



ИПА дата

Анализа за искористувањето на средствата од ИПА

Analysis of the use of IPA funds

Analizë e shfrytëzimit të mjeteve nga IPA



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By the end of 2013 the first cycle of the Instrument for Pre-Accession Assistance (IPA), introduced six years ago, will be closed, concluding the first financial framework 2007-2013.¹ The Proposal for the IPA II Regulation (covering the period 2014-2020) is in the pipe-line. According to the Proposal, the changes are aimed at simplification, flexibility, coherence and efficiency in the use of EU funds. In addition, the Proposal introduces an enhanced link between the financial aid and the accession agenda. Therefore, the end of 2013 is the right time to summarise the results and lessons learned and to provide recommendations for further activities towards a more comprehensive and efficient use of the EU assistance, as well as the assistance from other donors.

Having this in mind, the European Policy Institute, in the past year, implemented the IPADATA project which established a database of IPA projects in the country.²

This analysis using the information from the IPADATA database is an initial attempt to systematically study the available data on the use of IPA funds, including the contribution of IPA towards several key macroeconomic parameters and its relationship with them. The objective of the analysis is to explore into detail the absorption of IPA funds in the country and to determine whether and how IPA has affected the economy of the Republic of Macedonia in its broadest sense. For the purposes of this analysis the data on the implementation and structure of IPA assistance will be presented and analysed in terms of the basic macroeconomic indicators, the regional distribution of IPA funds and the assessments of the Progress Report on Macedonia published by the European Commission.

Although the focus of the public is on the efficient use of the funds i.e. the percentage of spent from available funds, this research will go a little deeper in order to pay more attention to other aspects of the implementation of IPA, such as the type of end-users, type of contracts and implemented projects and their linkage with the EU agenda of the Republic of Macedonia in general.

Given the focus and the goal of this research, the analysis consists of three sections. The first section covers the analysis on the absorption of the assistance, the ratio of available, contracted and paid funds. Furthermore, the distribution of funds by components and the structure of the national contribution are presented. Finally, the distribution of the funds by type of beneficiary is elaborated.

The second section studies the impact and compares the absorbed IPA funds with the basic macroeconomic indicators for the Republic of Macedonia. In that regard, the gross domestic product, used IPA funds per capita and other indicators are presented for comparison. In addition, the geographic distribution by regions according to the NUTS 3 classification is presented.

1 The funds will be used for several more years, as the year of the Programme denotes the year when the funds are allocated to a specific programme, whereas the allocated funds are spent in the following years, after the completion of all the necessary procedures

2 www.ipadata.mk

The third section examines the relation between the EU funds and the accession reform process. Since structurally the EU accession process is divided into 35 *acquis* chapters, the analysis links the absorbed funds in the Republic of Macedonia with the assessment of alignment and priorities structured by chapters of the *acquis* in the EU reports. Although the impact of a certain project is not always confined to the area covered by chapters, the classification is done, taking into account the area where the project has the highest impact.

The methodology of estimation of projects costs is adjusted to the nature of programming the funds in the operational programs.

The data is extracted from public sources. The analysis has been prepared based on available information at the end of November 2013 on the web site of the EU Delegation in Skopje, the Secretariat for European Affairs, the Central Financing and Contracting Department of the Ministry of Finance, the Agency for Financial Support of Agriculture and Rural Development, as well as the web sites of the cross-border cooperation programs.³ In the course of the second half of 2013 the responsible institutions in the Republic of Macedonia have published various relevant documents: the Central Financing and Contracting Department published lists of the concluded contracts for all three components (I, III and IV); the Agency for Financial Support of Agriculture and Rural Development continuously publishes overviews of selected projects for Component V. Furthermore, the shift towards transparency is also illustrated by the publication of lists of funded projects by the Secretariat for European Affairs and the Ministry of Local Self-Government. The European Commission publishes lists of contracts it signed on the website of the EU Delegation in Macedonia. However, the existing data are not clearly comparable, consistent and the format depends on the source. For certain components/programs information on the annual allocation of the particular funds for the concluded contracts is missing. In the cross-border cooperation programs the exact data for the co-financing amount is not given. A particular challenge is the cross-border cooperation program with Bulgaria, which is managed by the Ministry of Regional Development and Public Works of the Republic of Bulgaria. The identification of the co-financing costs of projects under this program is at times impossible, since this data is not presented.

Although this analysis has the objective to show the trends and state of play of the use of IPA funds, in the long run we expect it to encourage research by using the IPADATA. This analysis only points out to the opportunities offered by the data-base, which can always be combined with many other sources to reach a wider scope in policy making. At the end we expect the analysis to encourage dialogue between the respective state institutions and the civil society which has been largely missing so far.

³ The methodology of the database is available on: http://ipadata.epi.org.mk/?page_id=1260

I. General analysis on the IPA funds in the Republic of Macedonia

The use of IPA funds by the Republic of Macedonia commenced with the IPA I financial framework for 2007-2013. The absorption of IPA funds is inseparably and most significantly linked with the programming i.e. the plan for their use. Having in mind that usually at least two years pass from the programming year until launch of implementation, it was necessary for a certain period of time to pass before conducting an analysis of the structure and the trend of utilisation of funds. Therefore, at the end of 2013 a preliminary analysis on the absorption of funds and their structure may be compiled in order to see what exactly the data indicates.

This first section covers an analysis of the absorption of the assistance, type of project, as well as the ratio of available, contracted and paid funds. Furthermore, the distribution of funds by components, the structure and the amount of the national co-financing is presented. At the end, the distribution of funds by the type of beneficiary in question is given. Even though the funding in general is designed for certain type of beneficiaries in line with the priorities, especially between components, it is important to determine which organisations were mostly involved and used IPA funds.

a) Absorption of IPA funds

The absorption of IPA funds can be analysed having in mind the share of contracted projects from overall programmed funds and the percentage of the completed vis-à-vis programmed projects. This analysis classifies the funds according to the five IPA components, which are directed towards different objectives and activities.

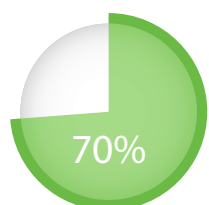
- **IPA Component I:** Transition Assistance and Institution Building assists in meeting the political, socio-economic criteria and the European standards. This component consists of 40% of the total IPA funds for Republic of Macedonia (see the table below).
- **IPA Component II:** Cross-border Cooperation is related to the border regions between beneficiaries of the Member States, candidates and accession countries. The funds are aimed at encouraging the cross-border cooperation, sustainable development of the environment, development of the market and the economy, promotion of cooperation at the external borders of the EU, improving the living standard in the border regions, capacity building of the local/regional/ national institutions for implementation of the EU programs, etc.
- **IPA Component III:** Regional Development supports infrastructural projects in the environment and transport sector, as well as programs promoting regional competitiveness and development. This component is foreseen as a predecessor of the European Fund for Regional Development (EFRD) and the Cohesion Fund, i.e. serves to prepare the candidate countries for implementation of these funds upon membership in the EU.
- **IPA Component IV:** Human Resources supports projects aimed at promotion of employment, education/training and social inclusion. Its objective is to prepare the candidate countries for using the European Social Fund upon membership in the EU. though smaller in scale.

- **IPA Component V:** Rural development simulates the programs for rural development upon accession by financing rural development measures, similar by nature,

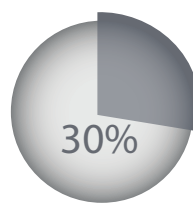
Table 1: Available and absorbed funds from components I, II, III, IV and V ⁴

Absorption of funds: completed and ongoing projects					
* EUR	Programmed (total approved funds)	Contracted (Ongoing projects + completed projects)	Share of contracted projects in programmed projects	Paid funds (Completed projects)	Share of the paid funds (completed projects)
Component 1	244.112.110	91.878.188	38%	63.390.658	26%
Component 2	30.276.703	17.191.151	57%	7.528.647	25%
Component 3	200.426.454	55.846.836	28%	2.769.394	1%
Component 4	54.424.000	12.874.132	24%	10.504.484	19%
Component 5	85.649.341	5.687.182	7%	5.618.101	7%
Component 6	614.888.608	186.965.954	30%	89.811.284	15%

Chart 1: Absorption of IPA funds: completed and ongoing projects



remaining funds, ,
431.411.119 EUR



value of completed projects
and ongoing projects,
183.477.489 EUR

⁴ Values are taken from the European Commission, Communication from the Commission to the European Parliament and the Council Instrument for pre-accession assistance (IPA), Revised multi-annual indicative financial framework for 2012-2013, COM (2011) 641 final, Brussels, 12.10.2011; http://ec.europa.eu/enlargement/pdf/how_does_it_work/miff_12_10_2011.pdf. The calculation does not include the values of the Program for Information and Communication.

From the table above it can be noticed that the level of absorption of IPA funds is low. Regarding the ongoing and completed projects the range is between 7% in the Component V to 57% in the Component II. The low level of absorption of IPA funds in the Component V for rural development and the possibility of losing the funds is the reason why the European Commission, upon the request of the Government of the Republic of Macedonia, reallocated 18 million Euros from this component to Component I. The proposal envisages joint management of the funds by the European Commission and the World Bank.⁵ The Government should participate with a contribution of 5 million Euros, thus the overall amount of this projects is around 23 million Euros.

This means that instead of the National Agency for Financial Support of Agriculture and Rural Development to award these funds to the farmers and the enterprises in this sector, the funds will be managed by the World Bank - for projects in the same sector, but in the component for transition assistance and institution building. This is a clear illustration for setback - rather than national institutions, the funds will again be managed by the European Commission i.e. international organisations.

Because of the low absorption of funds, the World Bank will manage 23 million euros for agriculture and rural development, instead of the Agency for Financial Support of Agriculture and Rural Development.

The reasons underpinning this situation are multiple. First of all, the programming and implementation of projects in each of the components is undermined by weak administrative capacity. The European Commission underlines this aspect in the latest Progress Report for 2013, stating that "there is urgent need for further enhancing of the project management capacity of relevant institutions to ensure effective and efficient management of EU funds".⁶ The findings of EPI's study on the absorption of EU funds in the Republic of Macedonia are similar as they identify the delay in programming of funds, complexity of procedures, as well as the weak capacity of various bodies involved in the implementation of IPA as reasons for the low absorption.⁷ This refers to bodies responsible for concluding the IPA contracts, as well as the potential beneficiaries (state institutions, municipalities, social partners, civil sector, private enterprises, the farmers and the food-processing companies in Component V). In this regard, in the Report on Financial Assistance for Enlargement 2012 the European Commission states that at the beginning and at the end of 2012, the Commission temporarily interrupted the payments *due to understaffing and insufficient managerial capacities in key institutions, especially in those exercising control functions, such as the Audit Authority and the National Authorising Officer's (NAO) office*.⁸

5 Commission implementing decision adopting a National programme - Part II on the former Yugoslav Republic of Macedonia under the IPA Transition Assistance and Institution Building Component for the year 2013 (draft), D030863/01, <http://ec.europa.eu/transparency/regcomitology/index.cfm?do=Search.getPDF&hXKRYVoVsFEDuZvGzPDBWVqBB7ff4EnisQ1BdEU08vC5SVAw47eF02NzJLXFBE77kGvLzo2Pu5uyjPyPE0HGhn1Yyu8a5hceFqN5ixnqYl=>

6 European Commission, Progress Report for the Republic of Macedonia for 2013,

http://www.sep.gov.mk/data/file/Progres%20report%202013/2013-mk/mk_rapport_2013_MK4_21_10_2013.doc

7 See: The use of EU funds in the Republic of Macedonia, collection of studies, November 2013, European Policy Institute, available on: http://epi.org.mk/docs/use_of_eu_funds_in_rm_en.pdf

8 European Commission, Report from the Commission to the European Parliament, the Council, and the European economic and Social Committee, 2012 annual report on financial assistance for enlargement, http://ec.europa.eu/enlargement/pdf/key_documents/2013/2012_ipa_annual_report_with_annex_new_en.pdf

Furthermore, this state of affairs can certainly be linked to insufficient political commitment for more efficient implementation of IPA funds. In addition, the low absorption is a result of the allocation of budgetary resources for similar purposes and in the same sectors, which are subject to less strict requirements. This is especially relevant for the funds for agriculture and rural development, having in mind that the national subsidies have been increasing. Finally, the low absorption rate points to the poor assessments in IPA programming. As already highlighted by previous research, the low level of partnership is an additional reason behind the inefficient use of the funds.

Reasons for low absorption:

1. Insufficient political commitment
2. Low administrative capacities
3. Easier access to budget funds and other sources
4. Inappropriate programming
5. Lack of partnership

If we include in the analysis the funds with predefined amounts, which at the moment are subject to public calls, the absorption rate would rise by 6% i.e. to 36%. The biggest increase is registered in Component II with ongoing open calls for cross-border cooperation with Kosovo and with Greece. Of course, this figure is not definite having in mind that the amounts of the contracted projects in future can differ from the envisaged amounts in the calls.

Table 2: Absorption of funds: completed, ongoing projects, open calls with predefined amounts

* EUR	Programmed (total approved funds)	Open calls, ongoing projects + completed projects	Share of funds in open calls, ongoing projects and completed projects
Component 1	244.112.110	104.620.281	43%
Component 2	30.276.703	21.798.236	72%
Component 3	200.426.454	71.397.836	36%
Component 4	54.424.000	15.194.132	28%
Component 5	85.649.341	5.687.182	7%
Total	614.888.608	218.697.667	36%

The absorption of funds for Component III – Regional development, which is focused on investments in infrastructure and environment has sharply increased last year, when contracts were signed for the section of the highway Demir Kapija – Smokvica. The other project from this component – water-treatment plant Prilep is yet to be completed. According to the pace of utilisation of funds so far, the risk of loss of funds is evident.

The European Commission on an annual basis prepares a report on the implementation of pre-accession assistance in the beneficiary countries in the previous year.⁹ Data from these reports for the components I and II is available in the annex of this review.

⁸ European Commission, Report from the Commission to the European Parliament, the Council, and the European Economic and Social Committee, 2012 Annual Report on Financial Assistance for Enlargement, http://ec.europa.eu/enlargement/pdf/key_documents/2013/2012_ipa_annual_report_with_annex_new_en.pdf

According to the last report which reflects on the absorption of funds by the end of 2012, 38.92% of the funds allocated in Component I were used.¹⁰

Table 3: Use of funds in Component I according to the European Commission's Report on Financial Assistance for enlargement for 2012¹¹

Republic of Macedonia	Allocated	Contracted	% Contracted	Paid	Paid
IPA 2007	34,02	31,80	93,48%	31,09	91,39%
IPA 2008	37,12	34,00	91,58%	26,86	72,35%
IPA 2009	37,06	35,32	95,30%	17,73	47,84%
IPA 2010	36,92	30,13	81,63%	3,01	8,16%
IPA 2011	28,90	0,00	0,00%	0,00	0,00%
IPA 2012	28,16	0,00	0,00%	0,00	0,00%
Total	202,18	131,25	64,92%	78,69	38,92%

The difference in the results obtained in EPI's study can be linked to two factors:

1. The European Commission uses lower referent values for every year for Component I. In its Pre-accession assistance report, the European Commission operates with an allocation of 202 million Euros for Component I. At the same time, the allocation for the same component in the revised Multi-annual indicative planning document for the period 2007-2013 is 244 million Euros, which is taken as a referent value in this analysis.
2. The European Commission calculates the absorption of IPA funds as a share of the allocations in the period 2007-2012 whereas this review also includes the allocations for 2013, having in mind it includes data as of November 2013.

Table 4: Planned funds in the Multiannual financial framework 2012-2013 included in the analysis¹²

Planned IPA funds according to the Multiannual financial framework 2012-2013							
	2007	2008	2009	2010	2011	2012	2013
Component 1	41.641.613	41.122.001	39.310.500	36.917.068	29.403.410	28.659.161	27.058.357
Component 2	4.158.387	4.077.999	4.371.501	4.467.526	4.524.876	3.583.373	5.093.041
Component 3	7.400.000	12.300.000	20.800.000	29.400.000	39.300.000	40.949.983	50.276.471
Component 4	3.200.000	6.000.000	7.100.000	8.400.000	8.800.000	10.288.000	10.636.000
Component 5	2.100.000	6.700.000	10.200.000	12.500.000	16.000.000	17.991.604	20.157.737
Total	58.500.000	70.200.000	81.782.001	91.684.594	98.028.286	101.472.121	113.221.606

¹⁰ See tables in annex.

¹¹ European Commission, Report from the Commission to the European Parliament, the Council, and the European economic and Social Committee, 2012 Annual Report on Financial Assistance for Enlargement, http://ec.europa.eu/enlargement/pdf/key_documents/2013/2012_ipa_annual_report_with_annex_new_en.pdf

¹² European Commission, Communication from the Commission to the European Parliament and the Council instrument for pre-accession assistance (IPA), Revised multi-annual indicative financial framework for 2012-2013, COM(2011) 641 final, Brussels, 12.10.2011; http://ec.europa.eu/enlargement/pdf/how_does_it_work/miff_12_10_2011.pdf.

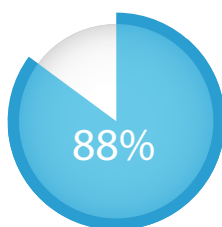
b) The national contribution in relation to IPA funds

A certain amount of the total IPA project funds must be provided through a national contribution. The national contribution can come from the budget, from the beneficiary or both. The amount of the national contribution is prescribed in the criteria and depends on the component and the type of contract.

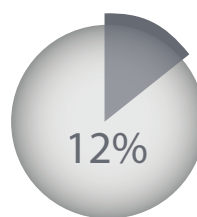
Table 5: Structure of financing by components¹³

* EUR					
IPA Component	Budget IPA	Contribution MK	Total budget	% Budget EU	% Contribution MK
Component 1	106.442.781	5.392.965	112.085.746	95%	5%
Component 2	21.798.236	3.865.394	25.663.630	85%	15%
Component 3	71.397.836	11.173.276	82.571.112	86%	14%
Component 4	15.194.132	2.271.849	17.465.981	87%	13%
Component 5	5.687.182	2.128.980	14.889.342	38%	62%
Program for information and communication	3.627.803	147.494	3.775.297	96%	4%
Total	224.147.970	31.928.093	256.076.063	88%	12%

Chart 2: Co- financing of all projects in all components



EU Budget



MK Contribution

The contribution of the Republic Macedonia has gradually been increasing since 2007 until today. In the contribution of the Republic of Macedonia regarding the Component II all funds have been included in the analysis. Regarding the Component V - Rural development, the participation of the national budget of the Republic of Macedonia, as well as contributions of the beneficiaries (farmers and the private enterprises) have been calculated. As can be seen from Table 5, the participation of the Republic of Macedonia is highest in the Component V due to the budgetary support, as well as financial share of the direct IPA beneficiaries. It is also obvious that the high level of requested contribution from the beneficiary additionally complicates the utilisation of the funds from this component.

¹³ The values refer to the completed, ongoing projects as well as open calls (where the amount of the open call is determined). In the contribution of the Republic of Macedonia the loan from the European investment bank for financing the construction of the section Demir Kapija - Smokvica in the amount of approximately 160 million euros has not been included.

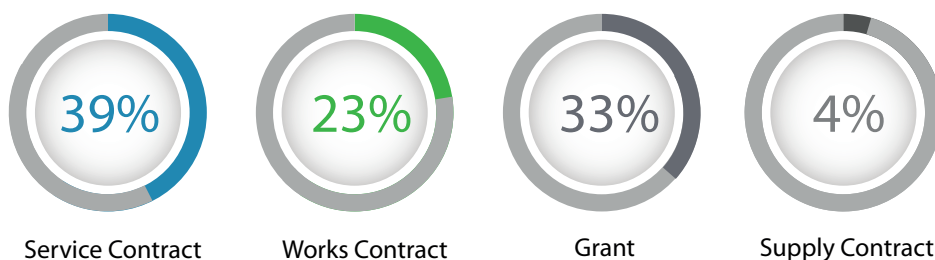
c) Funds according to the type of contract

According to the classification of the type of assistance and the type of contract under the European Commission (Europeaid),¹⁴ the assistance is divided into grants and contracts. Furthermore, contracts are divided into supply contracts, service contracts and works contracts. Using this classification, we can analyse the structure of IPA projects according to the type of contract.

Table 6: Structure of IPA components I-V according to the type of contract

* EUR						Share			
Component/ type of contract	Grant	Supply contract	Works contract	Service contract	Total	Grant	Supply contract	Works contract	Service contract
Component 1	35.340.867	9.552.527	5.458.479	51.001.142	101.353.015	35%	9%	5%	50%
Component 2	21.798.236				21.798.236	100%	0%	0%	0%
Component 3			46.241.007	28.526.829	74.767.836	0%	0%	62%	38%
Component 4	10.290.038			4.904.094	15.194.132	68%	0%	0%	32%
Component 5	5.687.182				5.687.182	100%	0%	0%	0%
Program for information and communication	665.404	262.892		2.747.017	3.675.313	18%	7%	0%	75%
Total	73.781.727	9.815.419	51.699.486	87.179.082	222.475.714	33%	4%	23%	39%

Chart 3: Structure of IPA components I-V by the type of contract



According to the data, the contracts have the highest share, out of which the service contracts are dominant. Per separate components, grants are dominant in Component V, as well as in Component II. Having in mind the objectives of the components, the targeted beneficiaries and the type of supported activities, it can be concluded that these results coincide to a great extent with the priorities as foreseen for the IPA components. From this point of view, there is a match between the type of assistance and the needs. Nonetheless, from the standpoint of the direct benefit of the economy and social factors, while considering that until now significant amounts have been invested in capacity building, in future the structure needs to be shifted towards increasing the share of grants, works and supply contracts, i.e. to decrease the share of services.

¹⁴ <http://ec.europa.eu/europeaid/work/funding/>

d) Managed funds per contracting authority

Depending on the component and the time of contracting, IPA funds have been managed by different bodies. With the accreditation of the decentralised implementation system, the responsibility for contracting and managing projects has been gradually transferred from the Delegation of the European Union to the national contracting authorities – the Central Financing and Contracting Department in the Ministry of Finance and the Agency for Financial Support of Agriculture and Rural Development. However, the EU Delegation acts as a contracting authority for certain projects.

Currently the state of play regarding the responsibility for managing the funds is as follows:

Component I: The Central Financing and Contracting Department in the Ministry of Finance, except for civil society grants and the program for information and communication managed by the Delegation of the EU.¹⁵

Component II: Delegation of the EU in the Republic of Macedonia concludes contracts for Macedonian beneficiaries for all programs except the one with Bulgaria, where the contracting authority is the Ministry of Regional Development and Public Works of the Republic of Bulgaria. The contracting has recently been transferred from the EU Delegation to the Managing body of the Trans-national program.

Components III and IV: The Central Financing and Contracting Department in the Ministry of Finance.

Component V: The Agency for Financial Support of Agriculture and Rural Development.

Components III, IV and V could have only been managed in a decentralised manner, thus the use of these funds commenced in 2010.

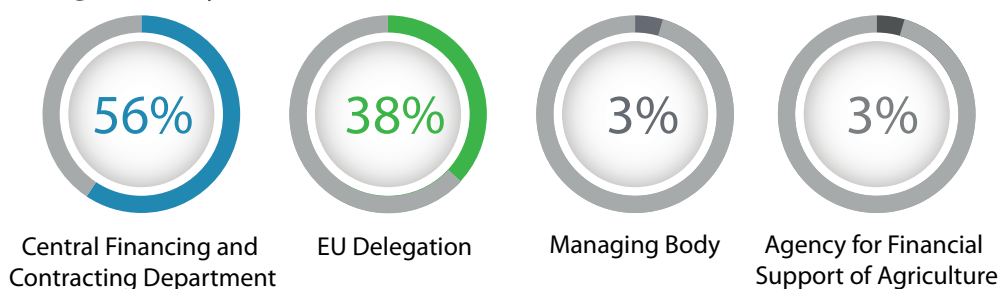
The retained competences of the European Commission for awarding grants for cross-border cooperation for most of the programs cannot be explained solely by the insufficient administrative capacity. It is evident that political considerations are at stake. Moreover, it is indicative that EC retains the authority to award civil society grants from the Component I. It illustrates the existing distrust that these grants would be awarded in transparent and objective manner by the Government. However, the national institutions do award grants to the civil societies as part of the Component IV for human resources development.

¹⁵ This includes EC grants for contribution to the entry tickets of the Republic of Macedonia for participation in Community Programmes.

Table 7: Structure of contracted funds for IPA components I-V according to the type of contracting authority

* EYP	Contracting authority			
	Agency for Financial Support of Agriculture and Rural Development	EU Delegation	Central Financing and Contracting Department	Managing body ¹⁶
Component 1		67.284.119	39.158.662	
Component 2		15.256.722		6.541.514
Component 3			71.397.836	
Component 4			15.194.132	
Component 5	5.687.182			
Program for information and communication		3.627.803		
Total	5.687.182	86.168.644	125.750.630	6.541.514

Chart 4: Structure of contracted funds for IPA components I-V according to the type of contracting authority



Of the IPA funds absorbed so far, 59% are managed by a contracting authority from the Republic of Macedonia (the Central Financing and Contracting Department in the Ministry of Finance and the Agency for Financial Support of Agriculture and Rural Development). Having in mind the significance of this share, the capacity building of these institutions for managing EU funds is of key importance for advancing the use of IPA funds.

e) Use of funds by the type of beneficiary

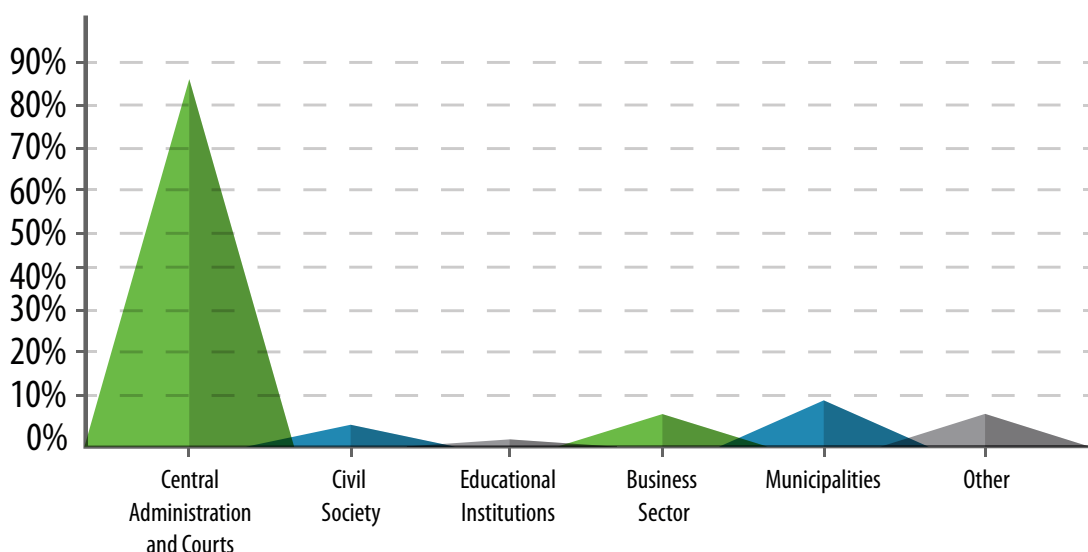
In general, IPA funds by components are predominantly aimed at a certain type of beneficiaries. However in certain components, as in components II and III, different types of organisations are eligible as beneficiaries. In this analysis 6 types of beneficiaries are classified, but the IPADATA base allows for sub-classification of multiple types.

¹⁶ The Managing body is a contracting authority for projects from the Program for cross-border cooperation with Bulgaria and the Trans-national program.

Table 8: Use of funds per IPA components I-V according to the type of beneficiary

* EUR	Type of beneficiary						
	Central administration and courts	Civil society organisations	Educational institutions	Business sector	Municipalities	Other	Total
Component 1	96.129.827	1.470.483	0	2.032.500	6.288.187	521.784	521.784
Component 2	1.874.071	4.566.524	933.927	81.907	9.734.722	4.607.085	4.607.085
Component 3	71.397.836	0	0	0	0	0	0
Component 4	14.643.558	550.574	0	0	0	0	0
Component 5	0	0	0	5.687.182	0	0	0
Program for information and communication	0	71.781	0	424.286	0	3.131.736	3.627.803
Total	184.045.292	6.659.362	933.927	8.225.875	16.022.909	8.260.605	224.147.970

Chart 5: Use of IPA by type of beneficiary



It is evident that the largest group of direct beneficiaries belongs to the central government, i.e. state administrative bodies. The opportunities for the municipalities to apply individually for projects are limited to the Cross-border cooperation program, although they could participate significantly in the Component IV, as well. The civil society organisations have opportunities for grants from components I, II and IV and are mainly successful applicants. It is interesting that in the calls from the Component IV, which are under national management both national and foreign non-governmental organisations are awarded grants. This mix on the one hand illustrates the high threshold for applying, but, on the other hand, is also an indicator of the development of partnerships with organisations from EU Member States. Moreover, the participation of chambers of commerce in the cross-border cooperation programs is growing. However, the participation of social partners is extremely low.

The low participation of the private sector in the first four components is of particular concern. The possibilities for the business sector were so far limited to technical assistance under the TAB/BAAS program in Component I.

In the Component III for human resources development the high participation of the state institutions on central level is yet again evident, illustrating the use of this component in a similar manner as the first one.

Component V

The division within the business sector group illustrates the internal distribution in terms of the use of funds from Component V. Given the structure of the beneficiaries of this component, it is interesting to see how many direct beneficiaries are individual farmers, and how many are enterprises.

Table 9: Use of IPA funds from Component V by the type of beneficiary in the business sector

	Amount EUR		No. of projects	
	Private enterprises	Farmer	Private enterprises	Farmer
Component V	5.407.033	280.149	95	80

Chart 6: Use of IPA funds from Component V by the type of beneficiary in the business sector

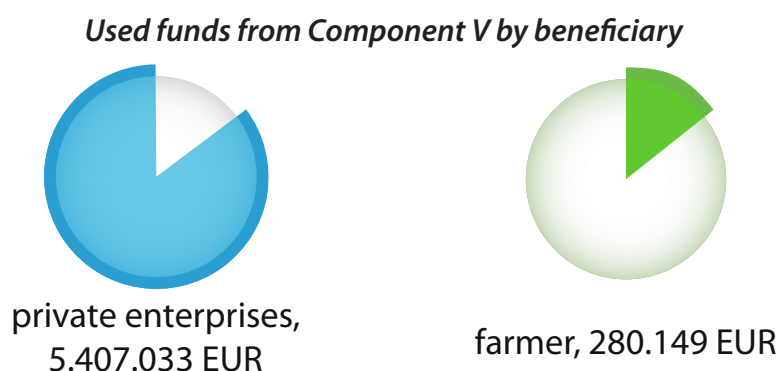
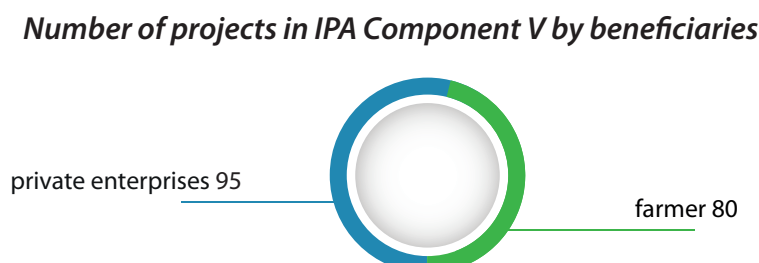


Chart 7: Number of projects in IPA Component V by the type of beneficiary in the business sector



This analysis shows that private enterprises absorb much more funds, which is understandable considering their financial power and capacity to develop projects when compared to individual farmers. The share of funds absorbed by private enterprises is approximately 95% compared to approximately 5% by individual farmers, although this disparity is not reflected in the absolute numbers of projects implemented by the private enterprises on the one hand and farmers, on the other. The significant difference in the resources indicates a serious problem with the preparedness of farmers to more actively and effectively use available IPA funds.

II. IPA funds in relation to the basic macroeconomic indicators

The analysis by macroeconomic indicators should firstly serve for comparison of the foreign assistance vis-à-vis the economic trends and capacity of the economy. In this section, we specifically establish the relationship between the absorbed IPA funds allocated for the period 2007-2009 on the one side and the gross domestic product and the total number of inhabitants in the Republic of Macedonia on the other.

The indicators calculated here should be taken into consideration as provisional having in mind that they are not designed on the principle of inflow, but are approximately distributed in the year when the implementation of the projects should have started according to the rule N+2. According to these approximations the share of IPA in the gross domestic product has been calculated, as well as the amount of EU assistance per capita. The calculation of these indicators should serve as a basis for comparison of the absorption of IPA with the other countries.

In addition, this section of the analysis will illustrate the distribution of funds across the statistical regions (NUTS 3).

Having in mind the delay of the implementation of projects the analysis refers to the period 2007 to 2009.¹⁷

a) IPA 2007–2009 in relation to GDP and per capita absorption

Table 9a: IPA 2007-2009 regarding GDP and population

Absorbed funds for all 5 components in average 2007, 2008, 2009				
Average overall absorbed IPA funds 2007, 2008, 2009	Average GDP in Euros (by current rate) for 2007, 2008, 2009	Average share of absorbed IPA funds in GDP for 2007, 2008, 2009	Average population in 2007, 2008, 2009	Average absorption per capita in Euros for 2007, 2008, 2009
30.302.219	6.462.666.667	0,46	2.048.283	14.8 Euros

¹⁷ Според податоците од базата, досега завршените проекти (со исклучок на програмата за информирање и комуникации) се од програмата ИПА 2007-2009, поради што и се земени споредбено со БДП од тој период.

There is no relevant data for the time period when IPA 2007-2009 funds were actually spent; i.e. when exactly the funds were transferred to the Republic of Macedonia in order to calculate their share in the gross domestic product of that year. Thus, we assume that the funds are used according to the rule N+2. Furthermore, the applied methodology is based on the calculated average of the total amount of the used IPA assistance 2007–2009 according to the information from the IPADATA. In order to make a proper comparison the average value of GDP has been used¹⁸ as well as the population¹⁹ for the same time period.

According to the comparison, for the years 2007, 2008 and 2009 the average used IPA funds annually amount to 0.46% of the average GDP for the same period and the absorption is approximately 14.8 Euros per capita for the given period.

b) In the period 2007-2009 besides IPA funds in the Republic of Macedonia projects from the CARDS program (2005 and 2006) were also implemented.²⁰ When those funds are included in the estimations, the absorption of EU assistance increases to 25,4 EUR per capita.

Table 9b: CARDS and IPA 2007-2009 vis-à-vis GDP and population

Absorbed funds from CARDS and IPA in average 2007, 2008, 2009				
Average overall absorbed IPA and CARDS funds 2007, 2008, 2009 (EUR)	Average GDP current rate, for 2007, 2008, 2009 (EUR),	Average share of absorbed IPA and CARDS funds in GDP for 2007, 2008, 2009 (%)	Average population in 2007, 2008, 2009	Average EU assistance per capita for 2007, 2008, 2009
51.717.388	6.462.666.667	0,8	2.048.283	25,4 EUR

b) Regional distribution of IPA projects

Table 10: Regional distribution of IPA funds

EUR	Funds per region								
	Vardar region	Eastern region	South-western region	South-eastern region	Pelagonija region	Polog region	North-eastern region	Skopje region	All regions
Component 1	587.259	324.947	911.673	482.875	1.603.122	574.640	488.910	24.587.750	76.881.605
Component 2	479.595	2.699.196	2.241.216	4.371.389	3.317.095	610.644	1.806.594	2.044.532	1.240.890
Component 3	850.000	969.000	6.800.000	45.646.000	6.629.365			434.438	10.069.033
Component 4		189.610				139.988		1.698.485	13.166.049
Component 5	778.821	1.340.494	315.496	1.139.492	844.336	134.103		1.134.440	

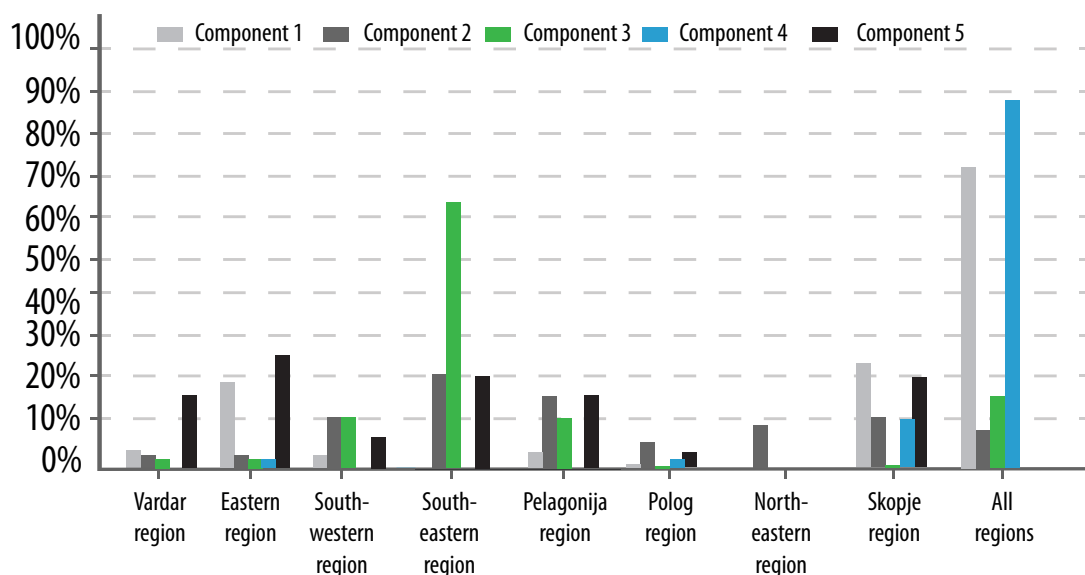
18 GDP values for the years 2007, 2008 and 2009 have been taken from the State Statistical Office <http://www.stat.gov.mk/xls/2013/3.1.13.08.xls>

19 The values for the number of population for the years 2008 and 2009 are taken from the State Statistical Office <http://www.stat.gov.mk/IndikatorIT5.aspx?id=2>, while for 2007 are obtained from the values of GDP and GDP per capita for 2007 from <http://www.stat.gov.mk/xls/2013/3.1.13.08.xls>

20 The value of the implemented CARDS projects has been calculated according to the data available on the web site of the Delegation of the European Union in Skopje, http://eeas.europa.eu/delegations/the_former_yugoslav_republic_of_macedonia/documents/projects/01-contractlist-web-2013-dec.pdf

As expected, in the Component I the projects are primarily distributed across all regions, because although the beneficiaries are central government bodies, they still refer to services delivered for the citizens on the entire territory of the Republic of Macedonia. However, a significant share still goes to the Skopje region. The regional distribution of the other components is much more significant. The high share of the South-eastern region in Component III is due to the construction of the remaining section of the highway Demir Kapija- Smokvica.

Chart 8: Share of the Regional distribution of the IPA components



The distribution of the components II, III and V between the regions is much more even when compared to Component I. In relation to Component II one should keep in mind that the low participation of the Polog region is due to the fact that the cross-border cooperation program with Kosovo has been recently opened and the first call for projects is ongoing.

III. Analysis of the absorption of IPA funds vis-à-vis the accession process and the priorities of the Republic of Macedonia

The final part of this analysis explores the link with level of alignment in the chapters of the *acquis communautaire*, as assessed in the progress reports of the European Commission.²¹ The level of alignment has been taken from EPI's analysis of the Progress report of the Republic of Macedonia for 2013 in which the methodology for the assessment is presented.²² By allocating the amount of IPA funds per chapter, the objective of this section is to find out which chapters had the greatest activity and to establish the overall relation between the levels of alignment and the absorbed IPA funds per chapter. This correlation is even more significant having in mind that the findings from the Progress report of the European Commission should be the starting point when programming IPA funds.

Table 11: Distribution of IPA funds per chapters of the *acquis communautaire*²³

Chapter	Number of projects	Level of alignment	Amount of IPA (EUR)
	7	4	1.870.156
5. Public procurement	2	4	1.137.305
7. Intellectual property law	1	3	81.421
8. Competition policy	1	4	950.000
9. Financial services	4	3	1.273.225
10. Information society and media	10	2	1.345.347
11. Agriculture and rural development	191	3	12.008.157
12. Food safety, veterinary and phytosanitary policy	7	3	5.752.118
14. Transport policy	5	3	5.750.782
15. Energy	14	3	4.185.711
16. Taxation	9	3	3.554.928
17. Economic and monetary policy	3	4	1.416.480
18. Statistics	4	4	1.409.100
19. Social policy and employment	46	1	12.538.656
20. Enterprise and industrial policy	30	3	5.710.103
21. Trans-European networks	10	4	54.803.932
22. Regional policy and coordination of structural instruments	36	2	7.823.302
23. Judiciary and fundamental rights	26	2	11.194.666
24. Justice, freedom and security	17	4	17.304.551
25. Science and research	4	2	2.024.444
26. Education and culture	47	3	12.196.972
27. Environment	61	3	27.651.828
28. Consumer and health protection	4	3	960.346
29. Customs union	12	4	8.411.441
36. Political criteria	23	3	11.131.210
37. Economic criteria	16	4	3.486.069
Undistributed	29		8.175.720

21 IPA database enables the linkage of the projects with the classifications of the EU law on EURlex as a useful tool regarding the analysis of EU assistance upon accession.

22 The assessments on the level of alignment have been taken from the Initial analysis of the Progress Report of the European Commission for the Republic of Macedonia 2013 by the European Policy Institute – Skopje, available on [http://epi.org.mk/docs/prvicna_analiza_na_izvestajot_na_ek_zn_napredokot_na_rm_za_2013\(1\).pdf](http://epi.org.mk/docs/prvicna_analiza_na_izvestajot_na_ek_zn_napredokot_na_rm_za_2013(1).pdf)

23 The classification has been made by EPI. Of course, there is a chance a project to be classified in more than one chapter, but in this particular case the primary chapter where the project had the greatest impact has been taken into consideration.

The data presented by chapters illustrates the directing of the funds in relation to the EU accession priorities. The Chapter 23 Judiciary and fundamental rights and the Chapter 24 Justice, Freedom and Security have continuously been a priority of the Republic of Macedonia, as well as for the region. Those chapters are the first to be opened in the accession negotiations and are significantly targeted with EU assistance mainly in the Component I on institutional support. Moreover, in the classification of the database a high number of the projects from the political criteria are closely related to the Chapter 23.

IPA funds from the cross-border cooperation component are mostly associated with the chapter 26: Education and culture, as well as the chapters 19: Social policy and employment, 20: Enterprises and industrial policy and 27: Environment, because the priority axes of these programs are directed towards activities in these areas. The experience from the previous enlargements shows that from all of these chapters, approximation in the area of environment carries the highest financial implications and is expected to be achieved as a long-term goal.

IPA Component III for regional development is mostly represented in the chapters 14: Transport policy, 21: Trans-European networks²⁴ and 22: Regional policy and coordination of structural instruments. These projects are multiannual and that is the reason why the use of this component regarding the completed projects is low.

The Component IV for human resources development is reflected mostly in the Chapter 19: Social policy and employment, whereas the Component V for agriculture and rural development in the Chapter 11: Agriculture and rural development.

However, it is highly significant when analysing to take into consideration that some of the chapters need much more resources for approximation.

Although initially a strong correlation between the funds spent and the level of approximation cannot be established one must keep in mind that in the chapters 11, 26 and 27, the projects are mainly not aimed at approximation of the legislation. These projects entail physical capital investments which contribute to the general approximation in the chapters, though, not with the same intensity as the projects for enhancing the capacities and harmonisation of the legislation.

²⁴ Two big projects are related to this chapter - for construction and supervision over the section Demir Kapija-Smokvica, in which EU contributes with 45 million euros. For additional information check the projects in the IPA database.

Conclusions

The aim of this review on the absorption of IPA funds in the Republic of Macedonia was to present an initial overview of the information available via the IPADATA base and to give a preliminary analysis of the use of IPA in the country. Having in mind the focus and the purpose of this research, the analysis consisted of 3 sections. The first section analysed the use of the IPA assistance as well as the available, contracted and used funds. The presented data illustrated that the use of assistance is low and if we take into consideration the used funds (value of completed and ongoing projects) it stands at 30%. The total use ranges from 15% of paid funds to 36%, consisting of completed projects, ongoing projects and open calls. The low absorption of funds in the Component V for rural development is visible and has been followed up in the recent redistribution of funds from this component to Component I which will be managed by the World Bank. Although these projects, as stated in the Commission's decision will be used for similar purposes as the Component V, the reallocation is an indicator of the lack of capacity for using the funds directly by the farmers and private enterprises through the National Agency.²⁵

Next, the relation of the funds by components, structure and national contribution was presented. The average national contribution of the Republic of Macedonia (budgetary resources, as well as funds from the beneficiaries of the Component V) is 12%, although, there are significant variations between the components. Finally, the distribution of funds by type of beneficiary was given, as a reflection of the dominance of the central administration and the courts as beneficiaries of the biggest amounts of IPA funds. This should not be surprising having in mind that the Component I, to which nearly 40% of IPA funds is allocated, is fully aimed to support the state institutions.

The second section studied the influence and links of IPA funds to the basic macroeconomic indicators. Here, the gross domestic product and absorption of IPA funds per capita were presented. Also, this section tackled the geographic distribution by regions according to the NUTS 3 classification. Thus, the analysis illustrated that the significant part of the funds are directed towards the Skopje region (where the state institutions are situated), as well as towards all other regions having in mind that these projects are significant for the overall capacity building of the institutions. The significant participation of the South-eastern region in Component III is a result of the ongoing implementation of infrastructural projects.

25 Here it should be taken into consideration the delivery of national assistance for agriculture is subject to more simplified procedures.

The third section presented the relationship between EU funds and the reform accession process. Because the process of acceding to the EU is divided in 35 legislative chapters, the analysis establishes a link between the used funds and the assessments of alignment and priorities for specific chapters. In this section of the analysis it is evident that significant funds are focused towards chapters 23: Judiciary and fundamental rights and 24: Justice, freedom and security. This allocation is in conformity with the Commission's new approach, according to which these two chapters are opened first and closed last in the accession negotiations. The funds for infrastructural projects in the Chapter Trans-European networks, as well as in the Chapter Environment are also highly visible.

In the process of designing the IPADATA database, as well as this analysis, progress was noted regarding the availability of information on IPA. First, the initial lack of information on the use of IPA was partially overcome by publishing lists of financed projects on the web sites of the responsible institutions. In this regard the data published in the annual reports of the Agency for Financial Support of Agriculture and Rural Development for 2010 and 2011 is especially useful.²⁶ Our recommendation, as well as an expectation is that this trend of publishing data for projects financed by IPA will continue in the forthcoming period. Still, the existing data is not clearly comparable and the format depends of their source. Hence, there is a need for coordination regarding the presentation of data on IPA by the different responsible bodies. The enhancing of transparency is of particular significance in the context of programming (as well as the use) of funds in the new financial framework and according to the IPA II regulation.

Having in mind the above presented information, the IPADATA database is a significant step forward in the promotion of availability of information, both in terms of compiling the data into a single source, and organising them in a same or comparable format. While the findings of this review provide an initial insight in the use of IPA funds in the Republic of Macedonia, as well as their link with the EU accession process, we expect that the database will also be of benefit for other actors and stakeholders involved in the implementation of IPA in the country.

26 On the web site of the Agency for Financial Support of Agriculture and Rural Development the Annual reports 2012 and 2013 are not published.

Annex: Financial data on implementation of the assistance on 31 December 2013 from the European Commission's Report 2012.²⁷

IPA Republic of Macedonia Component I and 2.

Republic of Macedonia	Allocated	Contracted	% Contracted	Paid out	% Paid out
IPA 2007	36,67	33,30	90,79%	29,34	71,19%
IPA 2008	40,75	37,06	90,92%	29,01	44,23%
IPA 2009	40,09	36,06	89,95%	17,73	7,63%
IPA 2010	40,01	30,19	75,44%	3,05	0,00%
IPA 2011	32,03	0,00	0,00%	0,00	0,00%
IPA 2012	30,31	0,00	0,00%	0,00	35,99%
Total	219,87	136,59	62,12%	79,13	

IPA – Component I National Program of the Republic of Macedonia

Republic of Macedonia	Allocated	Contracted	% Contracted	Paid out	% Paid out
IPA 2007	34,02	31,80	93,48%	31,09	91,39%
IPA 2008	37,12	34,00	91,58%	26,86	72,35%
IPA 2009	37,06	35,32	95,30%	17,73	47,84%
IPA 2010	36,92	30,13	81,63%	3,01	8,16%
IPA 2011	28,90	0,00	0,00%	0,00	0,00%
IPA 2012	28,16	0,00	0,00%	0,00	0,00%
Total	202,18	131,25	64,92%	78,69	38,92%

**IPA – Component II (Cross-border cooperation)
Program of the Republic of Macedonia**

Republic of Macedonia	Allocated	Contracted	% Contracted	Paid out	% Paid out
IPA 2007	2,65	1,03	38,65%	0,90	34,03%
IPA 2008	3,63	3,06	84,20%	2,15	59,30%
IPA 2009	1,56	0,00	0,00%	0,00	0,00%
IPA 2010	3,10	0,05	1,65%	0,04	1,32%
IPA 2011	3,13	0,00	0,00%	0,00	0,00%
IPA 2012	2,16	0,00	0,00%	0,00	0,00%
Total	16,22	4,13	25,49%	3,10	19,09%

²⁷ European Commission, Communication from the Commission to the European Parliament and the Council instrument for pre-accession assistance (IPA), Revised multi-annual indicative financial framework for 2012-2013, COM(2011) 641 final, Brussels, 12.10.2011; http://ec.europa.eu/enlargement/pdf/how_does_it_work/miff_12_10_2011.pdf.

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IPA program of the European Policy Institute

With the establishment of the European Policy Institute (EPI)-Skopje the implementation of the multiannual program "IPA monitoring" commenced in which several studies have been completed. This program was initiated primarily as a way of strengthening the cooperation with all stakeholders in the process, including the Parliament, the media, academia, etc.

The Fridrich Ebert Foundation supported the preparation of case studies for all five components of IPA and an additional analysis for the absorption capacity of the Republic of Macedonia in the use of EU funds. The original version of the collection of studies entitled "The use of EU funds in the Republic of Macedonia" is available on:

http://www.epi.org.mk/docs/use_of_eu_funds_in_rm_en.pdf

Besides this study, the Fridrich Ebert Foundation has also supported the publication of the public policy document "The use of IPA funds in the Republic of Macedonia– how to increase efficiency?"

[http://www.epi.org.mk/docs/koristenje_na_ipa_fondovite_vo_republika_makedonija\(1\).pdf](http://www.epi.org.mk/docs/koristenje_na_ipa_fondovite_vo_republika_makedonija(1).pdf)

EPI in cooperation with the European Fund for the Balkans in 2013 published a study "Enhancing parliamentary scrutiny over the use of EU funds in the Republic of Macedonia."

http://www.epi.org.mk/docs/executive_summary_enhancing_parliamentary_scrutiny_over_the_use_of_eu_funds_in_rm%281%29.pdf

In August 2013 EPI published a public policy document "Partnership in the use of EU funds" supported by USAID.