AF72BA054BD2DC11>

According to the established practice, the Government is required to submit to the Committee quarterly communication on the overall progress in the accession process, including the implementation and use of 'programmes for financial assistance.' The Government, according to the Committee on European Affairs, is obliged to submit these reports under the Declaration for application for membership of the Republic of Macedonia to the European Union adopted by the Assembly in February 2004 (Official Gazette of RM, No. 7/2004).

*This scrutiny by the Committee on European affairs usually conducted through deliberation on the Communication submitted by the Secretariat for European Affairs on the progress in the accession process, including information on IPA.*

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." 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. 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<sup>6</sup>. These public hearings are open and can be attended by the representatives from the Government, civil society organizations, professional association, experts and other relevant stakeholders. However, this mechanism has 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 public hearing for the implementation of EU funds. He underlined that the Committee will have its first public hearing on IPA in the first half of 2013.

Moreover, within the regular parliamentary procedure, the Members of Parliament could exert control over the use of EU funds through the parliamentary inquires (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. *The mechanisms on disposal are underused and the Government usually is not committed to submit the reports on EU funds implementation on time.* As seen by the date-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.

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<sup>6</sup> Ibid.

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<sup>7</sup>.” The 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.

Even though not directly pointed out as a responsible Committee for control over EU funds, **the Finances and Budget Committee** in the Assembly of the Republic of Macedonia<sup>8</sup> in line with its 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 adoption of the budget (and the co-financing by the Government as required by IPA) and the relevant IPA legislation (ex. Law on supervision of the Instrument for Pre-Accession Assistance).

The information regarding the work of the committee in this particular matter is quite limited. From analysis of secondary sources, it could be identified that the Committee held a few sessions relevant to IPA, however, no sufficient discussion was held to discuss the issue. The reports 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. By deliberation on the budget, the Committee can exercise greater control on how the Government is implementing the projects in question.

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<sup>7</sup> [http://epi.org.mk/docs/use\\_of\\_eu\\_funds\\_in\\_the\\_republic\\_of\\_macedonia.pdf](http://epi.org.mk/docs/use_of_eu_funds_in_the_republic_of_macedonia.pdf)

<sup>8</sup> Desk research from the official site of the Assembly of the Republic of Macedonia:  
<http://sobranie.mk/en/default-en.asp?ItemID=71F35AA9E9995C44AB21E69333E3D5C0>

The changes in practice indicated change in the political will of the Government on reporting 'sensitive financial' issues which include the status of implementation of every project, determined challenges in implementation and administrative capacities issue, level of national co-financing and financial construction of the overall project<sup>9</sup>. In line with EU's best practices, *these reports 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.*

*Available "general" control mechanisms:*

- *through the parliamentary inquires (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*
- *demand full plenary discussion on EU funds*

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 need for overall IPA analysis and a specialized knowledge for every component.

*NPAA should be strengthened to cross-reference on the use of budgetary resources with EU funds and other bilateral/multilateral donors, thus creating a clear picture on distribution of financial resources for projects in each acquis chapter*

The implementation of the Instrument for Pre-Accession Assistance provides an overview of the priority areas set by the Government in the Multi-annual indicative planning document (MIPD), the level of national financial commitment (co-financing) for each project. The MIPD was referenced with the priorities set in the National Programme for the Adoption of the Acquis in terms of funding for each project. Therefore, the example of the preparation of the National Programme for the

Adoption of the Acquis in 2006 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 distribution of financial resources across acquis chapters (including political criteria)<sup>10</sup>.

Consultation of the Parliament on programming documents for EU assistance is completely lacking. Except for the consultation of the NPAA (which is becoming more

<sup>9</sup> Interview Ms. Radmila Sekerinska, Chairperson on the National Council for Euro-integration, Assembly of the Republic of Macedonia, 22.02.2013, Skopje. Ms. Radmila Sekerinska is also a former Deputy Prime Minister in charge of EU Affairs. <http://www.sobranie.mk/en/default.asp?itemid=65968dd07b3bd949b6dfd1c124a650b7>

<sup>10</sup> Ibid.

technical and lacking cross-referencing to IPA), the Parliament has not be consulted on the programming documents, operational programmes etc. The Parliament is involved in ratification of legislation related to IPA, as well as related financing agreements, but the ratifications do not give rise to substantial discussions, especially not on programming the use of EU funds.

*On the potential control mechanisms, the Assembly (the working bodies responsible for EU funds) should regularly hold “public hearing” on every IPA component, discussing administrative and legal challenges, project outputs assessment, and allocation of ‘soft’ points in the system. The hearing committees will have the opportunity to issue set of recommendations and conclusions which will be followed-up by the Government with a purpose of improving the system and ensuring effective control over EU funds.*

As this research was finalized, a political crisis erupted in Macedonia. On 24 December 2012 the opposition MPs were physically thrown out of the Parliament, following disagreements on the procedure for adoption of the Budget. Since then, the opposition coalition of several parties, (led by the biggest party in opposition SDUM) has been boycotting the Parliament. In such a situation, discussions in the country are focusing on more fundamental issues of parliamentary democracy and the role of Parliament. However, in our opinion, it is even more valid now to discuss the subject of this research, as Macedonia is a candidate country for EU membership. The arrangements related to the use of EU funds correspond to this status and pre-suppose a functioning plural parliament.

## **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.<sup>11</sup> In most cases specialised EU Affairs committees are in charge; however, in certain parliaments the committees in charge of Finance and Budget have the main role.

### **Case study – Republic of Slovenia**

#### **The role of the Commission for Public Finances Control in exercising scrutiny over the use of EU funds<sup>12</sup>**

The Commission for Public Finances Control 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

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<sup>11</sup> COSAC, Eight Bi-annual Report, Developments in European Union: Procedures and Practices relevant to Parliamentary Scrutiny, 2007

<sup>12</sup> 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.



*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.*

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 extends 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. 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 discusses 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 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 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, 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 per cent of Court of Audit annual output within the next few years. All major reports provide detailed information on implementation of EU funds.

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<sup>13</sup>.” It was suggested that there should be a clear understanding by the Members of the Commission and audited body 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 do 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 do not question the Slovene Government policy in budget and spending decisions. The work of the Committee 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.*

Related to the role in the monitoring of EU funds, the role of the Commission for European Affairs is limited in the control of EU funds. 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. 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. After accession to 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.

## **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

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<sup>13</sup> Ibid.

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

*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 sufficient amount of financial resources under the Structural and Cohesion Funds on the basis of mismanagement and fraud.*

of Bulgaria came as a response to the real threat facing Bulgaria on losing sufficient amount of financial resources under the Structural and Cohesion Funds on the basis of mismanagement and fraud. 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<sup>14</sup> 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. As a parliamentary body which deals with EU affairs of Bulgaria, it is responsible to monitor the transposition of EU legislation and perform subsidiary and proportionality control after the Lisbon Treaty entered into force. 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, CEADEF prepares regular reports (interim and annual) for the management of the European funds in Bulgaria.

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<sup>14</sup> 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.

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. The interim/annual reports of the Committee are quite detailed<sup>15</sup>. 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.

***CEAOEF is an example of improvement:***

*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 program, 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.*

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 association, business interests and trade unions. Regarding current challenged, the Committee is

<sup>15</sup><http://www.parliament.bg/en/parliamentarycommittees/members/240/documents>

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.

### **Case study – Republic of Croatia and the Instrument for Pre-Accession Assistance<sup>16</sup>**

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. 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. The EC was using this as a benchmark for opening Chapter 22 negotiations with Croatia.

Regarding the Chapter 22 - Regional policy and coordination of structural instrument<sup>17</sup>, Croatia was able to finalize negotiation on the chapter on 15 April 2011. 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 cooperation with the Parliament, thus 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,

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<sup>16</sup> Interview in the Ministry for Regional Development and EU funds, 15.10.2012, Zagreb, Croatia.

<sup>17</sup> <http://www.mvep.hr/custompages/static/hrv/files/pregovori/ZSEUEN/22.pdf>

December)<sup>18</sup>. 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 the IPA implementation, the Committee had more focus on the negotiation on Chapter 22 rather on the Government's report *per se*. 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.

**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.*

According to the European Integration Committee, the Government of the Republic of Croatia in the accession process practiced open and transparent policy with high-level inclusion of the Assembly. The European Integration Committee was associated with the negotiation process completely, thus providing opinion on the 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. 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, made the Committee to seriously consider positions argued by the stakeholders in order to improve the national position in Croatia during the accession negotiations phase. The involvement of the stakeholders is expected to increase once Croatia becomes a Member State of the EU. On the other hand, Croatian civil society organizations were not 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.<sup>19</sup>

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<sup>18</sup> Ibid.

<sup>19</sup> Statement at the debate “What is the role of the civil society (if any) in the accession process?”, Representative of CENZURA, 16 January, Skopje



## Conclusions

### ***Policy option:***

*The Committee for European Affairs, should 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 greater debate and in-depth deliberation on the status of IPA implementation. It could also develop its cooperation with the other parliamentary bodies on different aspects of the monitoring of EU funds. Most importantly, the Committee is required to increase the level of stakeholders' participation.*

The Assembly of the Republic of Macedonia, including the Committee for European Affairs and the Finances and Budgeting Committee, has sufficient mechanisms in place to full exercise its scrutiny powers over the use of EU funds.

As identified by the three case studies (Slovenia, Bulgaria, Croatia), the Parliament was closely associated with EU funds in the process of accession negotiations. The current status quo in the Macedonian accession bid positions the working bodies of the Assembly at the periphery of the discussion on IPA. However, the lack of the accession negotiations should not be an excuse for not having an effective control mechanism over the use of EU funds. In absence of accession negotiations the role of IPA is outstanding to

the overall accession progress and more focus on its monitoring should be expected.

Furthermore, the current political crisis and the boycott of Parliament of most opposition political groups 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.

The current monitoring system in the Assembly is based on reporting by the Government. The capacities in the staff of the Assembly do not allow for an independent analysis of EU funds, and even if this is provided for a discussion, there is reluctance in the Assembly to discuss those 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 technical reporting is based in the quarterly reports submitted by the Secretariat for European Affairs on the overall progress in the accession process. The practice established in 2006 with the adoption of

the first National Programme for the Adoption of the Acquis was an excellent starting point for reporting. This document provided cross-referenced data for every single project under each acquis chapter. The data made reference to the allocation of national resources and total allocation of foreign and multilateral donor. Even though the practice was kept, the volume of data and quality of information dramatically decreased. The Government should, without exception, comply with the obligation to submit reports to the Parliament, which should, furthermore, be of much higher quality.

Furthermore, the Parliament should be consulted and involved in the EU funds programming documents.

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By analyzing the Terms of Reference of the relevant working bodies in the Assembly (the Committee on European Affairs, Finances and Budgeting Committee and the National Council for Euro-integration), it can be identified that there are mechanisms in place which are at disposal for the member of those committees. It can be suggested that the members of the committees should not only rely on the information provided by the Government to employ control mechanisms on the use of EU funds. Concretely, the Committee for European Affairs 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 greater debate and in-depth deliberation on the status of IPA implementation. Most importantly, the Committee is required to

increase the level of stakeholders' participation. As demonstrated by the analysis provided in the case studies, the involvement of the stakeholders provides a value added to the debate. This is particularly visible in the Bulgarian case study, whereby the cooperation with the stakeholders will be formalized and regulated with the adoption of a new Law on EU funds. As demonstrated by the other two examples, the openness of the process positively contributed on the national debate on the use of EU funds. In addition, the parliamentary bodies could "outsource" different aspects of policy analysis to think tanks, research organizations and CSOs to provide for in-debt insight.

The involvement of the Assembly is crucial in deliberation on the national priorities and increasing greater responsibility and transparency of the Government in implementing EU funds. The process of implementation of the funds is of technical nature; however, as seen by the examples provided by case studies, the role of the Assembly is to assess the final outcome of the project by providing impact-assessment. This approach is one of the



available instruments to fully exert scrutiny powers on how EU funds are streamlined in the country. The pre-accession phase should be utilized to develop capacities to perform these tasks. It should be underlined and understood that the access to the EU funds is one concrete benefit of the EU membership and the preparation for this should start well ahead. As identified by the analysis of the three case studies, the challenges in the pre-accession phase are quite similar. The introduction of new management systems, demand for high quality administrative capacity and in-depth legal knowledge are just few of the shared similarities.

These lessons learned are quite useful for the Republic of Macedonia. In this phase of accession, the country still has the time and the 'luxury' to fine-tune its institutional system for effective control over the pre-accession funds. The control mechanisms in the Assembly allow for regular "public hearing" on every IPA component, discussion on administrative and legal challenges, project outputs assessment, and allocation of 'soft' points in the system. The hearing committees will have the opportunity to issue set of recommendations and conclusions which will be followed-up by the Government with a purpose of improving the system and ensuring effective control over EU funds.