

**TURGUT ÖZAL UNIVERSITY  
GRADUATE SCHOOL OF SOCIAL SCIENCES  
DEPARTMENT OF ECONOMICS**

**COMPARATIVE ANALYSIS ON THE CONTRIBUTION OF THE  
EU PRE-ACCESSION FUNDS TO MONTENEGRO AND THE  
REPUBLIC OF MACEDONIA IN THE SECTOR OF SOCIAL  
INCLUSION FOR THE PERIOD 2007-2013**

**MA DISSERTATION**

**Abdullah Sencer GÖZÜBENLİ**

**Supervisor  
Prof. Dr. Sadık Rıdvan KARLUK**

**Ankara - 2016**



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## ACCEPTANCE AND APPROVAL

The jury finds that *Abdullah Sencer GÖZÜBENLİ* has on the date of 09/03/2016 successfully passed the defense examination and his *MA Dissertation* titled “*Comparative Analysis on the Contribution of the EU Pre-Accession Funds to Montenegro and the Republic of Macedonia in the Sector of Social Inclusion for the Period 2007-2013*” was approved *unanimously / by majority of votes*.

Prof. Dr. Sadık Rıdvan KARLUK (Chair)

Assist. Prof. Dr. Mustafa KUTLAY

Assist. Prof. Dr. Süleyman Cem KARAMAN

## **ETHICS**

In this MA Dissertation study, prepared in accordance with the spelling rules of Turgut Özal University Graduate School of Social Sciences, I declare that all the information and documents have been obtained in the base of academic rules, all audio-visual and written information and results have been presented according to the rules of scientific ethics, in case of using related studies have been cited in accordance with the scientific standards, all cited studies have been fully referenced, I did not do any distortion in the data set, and any part of this thesis has not been presented as another thesis study at this or any other university.

Abdullah Sencer GÖZÜBENLİ

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## ABSTRACT

[GÖZÜBENLİ, Abdullah Sencer]. [Comparative Analysis on the Contribution of the EU Pre-Accession Funds to Montenegro and the Republic of Macedonia in the Sector of Social Inclusion for the Period 2007-2013], [MA Dissertation], Ankara, [2016].

Since the dispersion of the Socialist Federal Republic of Yugoslavia, the European Union (EU) has been providing financial assistance to the Western Balkans countries through various pre-accession programmes with various objectives. From January 2007 onwards, the Instrument for Pre-Accession Assistance (IPA) replaced all EU's financial instruments for candidate and potential candidate countries. One of the main strategic priorities of the assistance under the IPA is to reinforce social inclusion, with a view to their sustainable integration of people at a disadvantage in the labour market.

The least populous candidate countries for the EU membership in Western Balkans countries, Republic of Macedonia and Montenegro have been facing high unemployment rates and the large scale migration of vulnerable groups after the dispersion of the Socialist Federal Republic of Yugoslavia.

This thesis aims to evaluate the effectiveness of the resource allocations to the sector of social inclusion in the Republic of Macedonia and Montenegro under the IPA in achieving the priorities identified by the Operational Programmes for Human Resources Development for the Republic of Macedonia for the period 2007-2013 and for Montenegro for the period 2012-2013. The results indicate that limited progress has been made on social inclusion in both countries and social inclusion strategies still need to be addressed.

*Key Words: Instrument for Pre-Accession Assistance (IPA), Social inclusion, European Union, Republic of Macedonia, Montenegro.*

## ÖZET

[GÖZÜBENLİ, Abdullah Sencer]. [2007-2013 Döneminde Karadağ ve Makedonya Cumhuriyeti'ne Sağlanan AB Katılım Öncesi Fonları'nın Sosyal İçerme Sektörüne Katkılarının Karşılaştırmalı Analizi], [Yüksek Lisans Tezi], Ankara, [2016].

Yugoslavya Sosyalist Federal Cumhuriyeti'nin dağılmasından itibaren, Avrupa Birliği (AB), Batı Balkan ülkelerine çeşitli amaçlarla çeşitli katılım öncesi programlarıyla mali yardım sağlamaktadır. Ocak 2007'den itibaren Katılım Öncesi Yardım Aracı (IPA), AB'nin aday ve potansiyel aday ülkeler için mali araçlarının tümünün yerini almıştır. IPA kapsamında yapılan mali yardımların ana stratejik önceliklerinden biri, dezavantajlı bireylerin emek piyasasında sürdürülebilir entegrasyonlarının sağlanması adına sosyal içermenin güçlendirilmesidir.

Yugoslavya Sosyalist Federal Cumhuriyeti'nin dağılmasından bu yana, en az nüfuslu AB adayı Batı Balkan ülkeleri Makedonya Cumhuriyeti ve Karadağ, yüksek işsizlik oranları ve kırılğan grupların büyük çaplı göçüyle karşı karşıyadır.

Bu tez, Makedonya Cumhuriyeti için 2007-2013 dönemi ve Karadağ için 2012-2013 dönemi İnsan Kaynaklarının Geliştirilmesi Operasyonel Programlarında tanımlanan önceliklere ulaşılması açısından, IPA kapsamında Makedonya Cumhuriyeti ve Karadağ'a sosyal içerme sektörü için tahsis edilen kaynakların etkinliğini değerlendirmeyi amaçlamaktadır. Sonuçlar, iki ülkede de sosyal içerme sektöründe sınırlı ilerleme kaydedildiğini ve sosyal içerme stratejilerinin daha çok üstünde durulmaya ihtiyaç duyulduğunu göstermektedir.

*Anahtar Sözcükler: Katılım Öncesi Yardım Aracı (IPA), Sosyal içerme, Avrupa Birliği, Makedonya Cumhuriyeti, Karadağ.*



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## ABBREVIATIONS

<b>BS</b>	: Bosniak Party
<b>CARDS</b>	: Community Assistance for Reconstruction, Development and Stability
<b>CBC</b>	: Cross-Border Cooperation
<b>CEB</b>	: Council of Europe Development Bank
<b>CEECs</b>	: Central and Eastern European Countries
<b>CFCD</b>	: Central Finance and Contracting Department
<b>CFCU</b>	: Central Finance and Contracting Unit
<b>COP</b>	: Programme, Country Operational Programme
<b>DG AGRI</b>	: Directorate-General for Agriculture and Rural Development
<b>DG EMPL</b>	: Directorate-General for Employment, Social Affairs and Inclusion
<b>DG NEAR</b>	: Directorate-General for Neighbourhood and Enlargement Negotiations
<b>DG REGIO</b>	: Directorate-General for Regional Policy
<b>DPS</b>	: Democratic Party of Socialists
<b>DUI</b>	: Democratic Union for Integration
<b>EBRD</b>	: European Bank of Reconstruction and Development
<b>ECHO</b>	: European Commission's Humanitarian Aid and Civil Protection
<b>EEC</b>	: European Economic Community
<b>EIB</b>	: European Investment Bank
<b>ESA</b>	: Enterprise Support Agency

<b>ESF</b>	: European Social Fund
<b>EU</b>	: European Union
<b>EULEX</b>	: European Union Rule of Law Mission in Kosovo
<b>GDP</b>	: Gross domestic product
<b>HGI</b>	: Croatian Civic Initiative
<b>IDP</b>	: Internally displaced persons
<b>IFIs</b>	: International Financial Institutions
<b>IMF</b>	: International Monetary Fund
<b>IPA I</b>	: Instrument for Pre-Accession Assistance (2007-2013)
<b>IPA II</b>	: Instrument for Pre-Accession Assistance (2014-2020)
<b>IPA</b>	: Instrument for Pre-Accession Assistance
<b>IPARD</b>	: Rural Development component of IPA
<b>ISPA</b>	: Instrument for Structural Policies for Pre-accession
<b>JIM</b>	: Joint Inclusion Memorandum
<b>LPCG</b>	: Liberal Party of Montenegro
<b>MIFF</b>	: Multi-Annual Indicative Financial Framework
<b>MIP</b>	: Multi-annual Indicative Programme
<b>MIPD</b>	: Multi-annual Indicative Planning Document
<b>MONSTAT</b>	: Statistical Office of Montenegro
<b>NAPE</b>	: National Employment Strategy and National Action Plan for Employment
<b>NDP</b>	: National Development Plan
<b>NGO</b>	: Non-governmental organization

<b>NSPR</b>	: National Strategy for Poverty Reduction
<b>OFA</b>	: Ohrid Framework Agreement
<b>OPHRD</b>	: Operational Programme for Human Resources Development
<b>PASIS</b>	: Poverty Alleviation and Social Inclusion Strategy
<b>PHARE</b>	: Poland and Hungary: Assistance for Restructuring their Economies Programme
<b>RAE</b>	: Roma, Ashkalia and Egyptians
<b>SAA</b>	: Stabilisation and Association Agreement
<b>SAP</b>	: Stabilisation and Association Process
<b>SAPARD</b>	: Special Accession Programme for Agriculture and Rural Development
<b>SCF</b>	: Strategic Coherence Frameworks
<b>SDP</b>	: Social Democratic Party
<b>SFRY</b>	: Socialist Federal Republic of Yugoslavia
<b>SSO</b>	: State Statistical Office of the Republic of Macedonia
<b>UNMIK</b>	: United Nations Interim Administration Mission in Kosovo
<b>UNSCR</b>	: United Nations Security Council Resolution
<b>VAT</b>	: Value added tax
<b>VMRO-DPMNE</b>	: Internal Macedonian Revolutionary Organization - Democratic Party for Macedonian National Unity
<b>WBCs</b>	: Western Balkans countries



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## INTRODUCTION

High unemployment rate and poverty are two of the challenges that the Western Balkans countries (WBCs) have been facing for years. The least populous candidate countries for European Union (EU) membership in WBCs, Republic of Macedonia and Montenegro are two of these countries that have been experiencing high unemployment rates and the large scale migration of vulnerable groups since they became independent.

The problem of social exclusion which is defined as a process in which diverse individuals or some communities are systematically blocked from various resources, rights, goods and services available to the majority of people in a society, appeared as a new social problem in the WBCs. It was initially the focus since it had become the phenomenon of the deepening social inequalities of the period following the dispersion of Socialist Federal Republic of Yugoslavia (SFRY). Many researches have shown that poverty is the major driver for social exclusion and the one of the main impediments to social inclusion in the WBCs and human resource development is one of the key socio-economic problems in these countries. Governments have been adopting annual programmes and employment measures which define the active measures for employment, the target groups, the concrete activities and deadlines, for reducing unemployment and social exclusion for years

Since the dispersion of SFRY, the WBCs have received significant attention from international agencies. All major International Financial Institutions (IFIs) are helping these countries to foster the development of human resources. The EU has also been providing financial assistance to the WBCs through various pre-accession programmes with various objectives. Since 2007, all pre-accession programmes were replaced by the Instrument for Pre-Accession Assistance (IPA).

The EU has provided financial assistance to the candidate and potential candidate countries a total of €11.5 billion under the IPA for the period 2007-2013.

Out of €11.5 billion, €637 million have been allocated for Human Resource Development component of IPA (Component IV). According to Article 151 of the IPA Implementing Regulation (EC) No 718/2007, one of the main strategic priorities of the assistance under this component is to “reinforce social inclusion and integration of people at a disadvantage, with a view to their sustainable integration in employment, and combat all forms of discrimination in the labour market”.

The Republic of Macedonia had access to all five IPA components for the period 2007 - 2013, as a candidate country for the EU membership. Between 2007 and 2013, the Republic of Macedonia has received a total of €622.4 million under the IPA and out of €622.4 million; €55.08 million have been allocated for Human Resource Development component of IPA.

Montenegro had access to the first two IPA components for the period 2007 - 2013, as a potential candidate country for the EU membership. By achieving the candidate country status on 17 December 2010, Montenegro obtained access to other three IPA components; Regional Development, Human Resources Development and Rural Development for the period 2012 - 2013. Between 2007 and 2013, Montenegro has received a total of €235.7 million and out of €235.7 million; €5.6 million have been allocated for Human Resource Development component of IPA.

This Master’s thesis aims to evaluate the effectiveness of the resource allocations to the Republic of Macedonia and Montenegro in achieving the priorities identified by the Operational Programme for Human Resources Development 2007-2013 for the Republic of Macedonia and Operational Programme for Human Resources Development 2012-2013 for Montenegro, strategic documents for allocation of IPA funds that define the fields of intervention and the conditions for granting the support in the field of Human Resources Development.

In the first chapter we give basic information about the EU membership perspectives to the Western Balkans countries and the types of financial assistance provided by the EU before the IPA. In the second chapter we give definition, important properties and general framework of IPA and we study allocation of funds

for candidate and potential candidate countries and Croatia except Montenegro and the Republic of Macedonia under the IPA I. In the third chapter we take a look at country profiles and we give information about the EU's financial assistance to Montenegro and the Republic of Macedonia since 2000. In the last chapter we give definition of social inclusion and we study the contribution of the EU's financial assistance to Montenegro and the Republic of Macedonia in the sector of social inclusion under IPA for the period 2007-2013.

Comparative analysis in this Master's thesis was conducted based on the objectives and priorities identified in the Multi-Annual Operational Programmes for Human Resources Development for the Republic of Macedonia and Montenegro, compared to comments from the Chapter 19: Social policy and employment (The EU acquis on social policy and employment includes minimum standards in the fields of labour law, equality, work safety and social inclusion and anti-discrimination) of the Progress Reports for the Republic of Macedonia and Montenegro which were published after the end of the period of IPA I in 2013 by European Commission. We need to underline that this study aims to discuss the contribution of the IPA funds to Montenegro and the Republic of Macedonia in the sector of social inclusion, but the reasons of the effective or ineffective use of IPA funds is beyond the scope of this thesis. The results indicated that limited progress has been made on social inclusion in both countries but social inclusion strategies still need to be addressed.

## **CHAPTER ONE**

### **EU MEMBERSHIP PERSPECTIVES TO THE WESTERN BALKANS COUNTRIES AND THE TYPES OF FINANCIAL ASSISTANCE PROVIDED BY THE EU BEFORE THE IPA**

#### **1.1. EU MEMBERSHIP PERSPECTIVES TO THE WESTERN BALKANS COUNTRIES**

By the time of the simultaneous dispersions of the Socialist Federal Republic of Yugoslavia (SFRY) and the Union of Soviet Socialist Republics (USSR), the European Union (EU) commenced an acute relationship with the Central and Eastern European Countries (CEECs). The EU had fully supported transition into capital market and democratization of these countries, at the beginning of the dispersion of the USSR. In this context, on 16 December 1991, the first of the European Agreements that aimed at accelerating trade liberalization and establishing free trade arrangements between the European Community and the CEECs, were signed between the EU and three Eastern Bloc countries; Hungary, Poland, and Czechoslovakia. Integration of Eastern Bloc countries with the EU is considered to be started on the date of agreement. Poland and Hungary have submitted their applications for EU membership in 1994, Romania became the first country of the Balkan region and the third country of the CEECs to apply for EU membership on 22 June 1995. Bulgaria followed Romania. The country formally applied for membership to the EU on 16 December 1995. The European Commission's opinion on all associated CEECs' (including Romania and Bulgaria) applications for membership of the EU has been published on 16 July 1997. 10 CEECs became the members of the EU in May 2004 and along with the accession of Romania and Bulgaria to the EU, the number of the EU members raised to 27 in January 2007.<sup>1</sup>

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<sup>1</sup> Ridvan Karluk, (2014), "EU Enlargement to the Balkans: Membership Perspective to the Balkan Countries," *International Conference on Eurasian Economies*, 1-3 July 2014 Skopje Macedonia, Istanbul, 2014.



On the other hand, the dispersion of the multinational state of SFRY, eroded the stability and sensitive balance in the region. At the end of the breakup, the country split into seven states, namely; Bosnia and Herzegovina, Montenegro, Republic of Croatia, Republic of Kosovo<sup>\*</sup>, Republic of Macedonia, Republic of Serbia, and Republic of Slovenia.

All the Western Balkans Countries (WBCs) were recognized as potential candidates for EU membership by the Feira European Council, held in northern Portugal on 19-20 June 2000. The Stabilisation and Association Process (SAP) was launched for five WBCs by Zagreb Summit, held in Zagreb on 24 November 2000. In this context, The Stabilisation and Association Agreement (SAA) that constitutes the framework of relations between the EU and the WBCs for implementation of the SAP, have been signed with various WBCs. The Republic of Macedonia became the first country of the Western Balkans region to sign a SAA. Croatia followed Macedonia. Croatia signed a SAA with the EU on 29 October 2001.

Integration of the WBCs was set as a priority of the EU expansion by the EU-Western Balkans Summit, held 21 June 2003 in Thessaloniki. After the moving of the EU's relations with the WBCs from the External Relations to the Enlargement policy segment in 2005, on 6 November 2007, the European Commission adopted its annual enlargement strategy document, Enlargement Strategy and Main Challenges 2007-2008, that described Croatia as candidate, five WBCs (Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo) as potential candidates for EU membership.

Croatia became the first of the WBCs to apply for EU membership on 21 February 2003. The European Council issued candidate status recommendation on 1 June 2004 and decided to open accession negotiations with Croatia on 3 October 2005. The number of the EU members raised to 28 with the membership of Croatia to the EU on 1 July 2013.

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<sup>\*</sup> This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

### **1.1.1. The Stabilisation And Association Process (SAp)**

Stabilization and Association Process (hereinafter referred to as SAp) is a EU's enlargement policy and post-conflict management instrument towards the WBCs, that was established at the end of the Kosovo War in June 1999 and strengthened at the EU-Western Balkans Summit, held 21 June 2003 in Thessaloniki. The SAp aims at stabilising the region and securing well-functioning democratic societies with a view to EU membership. It is based on:

- Contractual relationships;
- Trade relations;
- Financial assistance;
- Regional cooperation and good neighbourly relations.

The Stabilisation and Association Agreement (hereinafter referred to as SAA) constitutes the implementation of the SAp and the framework of relations between the WBCs and the EU.

**Table 1: Involvement of the WBCs in the SAP**

<b>Event</b>	<b>Macedonia</b>	<b>Croatia</b>	<b>Albania</b>	<b>Montenegro</b>	<b>Bosnia and Herzegovina</b>	<b>Serbia</b>	<b>Kosovo</b>
<b>SAA negotiations start</b>	5 April 2000	24 November 2000	31 January 2003	10 October 2005	25 November 2005	10 October 2005	28 October 2013
<b>SAA initialled</b>	24 November 2000	14 May 2001	28 February 2006	15 March 2007	4 December 2007	7 November 2007	25 July 2014
<b>SAA signature</b>	9 April 2001	29 October 2001	12 June 2006	15 October 2007	16 June 2008	29 April 2008	27 October 2015
<b>Entry into force</b>	1 June 2001	1 March 2002	1 December 2006	1 January 2008	1 July 2008	1 February 2010	-

### **1.1.2. EU Enlargement to the Western Balkans in the Context of Flexible Integration**

#### **1.1.2.1. Key Documents for the EU Enlargement**

The EU has started to publish the annual Enlargement Strategy Paper in 1998, for outlining expectations from enlargement countries. This strategy document provides an overview of the dynamics of the enlargement process. Enlargement Strategy Paper is based on three pillars<sup>2</sup>:

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<sup>2</sup> Ibid 1.

- Consolidation;
- Conditionality;
- Communication.

The EU has been publishing also annual Progress reports on enlargement countries, in order to assess the progress achieved towards EU accession by candidate and potential candidate countries since 1998.

According to the EU's enlargement strategy documents, EU enlargement has three benefits:

- Making Europe a safer place;
- Helping improve the quality of people's lives;
- Making Europe more prosperous.<sup>3</sup>

For the WBCs, enlargement policy is reinforcing peace and stability in the region and promoting recovery after the ethnic tensions of the 1990s. It supports progress towards fulfilment of the obligations, including those of the SAp.

#### **1.1.2.2. Flexible Integration**

Flexible integration was institutionalized in the Treaty of Amsterdam signed on 2 October 1997. According to Koen Nomden, flexible integration aims at “making it possible to govern a Europe that in the future will be much more heterogeneous in economic, political, social and cultural terms. It creates the possibility of reconciling enlargement on the one hand with deepening on the other”.<sup>4</sup> Unlike the closer integration, which is a procedure where a minimum of 9 EU

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<sup>3</sup> European Commission, (2014), *Enlargement Strategy and Main Challenges 2014-2015*. Brussels, 8.10.2014. COM(2014) 700 final.

<sup>4</sup> Koen Nomden, (1998), “Flexibility: A Key Element in Future European Integration?”, in M.den Boer, A.Guggenbühl, S.Vanhoonaeker (eds), *Coping with Flexibility and Legitimacy after Amsterdam*, Maastricht, European Institute of Public Administration, 1998, p. 33.

countries are allowed to establish advanced integration or cooperation with a shared objective in an area within EU structures, flexible integration does not at imply a shared objective.

Commonly accepted classification of flexible integration is made by Finance Minister of Finland, Cai-Göran Alexander Stubb who has distinguished flexible integration between three forms:

- Multi-speed integration;
- Variable geometry;
- Europe à la carte.<sup>5</sup>

## **1.2. THE TYPES OF PRE-ACCESSION ASSISTANCE PROVIDED BY THE EU BEFORE THE IPA**

Before the Instrument for Pre-Accession Assistance (IPA) became operational on 1 January 2007, pre-accession assistance was provided to CEECs and enlargement countries by the EU through a number of different financial instruments such as Poland and Hungary: Assistance for Restructuring their Economies Programme (PHARE), the Instrument for Structural Policies for Pre-accession (ISPA), the Special Accession Programme for Agriculture and Rural Development (SAPARD), Community Assistance for Reconstruction, Development and Stability (CARDS) and the Instrument for Pre-accession of Turkey.

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<sup>5</sup> Alexander Stubb, (1996) "A Categorization of Differentiated Integration", 43 (2) *JCMS (Journal of Common Market Studies)*, 1996, p.283-295.

### **1.2.1. Poland and Hungary: Assistance for Restructuring Their Economies Programme (PHARE)**

At the beginning of the dispersion of the USSR, the EU took one of the most important steps towards assisting democratic transition in the two of the Eastern Bloc countries; Poland and Hungary, in January 1990, with the launching of the Poland and Hungary: Assistance for Restructuring their Economies Programme (hereinafter referred to as PHARE). The programme has expanded from Poland and Hungary to cover fourteen countries including Albania (1991), Bosnia and Herzegovina (1996), Bulgaria (1990), Croatia (2003), Czech Republic (1993), Estonia (1992), Latvia (1992), Lithuania (1992), Macedonia (1996), Romania (1991), Slovakia (1993), Slovenia (1992) and Turkey (2001). PHARE programme was one of the results of the work of the G7 summit held in Paris on 14 July 1989. It was established on 18 December 1989. After adoption of Council Regulation (EEC) No 3906/89 of 18 December 1989 on economic aid to the Republic of Hungary and the Polish People's Republic, which is the legal framework of the PHARE, the programme became the main financial instrument of the pre-accession strategy for the CEECs.

Financial assistance under PHARE was granted in the following priorities:

- “Helping the administrations of the CEECs to obtain the capacity to implement the European Community acquis and helping the administrations of the CEECs to familiarize themselves with European Community objectives.”
- “Helping the CEECs to bring their industries and basic infrastructure up to European Community standards by mobilizing the investment required.”<sup>6</sup>

Financial assistance under PHARE was given for the following specific objectives:

- Strengthening general management systems of public institutions;

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<sup>6</sup> COUNCIL REGULATION (EEC) No 3906/89 of 18 December 1989 on economic aid to the Republic of Hungary and the Polish People's Republic, Official Journal L 375, 23/12/1989 P. 0011 – 0012.

- Improving capacities of state institutions to implement institution building programmes.<sup>7</sup>

Beneficiary countries have received assistance in total amount of € 22.3 billion by virtue of PHARE for the period 1990-2007. Allocation of funds split per country is shown in the table below:

**Table 2: The allocation of PHARE funds between beneficiary countries for the period 1990-2007<sup>89</sup>**

Country	Commitments (m€)
Poland	3996.0
Romania	3670.0
Multi-country programmes	3357.0
Bulgaria	2359.6
Turkey	1861.9
Hungary	1480.1
Czech republic	917.2
Lithuania	810.3
Slovakia	717.6
Albania	621
Latvia	423.6
Slovenia	360.3
Estonia	346.8
Cyprus	338.0

<sup>7</sup> European Parliament, (1998), *The PHARE program and the enlargement of the European Union*. EP Briefing No. 33., 1998.

<sup>8</sup> European Commission (2008), *Commission Staff Working Document Annexes to 2007 Annual Report on PHARE, Turkey Pre-Accession Instrument, CARDS and Transition Facility Country Sections & Additional Information* [COM(2008) 880 final], Brussels, 22.12.2008 SEC(2008) 3075.

<sup>9</sup> Turkey, Cyprus and Malta were received specific pre-accession assistance. Figures includes assistance under Turkey Pre-Accession and Transition Facility Funds.

Bosnia and Herzegovina	289
Macedonia	257
Czechoslovakia	230.5
Croatia	144.6
Malta	57.1
Yugoslavia	44
East Germany	34.5
<b>Total</b>	<b>22,316.3</b>

### 1.2.2. Instrument for Structural Policies For Pre-Accession (ISPA)

Instrument for Structural Policies for Pre-Accession (originally Instrument Structurel de Pré-Adhésion, hereinafter referred to as ISPA) was established to assist 10 candidate countries of CEECs (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia) on 21 June 1999. It aimed at enhancing economic and social cohesion in the beneficiary countries, in particular for environment and transport policies. As a result of the EU enlargement in 2004, Bulgaria and Romania have started to benefit from ISPA and ISPA beneficiary countries decreased from 10 to two.<sup>10</sup> On 1 January 2005, Croatia became third ISPA beneficiary country.

Financial assistance under ISPA was granted in the following priorities:

- Rehabilitation of environment infrastructure;
- Improvement and upgrading the transport infrastructure.

Financial assistance under ISPA was given for the following specific objectives:

<sup>10</sup> European Commission, (2005), *Annual Report of the instrument for structural policy for pre-accession (ISPA) 2004* {SEC(2005) 1552}, Brussels, 2005.



- Familiarizing the candidate countries with the policies of the EU;
- Helping the candidate countries catch up with EU environmental standards;
- Upgrading and expanding links with the trans-European transport networks.

Beneficiary countries have received assistance in total amount of € 4.33 billion by virtue of ISPA for the period 2000-2003. Allocation of funds split per country is shown in the table below:

**Table 3: The allocation of ISPA funds between beneficiary countries for the period 2000-2003** <sup>11</sup>

Country	Commitments (m€)
Poland	1454.3
Romania	1002.2
Bulgaria	428
Hungary	368.8
Czech republic	242.9
Lithuania	217
Latvia	194.9
Slovakia	195.3
Estonia	119.3
Slovenia	67.1
<b>Total</b>	<b>4,339.9</b>

<sup>11</sup> European Commission DG REGIO-ISPA, (2004), *The mini ISPA report 2000-2003*, Brussels, February 2004.

### **1.2.3. Special Accession Programme for Agriculture and Rural Development (SAPARD)**

Special Accession Programme for Agriculture and Rural Development (hereinafter referred to as SAPARD) was established to assist 10 candidate countries of CEECs (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia) and other candidate countries (Cyprus, Malta, Turkey) on 21 June 1999. It aimed at enhancing efficiency and competitiveness in farming and the food industry and creating employment and sustainable economic development in rural areas.

Financial assistance under SAPARD was given for the following specific objectives:

- Helping the candidate countries implement the *acquis communautaire*;
- Solving problems related to developing the sector of agriculture in rural areas.

Beneficiary countries have received assistance in total amount of € 3.70 billion by virtue of SAPARD for the period 2000-2006. Allocation of funds split per country is shown in the table below:

**Table 4: The allocation of SAPARD funds between beneficiary countries for the period 2000-2006<sup>12</sup>**

Country	Commitments (m€)
Poland	1201.2
Romania	1072.7
Bulgaria	371.1
Hungary	271
Lithuania	212.4
Latvia	155.6
Czech republic	157.1
Slovakia	130.2
Estonia	86.4
Slovenia	45.1
<b>Total</b>	<b>3,702.9</b>

#### **1.2.4. Community Assistance for Reconstruction, Development, and Stabilisation (CARDS)**

Community Assistance for Reconstruction, Development, and Stabilisation (hereinafter referred to as CARDS) was established to assist WBCs (Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro, Serbia) on 5 December 2000. Overall objective of the CARDS programme is to enable the WBCs to participate in the SAp.

<sup>12</sup> European Commission, (2001), *Report from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions. SAPARD annual report - Year 2000*. COM (2001) 341 final, Brussels, 2001.

Financial assistance under CARDS was given for the following specific objectives:

- Promoting integrated border management;
- Supporting democratic stabilization and civil society, especially in the areas of minority rights, freedom of press and good governance;
- Developing the capacities of state institutions;
- Reinforcing regional infrastructure.

Beneficiary countries have received assistance in total amount of € 4.23 billion by virtue of CARDS for the period 2000-2006. Allocation of funds split per country is shown in the table below:

**Table 5: The allocation of CARDS funds between beneficiary countries for the period 2000-2006<sup>13</sup>**

Country	Commitments (m€)
Serbia	1390.6
Kosovo	1030.3
Bosnia and Herzegovina	481.8
Regional Programme	456.5
Macedonia	299.2
Albania	292.3
Croatia	196.1
Montenegro	90.4
<b>Total</b>	<b>4,237.1</b>

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<sup>13</sup> Ibid 8.

## CHAPTER TWO

### INSTRUMENT FOR PRE-ACCESSION ASSISTANCE – IPA

#### 2.1. AN OVERVIEW OF INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA)

The Instrument for Pre-Accession Assistance (hereinafter referred to as IPA) is the main financial instrument for providing EU support to the beneficiary countries in implementing reforms with a view to EU membership. The IPA funds build up the capacities of the beneficiary countries throughout the accession process, resulting in progressive developments in the region.<sup>14</sup>

From January 2007 onwards, the IPA replaced a series of EU programmes and financial instruments for candidate countries and potential candidate countries, namely; PHARE, ISPA, SAPARD, the Instrument for Pre-accession of Turkey and CARDS, in order to improve the efficiency of the EU's External Aid. Since 2007, the enlargement countries have received EU funding and support through IPA.

The purpose of IPA is to help the candidate and potential candidate countries to make political, economic and legal reforms, preparing them for the rights and obligations that come with EU membership. Financial assistance under IPA is given for the following four specific objectives:

- “Supporting political reforms;”
- “Supporting economic, social and territorial development;
- “Strengthening the ability of the beneficiary country to fulfil the (future) obligations stemming from membership in the EU by supporting progressive alignment with the EU acquis;”

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<sup>14</sup> European Commission (2014), *2013 Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS, Turkey Pre-Accession Instrument, Transition Facility)* {SWD(2014) 287 final}, Brussels, 30.9.2014 COM(2014) 610 final.

- “Strengthening regional integration and territorial cooperation.”<sup>15</sup>

The IPA is made up of five different components:

1. “Transition Assistance and Institution Building;”
2. “Cross-Border Cooperation;”
3. “Regional Development;”
4. “Human Resources Development;”
5. “Rural Development.”<sup>16</sup>

The IPA beneficiary countries are divided into two categories:

- EU candidate countries (Albania, Macedonia, Montenegro, Serbia and Turkey) are eligible for all five components of IPA;
- EU potential candidate countries (Bosnia-Herzegovina, and Kosovo) are eligible for the first two components.

For the period 2007-2013 IPA had a budget of some € 11.5 billion; its successor, IPA II, will build on the results already achieved by dedicating € 11.7 billion for the period 2014-2020.<sup>17</sup>

### **2.1.1. IPA Legal Framework**

The legal basis for IPA is the Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA), adopted on 17 July 2006. More detailed implementing rules and implementation provisions are constituted in Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an Instrument for

<sup>15</sup> Multi-Country Indicative Strategy Paper (2014-2020)  
[ec.europa.eu/enlargement/pdf/key\\_documents/2014/20140919-multi-country-strategy-paper.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-multi-country-strategy-paper.pdf)  
 (accessed 1 November 2015).

<sup>16</sup> Ibid. 15.

<sup>17</sup> Official Website of European Commission  
[http://ec.europa.eu/enlargement/instruments/overview/index\\_en.htm](http://ec.europa.eu/enlargement/instruments/overview/index_en.htm) (accessed 12 November 2015).

Pre-Accession Assistance (IPA) and the amendments introduced by Commission Regulation (EC) 80/2010 and Commission Regulation (EC) 1292/2011.

### **2.1.1.1. IPA Framework Regulation**

As part of the preparation for the new Financial Framework 2007-2013, a proposal for a new IPA was presented by the European Commission to the European Parliament and the European Council in September 2004. The Council of the European Union adopted the IPA Framework Regulation Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA) (hereinafter referred to as Framework Regulation) on 17 July 2006 and the regulation was published in Official Journal of the European Union on 31 July 2006. This regulation entered into force on 1 August 2006 and was applied from 1 January 2007 to 31 December 2013. The Regulation consists of four chapters:

1. General provisions
2. Rules concerning specific components
3. Management and implementation
4. Transitional and final provisions

The overall objective of specified in Article 1 of the Framework Regulation. According to this article, European Community assists the countries listed in Annex I (Croatia<sup>18</sup>, Iceland<sup>19</sup>, Montenegro, Turkey and the Republic of Macedonia<sup>20</sup>) and in Annex II (Albania<sup>21</sup>, Bosnia and Herzegovina and Serbia, including Kosovo<sup>2223</sup>) in their progressive alignment with the standards and policies of the EU, including where appropriate the *acquis communautaire*, with a view to membership.

<sup>18</sup> On the 1 July 2013, Croatia became the 28th member of the EU.

<sup>19</sup> Iceland has been receiving financial assistance since 2011.

<sup>20</sup> The original document, the name of the state is The former Yugoslav Republic of Macedonia.

<sup>21</sup> Candidate status was granted in June 2014. Albania has benefited from the first two components of IPA I as a potential candidate country.

<sup>22</sup> On 17 February 2008, Kosovo Declaration of Independence from Serbia was adopted by the Assembly of Kosovo.

<sup>23</sup> Candidate status was granted in March 2012. Serbia benefits from the first two components of IPA I as a potential candidate country.

The scope of the financial assistance in the beneficiary countries are specified in Article 2 of the Framework Regulation. According to this article, “financial assistance under IPA supports the following areas:

- Strengthening democracy and the rule of law;
- Promoting and protecting human rights and fundamental freedoms and enhanced respect for minority rights, the promotion of gender equality and non-discrimination;
- Public administration reform, including the establishment of a system enabling decentralisation of assistance management to the beneficiary country in accordance with the rules constituted in Regulation (EC, Euratom) No 1605/2002;
- Economic reforms;
- Developing civil society;
- Social inclusion;
- Reconciliation, confidence-building measures and reconstruction;
- Regional and cross-border cooperation.”<sup>24</sup>

In addition to these areas, financial assistance under IPA supports the following areas in candidate countries:

- “The adoption and implementation of the *acquis communautaire*;”
- “Supporting the policy development as well as preparation for the implementation and management of the European Community's common agricultural and cohesion policies.”<sup>25</sup>

In addition to these areas, financial assistance under IPA supports the following areas in potential candidate countries;

- “Progressive alignment with the *acquis communautaire*;”

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<sup>24</sup> Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA) (OJ, L210, 31.07.2006).

<sup>25</sup> Ibid. 24.



- “Social, economic and territorial development in particular in the areas of regional, human resources and rural development.”<sup>26</sup>

### **2.1.1.2. IPA Implementing Regulation**

More detailed implementing rules of IPA are constituted in Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an Instrument for Pre-Accession Assistance (IPA) (hereinafter referred to as Implementing Regulation). The Council of the European Union adopted the Implementing Regulation on 12 June 2007 and the regulation was published in Official Journal of the European Union on 29 June 2007. This regulation was applied from 1 January 2007 to 31 December 2013. The Regulation consists of 195 articles in three parts:

1. Common provisions
2. Specific provisions
3. Final provisions

## **2.2. IPA COMPONENTS (2007 – 2013)**

The IPA is programmed and implemented according to the following components that are defined in Article 3 of the Framework Regulation:

1. “Transition Assistance and Institution Building;”
2. “Cross-Border Cooperation;”
3. “Regional Development;”
4. “Human Resources Development;”
5. “Rural Development.”<sup>27</sup>

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<sup>26</sup> Ibid. 24.

Component I (Transition Assistance and Institution Building) and component II (Cross-Border Cooperation) are under the responsibility of the Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR) and open to all IPA beneficiary countries. The other components, aiming at preparing the beneficiary countries for the implementation of structural funds after joining the EU, are only accessible to candidate countries and are managed under the responsibility of the Directorate-General for Regional Policy (DG REGIO), the Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) and the Directorate-General for Agriculture and Rural Development (DG AGRI).<sup>28</sup>

### **2.2.1. Transition Assistance and Institution Building**

The first IPA component offers transition assistance and institutional capacity building. It is available to both candidate and potential candidate countries. This component offers technical support to institutions in the EU integration reforms. Goal of the first IPA component is to support the EU association process and fulfilment of accession criteria and standards, transfer of legislature and particularly in capacity building. It enables the candidate and potential candidate countries to participate in programmes of the Community and in activities of EU agencies. This component is open only to the central management authorities' usage.

### **2.2.2. Regional and Cross-Border Cooperation**

The Cross-Border Cooperation (officially abbreviated as CBC) is a framework for faster economic integration with the objective at reducing the existing differences, raise the level of cross-border regions' development, as well as improve overall cultural, social, and scientific cooperation between local and regional communities.

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<sup>27</sup> COMMISSION REGULATION (EC), (2007), No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA) (OJ L 170, 29.6.2007).

<sup>28</sup> Ibid. 24.

The CBC component aims at promoting good neighbourly relations, strengthening cross-border cooperation with the WBCs and potential candidate countries for EU membership, working together to address common challenges and reducing disparities in economic development and boosting cooperation between civil society organizations, maintaining good quality of the cross-border regions' environment and economic resources by cooperating in environmental protection and utilisation initiatives, and strengthening economic and social ties between people in order to strengthen inter-ethnic, educational, cultural, and sports ties and make equal use of the areas of mutual interest in border areas.

### **2.2.3. Regional Development**

The third IPA component, which has characteristics of preparation for the structural funds to be used after the EU membership of beneficiary country, consists of three operational programmes (OPs); Environment, Transport and Regional Competitiveness. Article 147 of the IPA Implementing Regulation stipulates that the regional development component may support provisions under the following sub components:

- “Transport OP supports the provision of efficient, flexible and safe transport infrastructure vital for economic development as good transport networks boost opportunities for trade, while increasing efficiency.”
- “Environment sub-component aims at supporting IPA beneficiary countries in transposing, implementing and enforcing the EU environmental legislation, considered as one of the most difficult and costly to put in place.”
- “Regional Competitiveness sub-component aims at increasing competitiveness of the candidate countries’ economy and reducing regional socio-economic disparities.”

Only investment projects of minimum €10 million value can be financed from this component, with the exception of projects worth less than €10 million when related to the preparation of technical project documentation.

#### **2.2.4. Human Resources Development**

The fourth IPA component supports the candidate countries' policies and their preparations for the implementing and management of the EU's Community Cohesion Policy and their preparation for the European Social Fund (ESF). According to Article 151 of the IPA Implementing Regulation, assistance under IPA Human Resource Development Component is granted in the following specific priorities:

- “Increasing adaptability of workers, enterprises and entrepreneurs, with a view to improving the anticipation and positive management of economic change;”
- “Fostering the access to employment and sustainable inclusion in the labour market of job seekers and inactive people, prevent unemployment;”
- “Reinforcing social inclusion and integration of people at a disadvantage with the specific objective to promote social inclusion of disadvantaged groups through their integration into the labour market, and to promote education by integration of people at a disadvantage in the regular educational system.”<sup>29</sup>

This component will be explained with more details in the Chapter Five.

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<sup>29</sup> Ibid. 27.

### **2.2.5. Rural Development**

The Rural Development component (officially abbreviated as IPARD) is intended for candidate countries in the aim of preparation for implementation and management of EU Common Agricultural Policy.

## **2.3. KEY DOCUMENTS FOR THE GENERAL IPA FRAMEWORK**

### **2.3.1. Multi-Annual Indicative Financial Framework (MIFF)**

The Multi-Annual Indicative Financial Framework (hereinafter referred to as MIFF) presents an indicative breakdown of the total envelope dedicated to assistance under the IPA, by component and by country for a period of three years. According to the Article 5 of the Framework Regulation, “the MIFF is established and presented annually to the European Council and European Parliament.”<sup>30</sup>

### **2.3.2. Multi-Annual Indicative Planning Document (MIPD)**

The Multi-annual Indicative Planning Document (hereinafter referred to as MIPD) is the key strategic planning document within the IPA programming. There is one MIPD per each of IPA beneficiary country identifying areas of interventions and priorities that the beneficiary country is expected to develop with a view to EU membership. It is based on the resource allocation per component for the beneficiary country established in the MIFF.

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<sup>30</sup> European Commission DG ELARG, (2008), *IPA Programming Guide / comp I & II, version as of: 31/03/08 – Volume I*, Brussels, 2008.

### **2.3.3. Annual and Multi-Annual Programmes**

Depending of the component, annual or multi-annual programmes are drafted. Only Transition Assistance and Institution Building Component is implemented through annual programmes while the other components are implemented through multi-annual programmes.

### **2.3.4. Strategic Coherence Frameworks (SCF)**

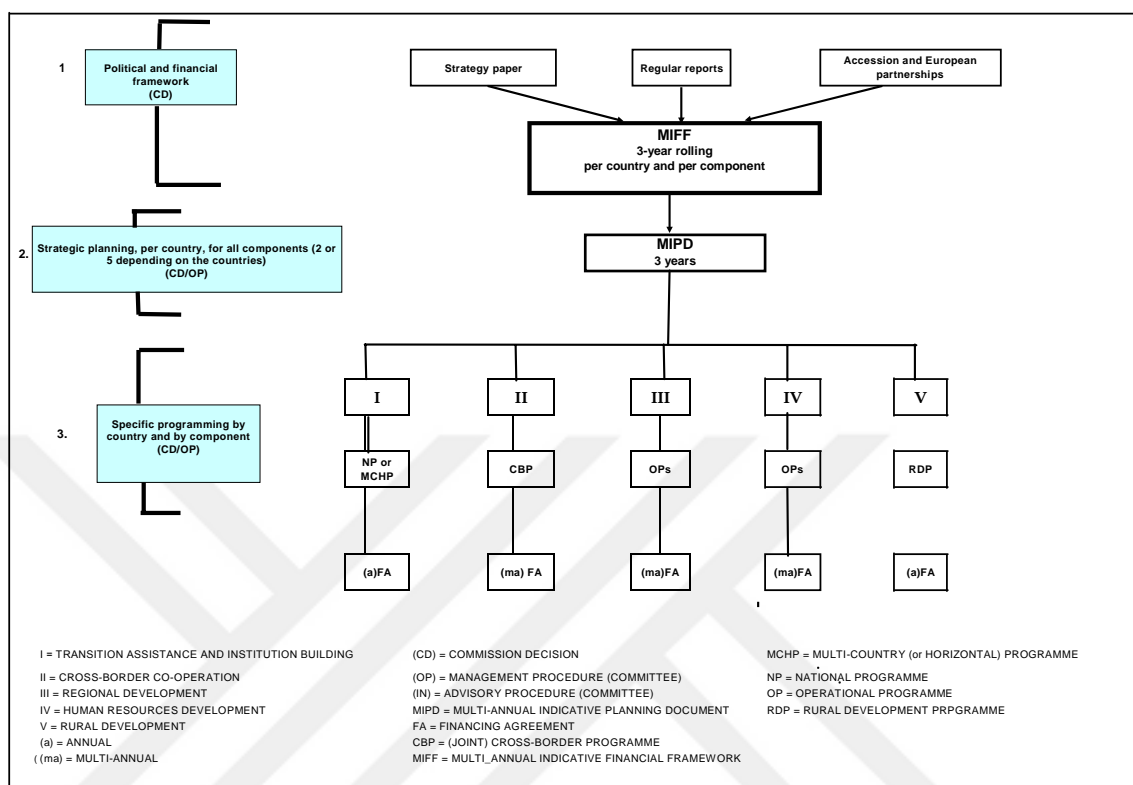
Strategic Coherence Frameworks (hereinafter referred to as SCF) are established per country with the objective at ensuring complementarity and consistency between EU assistance through the various Operational Programmes, with a view to maximising the expected development effect.<sup>31</sup> This document doesn't need to be revised annually.

### **2.3.5. Framework Agreements Between the Commission and The Beneficiary Countries**

Framework Agreements are international agreements between the European Commission and the beneficiary country, in order to set out and agree on the rules for co-operation concerning EU financial assistance to the beneficiary country.

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<sup>31</sup> Official Website of European Commission  
[http://ec.europa.eu/regional\\_policy/en/funding/ipa/strategic-planning-programming/](http://ec.europa.eu/regional_policy/en/funding/ipa/strategic-planning-programming/) (accessed 6 December 2015).

Table 6: The General IPA Framework<sup>32</sup>

## 2.4. ALLOCATION OF FUNDS FOR CANDIDATE AND POTENTIAL CANDIDATE COUNTRIES AND CROATIA EXCEPT MONTENEGRO AND REPUBLIC OF MACEDONIA UNDER THE IPA I

According to the Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA), the IPA beneficiary countries are divided into two categories:

1. EU candidate countries (Croatia, Turkey and Macedonia) are eligible for all five components of IPA;

<sup>32</sup> Ibid. 30.

2. EU potential candidate countries (Albania, Bosnia-Herzegovina, Montenegro, Serbia and Kosovo are eligible for the first two components.<sup>33</sup>

In the following years of the establishment of IPA, Croatia became the 28th member of the EU, Albania, Montenegro and Serbia were granted candidate country status. Allocation of Funds for Montenegro and Republic of Macedonia under the IPA I will be explained in following chapters.



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<sup>33</sup> Ibid. 24.



**Table 7: The allocation of IPA funds between candidate and potential candidate countries for the period 2007-2013**

<b>Country</b>	<b>Commitments (m€)</b>	<b>Population-2015</b>	<b>Per Capita</b>	<b>Percentage</b>
Turkey	4795	79,414,269	60.3	48.2%
Serbia	1386	7,176,794	193.1	13.9%
Croatia	998	4,464,844	223.5	10.0%
Bosnia Herzegovina	656	3,867,055	169.6	6.6%
Kosovo	638	1,870,981	341	6.4%
Macedonia	622	2,096,015	296.7	6.2%
Albania	598	3,029,278	197.4	6.0%
Montenegro	236	647,073	364.7	2.4%
Iceland	30	331,918	90.4	0.3%
<b>TOTAL</b>	<b>11,626,053,006</b>	<b>102,898,227</b>	<b>112.9</b>	<b>100.0%</b>

### **2.4.1. Allocation of Funds for Candidate Countries and Croatia Except Montenegro and Republic of Macedonia Under the IPA I**

As of 2015, Albania, Macedonia, Montenegro, Serbia and Turkey are officially recognized as candidates for membership.<sup>34</sup>

#### **2.4.1.1. Albania<sup>35</sup>**

In June 2003, Albania was identified as a potential candidate for EU membership following the EU-Western Balkans Summit, held 21 June 2003 in Thessaloniki. The SAA with the country was signed on 12 June 2006 and entered into force on 1 April 2009. In 2013, the European Commission recommended that candidate status be granted to Albania on the understanding that the country continues to take action in the fight against organised crime and corruption. Albania is now an official candidate for accession to the European Union since June 2014.

As a potential candidate country, Albania has benefited from the first two components of the IPA I. According to MIPD, for the period 2007-2009, 2009-2011 and 2011-2013, 2013, the country has received assistance in total amount of € 598.35 million by virtue of IPA for the period 2007-2013.

Allocation of funds split per year is shown in the table below:

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<sup>34</sup>Official Website of European Commission [http://europa.eu/newsroom/highlights/special-coverage/enlargement/index\\_en.htm](http://europa.eu/newsroom/highlights/special-coverage/enlargement/index_en.htm) (accessed 9 November 2015).

<sup>35</sup>Candidate status was granted in June 2014. Albania benefits from the first two components of IPA I as a potential candidate country.

**Table 8: IPA Financial allocation to Albania 2007-2013 by component (€ million)<sup>36</sup>**

COMPONENT	2007	2008	2009	2010	2011	2012	2013	TOTAL
<b>Transition Assistance and Institution Building</b>	54.31	66.12	71.38	82.71	84.30	85.98	87.45	532.25
<b>Cross-border Cooperation</b>	6.68	8.58	9.82	9.97	10.12	10.28	10.66	66.1
<b>TOTAL</b>	<b>60.99</b>	<b>74.70</b>	<b>81.20</b>	<b>92.68</b>	<b>94.42</b>	<b>96.26</b>	<b>98.11</b>	<b>598.35</b>

The strategic priorities identified in the MIPD 2011-2013 for Albania were:

- “Strengthening rule of law, ensuring the independence, efficiency and accountability of judicial institutions and enhancing the fight against organised crime.”
- “Supporting public administration reform, with a view to enhancing professionalism and de-politicisation of civil servants and to strengthening a transparent and merit-based approach to appointments and promotions, as well as to fighting corruption at all levels.”
- “Reinforcing the protection of human rights, notably for women, children and the Roma minority, and effectively implementing anti-discrimination policies.”
- “Supporting EU acquis-related issues; in particular administrative capacity, adoption and enforcement of legislation and related investments in the transport and social development sectors, as well as in the environment and agriculture sectors.”<sup>37</sup>

<sup>36</sup> European Commission, (2009), *Instrument For Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework For 2011-2013*, Brussels, 14.10.2009 COM(2009)543 final.

<sup>37</sup> European Commission, (2014), *2013 Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS, Turkey Pre-Accession Instrument, Transition Facility)*, Brussels, 2014.

### 2.4.1.2. Turkey

On 31 July 1959, shortly after the establishment of the EU's predecessor the European Economic Community (EEC) in 1958, Turkey applied for associate membership in the EEC. On 12 September 1963, Agreement Creating an Association between Turkey and the EEC, also known as the Ankara Agreement, was signed. This agreement, which entered into force on 1 December 1964, aimed at “securing Turkey's full membership in the EEC through the establishment in three phases of a customs union which would serve as an instrument to bring about integration between the EEC and Turkey.”<sup>38</sup> Turkey formally applied for full membership to the European Community on 14 April 1987. European Union-Turkey Customs Union (to be progressively developed) established on 6 March 1995. Turkey was officially recognized as a candidate for full membership on 12 December 1999, following the European Council meeting in Helsinki. On December 17, 2004, the EU made its long-awaited decision on beginning negotiations with Turkey regarding its full membership in the organization.

As a candidate country Turkey has had an access to all five IPA components under IPA 2007-2013. According to MIPD, for the period 2007-2009, 2009-2011 and 2011-2013, the country has received financial assistance in total amount of € 4.8 billion by virtue of IPA for the period 2007-2013. Allocation of funds split per year is shown in the table below:

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<sup>38</sup> Official Website of Republic of Turkey Ministry for EU Affairs  
<http://www.abgs.gov.tr/index.php?p=111&l=2> (accessed 1 December 2015).

**Table 9: IPA Financial allocation to Turkey 2007-2013 by component (€ million)<sup>39</sup>**

<b>COMPONENT</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>TOTAL</b>
<b>Transition Assistance and Institution Building</b>	256.7	256.1	239.6	217.8	231.3	227.5	238.5	1667.5
<b>Cross-border Cooperation</b>	2.1	2.9	3.0	3.1	5.1	2.2	2.2	20.6
<b>Regional Development</b>	167.5	173.8	182.7	238.1	293.4	356.1	366.9	1778.4
<b>Human Resources Development</b>	50.2	52.9	55.6	63.4	77.6	83.2	91.2	474.1
<b>Rural Development</b>	20.7	53.0	85.5	131.3	172.5	187.4	204.2	854.6
<b>TOTAL</b>	<b>497.2</b>	<b>538.7</b>	<b>566.4</b>	<b>653.7</b>	<b>779.9</b>	<b>856.3</b>	<b>903.0</b>	<b>4795.2</b>

The following priorities for IPA support over the period covered by MIPD 2011-2013 for Turkey have been identified:

- “Making progress in the rule of law in order to tackle key reforms of the judiciary and fundamental rights.”
- “Adopting the *acquis* in areas of transport, agriculture, food safety, environment, climate change and energy.”
- “Supporting Turkey in its economic and social development and enhancing competitiveness.”<sup>40</sup>

<sup>39</sup> Ibid. 36.

<sup>40</sup> European Commission, (2011), *on a Multi-annual Indicative Planning Document (MIPD) 2009-2011 for Turkey*, Brussels, 28.6.2011 C(2011) 4490 final.

### 2.4.1.3. Serbia

The SAA with Serbia was signed on 29 April 2008. The country officially applied for EU membership on 12 December 2009 and on February 2010 the SAA entered into force. The European Commission recommended becoming Serbia as an official candidate on 12 October 2011. After the vote of the 27 EU foreign ministers on 28 February 2012, where with 26 votes for and 1 vote against, the country's candidate status recommendation was issued, and Serbia received full candidate status on 1 March 2012. In July 2013, The European Council's decision to open accession negotiations with Serbia followed the agreement between Serbia and Kosovo signed in April 2013 in the framework of the EU-facilitated dialogue.<sup>41</sup>

The country has received financial assistance in total amount of € 1.4 billion<sup>42</sup> by virtue of IPA for the period 2007-2013. Allocation of funds split per year is shown in the table below:

**Table 10: IPA Financial allocation to Serbia 2007-2013 by component (€ million)<sup>43</sup>**

COMPONENT	2007	2008	2009	2010	2011	2012	2013	TOTAL
<b>Transition Assistance and Institution Building</b>	181.50	179.44	182.55	186.20	189.96	193.80	203.10	1316.55
<b>Cross-border Cooperation</b>	8.20	11.45	12.24	11.75	11.92	12.10	11.63	79.29
<b>TOTAL</b>	<b>189.70</b>	<b>190.90</b>	<b>194.80</b>	<b>197.95</b>	<b>201.88</b>	<b>205.90</b>	<b>214.73</b>	<b>1395.3</b>

The following priorities for IPA support over the period covered by MIPD 2011-2013 for Serbia have been identified:

<sup>41</sup>Ibid. 37.

<sup>42</sup>European Commission, (2014), *Serbia 2014 Progress Report* (COM(2014) 700 final), Brussels, 8.10.2014. (SWD(2014) 302 final).

<sup>43</sup> Ibid. 36.

- “Strengthening the rule of law and public administration.”
- “Overcoming the economic crisis and improving competitiveness and business environment in order to stimulate domestic growth.”
- “Social inclusion and reconciliation. The integration of vulnerable groups and minorities, including the Roma, as well as refugees, internally displaced persons (IDPs) and returnees, in accordance with the Readmission Agreement, is a major objective under this priority.”<sup>44</sup>

#### **2.4.1.4. Croatia**<sup>45</sup>

Croatia was the second country of the Western Balkans region to sign a SAA with the EU on 29 October 2001. SAA entered into force on 1 February 2005. The country applied for EU membership in 2003 and on 3 October 2005 the European Council decided to open accession negotiations with Croatia. Accession negotiations were finished on 30 June 2011 and the Treaty of Accession was signed on 9 December 2011. Croatian European Union membership referendum was held in the on 22 January 2012, with 66,67% of participants voting in favour of joining the EU. The country became the 28th EU member on 1 July 2013.

The country has received financial assistance in total amount of € 1 billion by virtue of IPA for the period 2007-2013. Allocation of funds split per year is shown in the table below:

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<sup>44</sup>European Commission, (2014), *on a Multi-annual Indicative Planning Document (MIPD) 2009-2011 for Serbia*, Brussels, 2014.

<sup>45</sup>On the 1 July 2013, Croatia became the 28th member of the EU.

**Table 11: IPA Financial allocation to Croatia 2007-2013 by component (€ million)<sup>46</sup>**

COMPONENT	2007	2008	2009	2010	2011	2012	2013	TOTAL
<b>Transition Assistance and Institution Building</b>	49.61	45.37	45.60	39.48	39.95	40.87	38.51	299.39
<b>Cross-border Cooperation</b>	9.68	14.72	15.89	15.60	15.87	16.14	16.69	104.59
<b>Regional Development</b>	45.05	47.6	49.7	56.8	58.2	59.35	62	378.7
<b>Human Resources Development</b>	11.37	12.7	14.2	15.7	16	16.04	18	102.57
<b>Rural Development</b>	25.5	25.6	25.8	26	26.5	27.27	27.7	182.66
<b>TOTAL:</b>	<b>141.22</b>	<b>146</b>	<b>151.2</b>	<b>153.58</b>	<b>156.53</b>	<b>159.67</b>	<b>162.91</b>	<b>1071,11</b>

The following priorities for IPA support over the period covered by MIPD 2011-2013 for Croatia have been identified as “supporting the strengthening the rule of law, public administration reform, the latter supporting investments in infrastructures and boosting competitiveness in order to alleviate the impact of the financial crisis.”<sup>47</sup>

### **2.3.2. Allocation of Funds for Potential Candidate Countries Under the IPA I**

Bosnia and Herzegovina and Kosovo are not recognized as candidate countries, but as potential candidate countries.<sup>48</sup>

<sup>46</sup> Ibid. 36.

<sup>47</sup> EC, COMMISSION IMPLEMENTING DECISION of 17.6.2011 adopting a Multi-annual Indicative Planning Document (MIPD) 2011-2013 for Croatia, Brussels, 17.6.2011 C(2011) 4181 final.

<sup>48</sup> Ibid. 36.



### 2.3.2.1. Bosnia and Herzegovina

Bosnia and Herzegovina has been recognised by the EU as a potential candidate country for accession since the decision of the European Council meeting in Thessaloniki in 2003. The SAA with Bosnia and Herzegovina was signed 16 June 2008 and entered into force on 1 June 2015.

The country has received financial assistance in total amount of €660 million by virtue of IPA for the period 2007-2013. Allocation of funds split per year is shown in the table below:

**Table 12: IPA Financial allocation to Bosnia and Herzegovina 2007-2013 by component (€ million)<sup>49</sup>**

COMPONENT	2007	2008	2009	2010	2011	2012	2013	TOTAL
<b>Transition Assistance and Institution Building</b>	58.13	69.85	83.89	100.68	102.68	104.67	106.87	626.77
<b>Cross-border Cooperation</b>	3.96	4.94	5.20	4.69	4.74	4.79	4.94	33.26
<b>TOTAL</b>	<b>62.1</b>	<b>74.8</b>	<b>89.1</b>	<b>105.38</b>	<b>107.42</b>	<b>109.47</b>	<b>111.81</b>	<b>660.03</b>

The following priorities for IPA support covered by MIPD 2011-2013 for Bosnia and Herzegovina have been identified;

- “Improving the independence and efficiency of the judiciary and the law enforcement capacities and reforming the penitentiary system in line with European standards.”
- “Improving the capacity and efficiency of the public administration and setting a professional civil service.”
- “Supporting economic and social development.”<sup>50</sup>

<sup>49</sup> Ibid. 36.

### 2.3.2.2. Kosovo

Kosovo is a potential candidate country for future enlargement of the EU. On 17 February 2008, Kosovo Declaration of Independence from Serbia was adopted by the Assembly of Kosovo. As of July 2015, the declaration was not recognized by five out of 28 EU member states (Cyprus, Greece, Romania and Spain, Slovakia) and as a result the EU itself refers only to "Kosovo\*", with an asterisked footnote containing the text agreed by a series of talks between Serbia and Kosovo: "This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence."

On 16 February 2008, the EU launched the European Union Rule of Law Mission in Kosovo (EULEX Kosovo) to ensure stability and neutral rule of law enforcement in country under the umbrella of the United Nations Interim Administration Mission in Kosovo (UNMIK) established by United Nations Security Council Resolution (UNSCR) 1244/99.

On 25 June 2013, the European Council authorised the opening of negotiations for a SAA with Kosovo, which were started on 28 October 2013. Agreement was signed on 27 October 2015.

The country has received financial assistance in total amount of € 638,8 million by virtue of IPA for the period 2007-2013. Allocation of funds split per year is shown in the table below:

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<sup>50</sup> European Commission, (2014), *on a Multi-annual Indicative Planning Document (MIPD) 2009-2011 for Bosnia and Herzegovina*, Brussels, 2014.

**Table 13: IPA Financial allocation to Kosovo 2007-2013 by component (€ million)<sup>51</sup>**

<b>COMPONENT</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>TOTAL</b>
<b>Transition Assistance and Institution Building</b>	68.30	183.70	106.10	64.48	65.83	67.07	70.71	626.19
<b>Cross-border Cooperation</b>	0	0	0	2.81	2.87	2.92	2.99	11.59
<b>TOTAL</b>	<b>68.30</b>	<b>183.70</b>	<b>106.10</b>	<b>67.30</b>	<b>68.70</b>	<b>70.00</b>	<b>73.70</b>	<b>638.80</b>

The following priorities for IPA support covered by MIPD 2011-2013 for Kosovo have been identified;

- “Supporting Kosovo's efforts towards further progress in establishing and consolidating the rule of law and towards improving the functioning and independence of its judiciary, including the fight against corruption, as well as fight against organised crime, trafficking in human beings and drugs, smuggling and money laundering.”
- “Supporting Kosovo's efforts, which are guided by the requirements of a possible trade agreement with the EU, to improve its business environment, to attract investment, stimulate growth and the creation of formal jobs to ensure that Kosovo's socio-economic development can continue.”
- “Supporting Kosovo in ensuring the delivery of public services to all people and establishing a professional, accountable, accessible, representative public administration free from political interference, in particular by supporting Kosovo's updated Strategy for Public Administration Reform and Action Plan, which the EU helped to develop.”<sup>52</sup>

<sup>51</sup> Ibid. 36.

<sup>52</sup> EC, COMMISSION IMPLEMENTING DECISION of 27.6.2011 adopting a Multi-annual Indicative Planning Document (MIPD) 2011-2013 for Kosovo\*, Brussels, 27.6.2011 C(2011) 4381 final

## **CHAPTER THREE**

### **AN OVERVIEW OF EU FINANCIAL ASSISTANCE TO MONTENEGRO AND THE REPUBLIC OF MACEDONIA**

#### **3.1. AN OVERVIEW OF THE EU-MONTENEGRO RELATIONS AND EU FINANCIAL ASSISTANCE TO MONTENEGRO**

##### **3.1.1. Montenegro Country Profile**

Montenegro has a population of approximately 647,000<sup>53</sup> with a largely mountainous area of 13,812 square kilometers neighbouring Albania, Bosnia and Herzegovina, Croatia, Kosovo and Serbia. The country's capital and largest city is Podgorica. The country has no official currency of its own. The Euro was unilaterally adopted as Montenegro's currency in 2002. According to the Constitution of the Montenegro, Montenegrin, written using its Cyrillic and Latin alphabet, is the official language of the country, Serbian, Bosniac, Albanian and Croatian are also in the official use. Montenegro is ethnically diverse, with 45% of the population classed as ethnic Montenegrins, ethnic Serbs account for 28.7 % of the population, Bosniaks make up 8.7%, Albanians 4.9%, Kosovar Albanians 4%, Muslims by nationality 3.3% and Croats, Roma, Ashkalia and Egyptians (RAE), Macedonians and others 5.4%.

The country gained its independence on 3 June 2006, after referendum on the separation from Serbia and Montenegro in which 55.5% of participants voted in favour of independence. The new Constitution was adopted in the Parliament of Montenegro on 19 October 2007. Montenegro is a parliamentary republic with a unicameral assembly elected every 4 years. The Government of Montenegro was formed by a coalition of the Democratic Party of Socialists (DPS), Social Democratic Party (SDP), Liberal Party of Montenegro (LPCG), Croatian Civic Initiative (HGI)

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<sup>53</sup> Central Intelligence Agency The World Factbook, 2015, <https://www.cia.gov/library/publications/the-world-factbook/geos/mj.html> (accessed 28 September 2015).

and Bosniak Party (BS) as a result of the last parliamentary elections which were held on 14 October 2012.

### **3.1.2. Economy of Montenegro**

Montenegro is an upper-middle-income country with enormous growth potential. Following its independence, Montenegro's economy has continued to transform into a more service-based and is in late transition to a market economy. Montenegro has been strongly affected by the global financial crisis, the European debt crisis and other financial turbulences in the EU. But Montenegro's use of the Euro has helped shield the country from the worst effects of the global recession of 2008. The economy recovered from a double-dip recession in 2013, growing by 3.3 % after contracting by 2.5 % in 2012 and according to latest data from the Statistical Office of Montenegro (MONSTAT) GDP Annual Growth Rate in Montenegro grew to 3.2% in the first quarter of 2015 from 2.6 % in the fourth quarter of 2014. Growth is expected to rise to around 3.2% from 2014-2016. The gross domestic product of Montenegro (GDP) at official exchange rates in 2014 was \$4.462 billion and the GDP per capita in purchasing power standards (PPS) reached 39% of the EU average.

The country benefits from rich mineral resources and significant renewable energy potential, as well as from impressive natural landscapes. Inflation declined to 2.2% in 2013, down from 4.1% in 2012, reflecting the dissipating effect of food and oil prices.

In May 2013, the Government of Montenegro increased value added tax (VAT) from 17% to 19% and raised income tax rates from 9% to 15% for those earning over €480 a month. In 2013, the government also retrenched by freezing pensions and limiting salary increases for public enterprises and members of the parliament.

According to the latest estimates, released in 2014, Montenegro exported goods worth \$370,2 million. The major export partners were Croatia (22.7%), Serbia (22.7%) and Slovenia (7.8%). Import of Montenegro was worth \$1.982 billion in 2014. The major import partners were Serbia (29.3%), Greece (8.7%) and China (7.1%).<sup>54</sup>

Since the independence of the country, high unemployment represents a significant problem for Montenegro, with an average unemployment rate of approximately 20%. According to latest labour force survey by the MONSTAT, unemployment rate is 18.30%. Socio-economic problems are exacerbated for the long-term unemployed, pensioners, women, as well as groups with a history of social exclusion, people with disabilities, the Roma community, and refugees and internally displaced persons.<sup>55</sup>

### **3.1.3. Relations Between Montenegro and the EU**

Four days before the adoption of the Constitution of Montenegro by the Constitutional Parliament of Montenegro, the SAA with Montenegro was signed on 15 October 2007 in Luxembourg, and entered into force on 1 May 2010. The Interim Agreement between the EU and Montenegro on trade and trade-related matters, visa facilitation and readmission entered into force on 1 January 2008. The country officially applied for EU membership on 15 December 2008.

### **3.1.4. EU Financial Assistance to Montenegro**

Montenegro has been receiving financial assistance from the EU since 1998. Overall, between 1998 and 2013 the EU committed over €512.9 million to

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<sup>54</sup> Central Intelligence Agency The World Factbook, 2015, <https://www.cia.gov/library/publications/the-world-factbook/geos/mj.html> (accessed 28 September 2015).

<sup>55</sup> Indicative Strategy Paper for Montenegro (2014-2020) [http://ec.europa.eu/enlargement/pdf/key\\_documents/2014/20140919-csp-montenegro.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-montenegro.pdf) (accessed 30 September 2015).

Montenegro. From 1998 to 2006, this included EU CARDS assistance worth €277.2 million. Between 2007 and 2013 Montenegro has received a total of €235.7 million. Since 2007 CARDS assistance was replaced by the IPA.

Under IPA II, Montenegro will continue to benefit from pre-accession assistance for 2014-2020, with a total indicative allocation of € 270.5 million.

### **3.1.4.1. EU Financial Assistance to Montenegro Under the IPA (2007 - )**

#### **3.1.4.1.1. EU Financial Assistance to the Montenegro under the CARDS (2000-2006)**

Over the period 2000-2006, Montenegro has received a total of €114.65 million under CARDS programme. Allocation of funds split per year is shown in the table below:

**Table 14: Financial allocation under CARDS to Montenegro for the period 2000-2006 (€ million)**

	2000	2001	2002	2003	2004	2005	2006	Total
<b>Montenegro</b>	19	16.3	11.5	11.9	16.34	20.22	19.4	<b>114.65</b>

The following objectives for CARDS assistance over the period covered by The Multi-annual Indicative Programme (MIP) 2005-2006 for Serbia and Montenegro have been identified:

- “Ensuring that the relevant authorities have the capacities required to fulfil their role in the return and integration of refugees and internally displaced persons in accordance domestic legislation;”
- “Improving access to work, education, health services, legal assistance and easy access to personal documents;”

- “Ensuring that Serbia and Montenegro creates an environment conducive to socio-economic sustainability of minorities.”<sup>56</sup>

The sectors and priority areas for CARDS assistance over the period covered by CARDS Country Strategy Paper 2002-2006 for the Federal Republic of Yugoslavia have been identified:

- “Democratic Stabilisation;”
- “Good Governance and Institution Building;”
- “Economic and Social Development.”<sup>57</sup>

#### **3.1.4.1.2. IPA I Financial allocation to Montenegro (2007 - 2013)**

Montenegro has had an access to all five IPA components under IPA 2007-2013. According to MIPD, for the period 2008-2010 and 2011-2013, the EU has provided financial assistance to the country under the IPA for the period 2007-2013, with a total amount of € 235.7 million.<sup>58</sup>

Allocation of funds split per year is shown in the table below:

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<sup>56</sup> European Commission, (2005), *Serbia And Montenegro Including Kosovo as Defined by the United Nations Security Council Resolution 1244, Multi-Annual Indicative Programme 2005-2006*, Brussels, 2005.

<sup>57</sup> Ibid 56.

<sup>58</sup> European Commission, (2014), *Montenegro 2014 Progress Report* (COM(2014) 700 final), Brussels, 8.10.2014. (SWD(2014) 301 final).



**Table 15: IPA Financial allocation to Montenegro 2007-2013 by component (€ million)**

<b>YEAR</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>TOTAL</b>
<b>Transition Assistance and Institution Building</b>	27.5	28.1	29.8	29.8	29.8	16.3	5.0	<b>166.5</b>
<b>Cross-border Cooperation</b>	3.9	4.5	4.7	3.7	4.3	4.6	4.7	<b>30.3</b>
<b>Regional Development</b>	-	-	-	-	-	8.0	14.7	<b>22.8</b>
<b>Human Resources Development</b>	-	-	-	-	-	2.8	2.8	<b>5.6</b>
<b>Rural Development</b>	-	-	-	-	-	3.2	7.3	<b>10.5</b>
<b>TOTAL</b>	<b>31.4</b>	<b>32.6</b>	<b>34.5</b>	<b>33.5</b>	<b>34.1</b>	<b>34.9</b>	<b>34.5</b>	<b>235.7</b>

The following priorities for IPA support over the period covered by MIPD 2011-2013 for Montenegro have been identified:

- “Strengthening the Parliament’s legislative and oversight role; completing essential steps in public administration reform; enhancing media freedom and strengthening cooperation with civil society;”
- “Strengthening rule of law; improving the anti-corruption legal framework and strengthening the fight against organised crime;”
- “Implementing effectively the acquis throughout the programme, and specifically through strengthening the administration capacity, since Montenegro received the status of candidate country;”
- “Preparing Montenegro for the management of Structural Funds for the future EU cohesion policy, namely the European Regional Fund and Cohesion Fund regarding the environmental and transport sectors (in the areas of railways and maritime) and the European Social Fund (in the areas of human resources development, ie. employment, education and social inclusion);”

- “Strengthening the environmental administration including for EIAs, for the management of protected areas, for climate change and to identify sustainable funding for implementation;”
- “Strengthening the administrative capacity in the sector of agriculture and rural development, including food safety, veterinary and phytosanitary issues, and focus preparations on setting up basic instruments and institutions for managing the CAP.”<sup>59</sup>

The sectors and priority areas for IPA support over the period covered by MIPD 2011-2013 for Montenegro have been identified:

- “Justice and home affairs;”
- “Public administration reform;”
- “Environment and Climate Change;”
- “Transport;”
- “Social Development;”
- “Agriculture and rural development;”<sup>60</sup>

#### **3.1.4.1.3. IPA II Financial allocation to Montenegro (2014 – 2020)**

The planning of IPA II assistance for the period 2014-2020 will seek to support the implementation of the national strategies of Montenegro in line with the priorities identified in Indicative Strategy Paper for Montenegro 2014-2020, as well as in the regular Progress Reports prepared by the European Commission on Montenegro.

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<sup>59</sup> European Commission, (2011), *COMMISSION IMPLEMENTING DECISION of 18.11.2011 on a Multi-annual Indicative Planning Document (MIPD) 2011-2013 for Montenegro*, Brussels, 18.11.2011 C(2011) 8220 final.

<sup>60</sup> Ibid. 59.

IPA II sets a new framework for providing pre-accession assistance for the period 2014-2020 for which an indicative amount of EUR 270.5 million is foreseen to be allocated.

Indicative allocation of funds split per year is shown in the table below:

**Table 16: IPA II indicative allocation for Montenegro 2014-2020 (€ million)<sup>61</sup>**

Montenegro	2014	2015	2016	2017	2018-2020	Total 2014-2020
<b>Democracy and governance</b>	29.1				17.8	46.9
<b>Rule of law and fundamental rights</b>	31.6				20.7	52.3
<b>Environment and climate action</b>	18.8				18.7	37.5
<b>Transport</b>	20.2				11.8	32.1
<b>Competitiveness and innovation</b>	12.3				8.9	21.2
<b>Education, employment and social policies</b>	15.3				12.8	28.1
<b>Agriculture and rural development</b>	24.7				27.7	52.4
<b>TOTAL</b>	<b>35.9</b>	<b>35.6</b>	<b>37.5</b>	<b>39.6</b>	<b>118.5</b>	<b>270.5</b>

According to Indicative Strategy Paper for Montenegro 2014-2020, financial assistance under IPA II pursues the following four specific objectives:

- “Supporting political reforms;”
- “Supporting economic, social and regional development;”
- “Strengthening the ability of the country to fulfil the obligations stemming from the EU membership by supporting progressive alignment with, implementation and adoption of, the EU acquis;”
- “Strengthening regional integration and territorial cooperation.”<sup>62</sup>

Indicative Strategy Paper for Montenegro 2014-2020 envisages redirecting IPA II pre-accession assistance to Montenegro through eight sectors:

<sup>61</sup> Ibid. 55.

<sup>62</sup> Ibid. 55.

- “Democracy and governance;”
- “Rule of law and fundamental rights;”
- “Environment and Climate Action;”
- “Transport;”
- “Competitiveness and Innovation;”
- “Education, employment, and social policies;”
- “Agriculture and rural development;”
- “Regional cooperation and territorial cooperation.”<sup>63</sup>

### **3.2.AN OVERVIEW OF EU-THE REPUBLIC OF MACEDONIA RELATIONS AND EU FINANCIAL ASSISTANCE TO THE REPUBLIC OF MACEDONIA**

#### **3.2.1. The Republic of Macedonia Country Profile**

The Republic of Macedonia has a population of 2,096,015<sup>64</sup> with a mountainous landlocked area of 25,713 square kilometers, neighbouring Albania, Bulgaria, Greece, Kosovo and Serbia. The country's capital and largest city is Skopje. The Macedonian Denar is the official currency of the country since 26 April 1992. According to the latest official census by the State Statistical Office of the Republic of Macedonia (SSO) the Republic of Macedonia is ethnically diverse, with Macedonian 64.2%, Albanian 25.2%, Turkish 3.9%, Roma 2.7%, Serb 1.8%, and others 2.2%.<sup>65</sup> According to the Constitution of the Republic of Macedonia and the Law of languages, the Macedonian language, written using its Cyrillic alphabet, is

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<sup>63</sup> Ibid. 55.

<sup>64</sup> Central Intelligence Agency The World Factbook, 2015, <https://www.cia.gov/library/publications/the-world-factbook/geos/mk.html> (accessed 1 October 2015).

<sup>65</sup> Државен завод за статистика на Република Македонија, (2005), *Попис на населението, домаќинствата и становите во Република Македонија, 2002 книга XIII*, Скопје, мај 2005.

the official language of the country and six languages: Albanian, Turkish, Romani, Serbian, Bosnian and Aromanian, are officially recognized as minority languages.

The country gained its independence on 8 September 1991, following an independence referendum in which 96.4% of voters opted to break away from Yugoslavia with a turnout of 75.7%<sup>66</sup>. On 25 September 1991, the Declaration of Independence was adopted by the Macedonian Parliament. The new Constitution was adopted by the Macedonian Parliament on 17 November 1991. International recognition of the country and its accession to the United Nations was delayed by Greece's objection to the use of the name Macedonia. After long talks and bargaining, the Republic of Macedonia became 181st member of the United Nations under the interim reference "the former Yugoslav Republic of Macedonia (FYROM)" on 8 April 1993.<sup>67</sup> As of September 2015, 135 countries have recognized the country under its constitutional name of "Republic of Macedonia" including three members of the UN Security Council, the Peoples Republic of China, the Russian Federation and the United States of America.

In the late 1990s and the beginning of 2000s, inter-ethnic violent incidents have jeopardized peaceful coexistence between Macedonians and Albanians, the country's two major ethnic groups. A decade after its independence, the security crisis of the first half of 2001 brought the country to the brink of civil war. The Ohrid Framework Agreement (OFA), signed on 13 August 2001, ended Macedonia's armed conflict between Albanian rebels and Macedonian security forces. The country is today considered to be a stabilized post-conflict country.

The Republic of Macedonia is an unitary state and parliamentary republic with a unicameral assembly. The Government of the Republic of Macedonia was formed by a coalition of the Internal Macedonian Revolutionary Organization -

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<sup>66</sup> A. Sencer GÖZÜBENLİ, (2015), "An Overview of the Contribution of IPA Funds to the Republic of Macedonia in the Sector of Social Inclusion for the period 2007-2013", *Book of Proceedings of 2-d ICIS, Second International Conference on: "Interdisciplinary Studies"*, ISBN: 978-9928-4284-6-2, pp. 292-298, Tirana, Albania, December 2015.

<sup>67</sup> Admission of the State whose application is contained in document A/47/876-S/25147 to membership in the United Nations, G.A. res. 47/225, 47 U.N. GAOR Supp. (No. 49) at ?, U.N. Doc. A/47/49 (1992).

Democratic Party for Macedonian National Unity (VMRO-DPMNE) and the Democratic Union for Integration (DUI) as a result of the last parliamentary elections which were held on 27 April 2014.

### 3.2.2. Economy of the Republic of Macedonia

Macedonia is an upper middle-income country with excessive growth potential that has taken significant steps in reforming its economy over the last decade. Since its independence in 1991, the country has made significant progress in liberalizing its economy and improving its business environment, but the labour market remains marked by structural rigidities such as low labour force participation and low labour productivity.<sup>68</sup> The unemployment rate has dropped gradually nearly from 40% to 27.6%<sup>69</sup> one of the highest unemployment rates in the region and well above the EU average of 9.3%. Unemployment is particularly prevalent among youth, the rural population, less educated people and ethnic minorities. The Gross Domestic Product (GDP) in Macedonia was worth \$11.32 billion in 2014, GDP Annual Growth Rate in Macedonia averaged 3.4% from 2014 until 2015. GDP per capita in 2015, approximately €5,450 was well below the EU average of €35,718. the GDP per capita in purchasing power standards (PPS) reached 37% of the EU average.<sup>70</sup>

The VAT rate in the Republic of Macedonia is 18% for standard supplies of goods and services.<sup>71</sup> A reduced rate of 5% was introduced in 2007 to be levied on food products, production equipment, computers and medical goods etc.

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<sup>68</sup> European Commission, (2014), *Republic of Macedonia 2014 Progress Report*, European Commission, Brussels, 2014.

<sup>69</sup> Official Website of the Government of the Republic of Macedonia  
<http://vlada.mk/node/10442?language=en-gb> (accessed 1 December 2015).

<sup>70</sup> The official Website of Eurostat  
<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00114&plugin=1> (accessed 12 November 2015).

<sup>71</sup> Official Website of the United States Council for International Business  
<http://www.uscib.org/valueadded-taxes-vat-ud-1676/> (accessed 12 November 2015).

The Republic of Macedonia have been experiencing deflation like several other countries in the Western Balkans. average consumer price inflation of the country in 2015 is -0,5%.

According to the latest estimates, released in 2014, the Republic of Macedonia exported goods worth \$4.934 billion. The major export partners were Germany (41.4%), Bulgaria (6.6%), Italy (6.1%). Import of the Republic of Macedonia was worth \$6.15 billion in 2014. The major import partners were United Kingdom (12.3%), Germany (11.1%), Greece (9.2%).

### **3.2.3. Relations Between the Republic of Macedonia and the EU**

On 20 June 1996, Cooperation Agreement between the Republic of Macedonia and the EU was signed and on 9 April 2001, the country became the first country of the Western Balkans region to sign a SAA. The country officially applied for EU membership on 22 March 2004 and was granted candidate status by the European Council on 17 December 2005. On 29 March 2012 the European Commission launched a High Level Accession Dialogue with the country.

### **3.2.4. EU Financial Assistance to the Republic of Macedonia**

The EU has been providing financial assistance to Macedonia through various programmes, such as European Commission's Humanitarian Aid and Civil Protection (ECHO), ISPA, SAPARD, Obnova, PHARE, the Emergency Response Programme, Country Operational Programme (COP), CARDS and IPA since it became independent in November 1991. Overall, from 1992 to 2013, the EU committed over €1.1 billion to the Republic of Macedonia.<sup>72</sup> Between 1992 and 1996, a total of €85 million was allocated to the Republic of Macedonia under the PHARE Critical Aid Programme. Between 1996 and 1999, a total of €105 million

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<sup>72</sup>European Commission, (2014), *on a Multi-annual Indicative Planning Document (MIPD) 2009-2011 for the Republic of Macedonia*, Brussels, 2014, p. 5.

was allocated to the Republic of Macedonia under the COP and the CBC with Greece. Between 2000 and 2006, a total of €298.2 million was allocated to the Republic of Macedonia under the CARDS. Since 2007, CARDS assistance programme was replaced by the IPA. Between 2007 and 2013, the Republic of Macedonia has received a total of €622.4 million.

Under IPA II, the Republic of Macedonia will continue to benefit from pre-accession assistance for 2014-2020, with a total indicative allocation of € 664.2 million.<sup>73</sup>

### **3.2.4.1. EU Financial Assistance to the Republic of Macedonia Under the IPA (2000 - )**

#### **3.2.4.1.1. EU Financial Assistance to the Republic of Macedonia under the CARDS (2000-2006)**

Over the period 2000-2006, the Republic of Macedonia has received a total of €298.2 million under CARDS. Allocation of funds split per year is shown in the table below:

**Table 17: Financial allocation under CARDS to the Republic of Macedonia for the period 2000-2006 (€ million)<sup>74</sup>**

	2000	2001	2002	2003	2004	2005	2006	Total
<b>fYR Macedonia</b>	13.0	56.2	41.5	43.5	59.0	45.0	40.0	<b>298.2</b>

The following objectives for CARDS assistance over the period covered by The Multi-annual Indicative Programme (MIP) 2002-2004 for the Republic of Macedonia have been identified:

<sup>73</sup> European Commission, (2014), Indicative Strategy Paper for the Former Yugoslav Republic of Macedonia (2014-2020), [http://ec.europa.eu/enlargement/pdf/key\\_documents/2014/20140919-csp-former-yugoslav-republic-of-macedonia.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-former-yugoslav-republic-of-macedonia.pdf) (accessed 30 September 2015).

<sup>74</sup> The European Commission and EU policy towards South East Europe, <http://ec.europa.eu/enlargement/archives/seerecon/gen/ecrole.htm> (accessed 5 October 2015).



- “Support the process of integration of the Republic of Macedonia into EU and other international structures;”
- “Consolidate democratic institutions and democratic principles and promote the application of the rule of law and good governance;”
- “Support the establishment of a functioning market economy which is capable of delivering sustainable economic growth, fostering trade and generating employment;”
- “Support the development of social cohesion and social justice while promoting interethnic integration;”
- “Encourage regional co-operation.”<sup>75</sup>

The sectors and priority areas for CARDS assistance over the period covered by CARDS Country Strategy Paper 2002-2006 have been identified:

- “Democracy and the Rule of Law;”
- “Economic and Social Development;”
- “Justice and Home Affairs;”
- “Environment and Natural Resources.”<sup>76</sup>

#### **3.2.4.1.2. IPA I Financial allocation to the Republic of Macedonia (2007 - 2013)**

The Republic of Macedonia has had an access to all five IPA components under IPA 2007-2013. According to MIPD, for the period 2007-2009, 2009-2011 and 2011-2013, the country has received assistance in total amount of € 622.4 million by virtue of IPA I. Allocation of funds split per year is shown in the table below:

<sup>75</sup> EC, (2001), CARDS FYROM Country Strategy Paper 2002-2006, including Multi-annual Indicative Programme 2002-2004, Brussels, 2001.

<sup>76</sup> Ibid. 75.

**Table 18: IPA Financial allocation to the Republic of Macedonia 2007-2013 by component (€ million)<sup>77</sup>**

<b>YEAR</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>TOTAL</b>
<b>Transition Assistance and Institution Building</b>	41.64	41.12	39.33	36.32	28.80	28.20	27.94	243.35
<b>Cross-border Cooperation</b>	4.16	4.08	4.37	5.07	5.12	5.18	5.24	33.22
<b>Regional Development</b>	7.4	12.3	20.8	29.4	39.3	42.3	51.8	203.3
<b>Human Resources Development</b>	3.2	6.0	7.1	8.4	8.8	10.38	11.2	55.08
<b>Rural Development</b>	2.1	6.7	10.2	12.5	16	19	21.03	87.53
<b>TOTAL</b>	<b>58.5</b>	<b>70.2</b>	<b>81.8</b>	<b>91.68</b>	<b>98.03</b>	<b>105.07</b>	<b>117.21</b>	<b>622.4</b>

The following priorities for IPA support over the period covered by MIPD 2011-2013 for the Republic of Macedonia have been identified:

- “Supporting the economic and social development of the country;”
- “Improving good governance and reduce corruption;”
- “Ensuring non-discrimination and respect of human rights.”<sup>78</sup>

The sectors and priority areas for IPA support over the period covered by MIPD 2011-2013 for the Republic of Macedonia have been identified:

- “Public administration;”
- “Justice, home affairs and fundamental rights;”

<sup>77</sup> Ibid. 36.

<sup>78</sup> European Commission, (2014), *on a Multi-annual Indicative Planning Document (MIPD) 2011-2013 for the Republic of Macedonia*, Brussels, 2014.

- “Private sector development”
- “Agriculture and rural development;”
- “Transport;”
- “Environment and climate change;”
- “Social development.”<sup>79</sup>

#### **3.2.4.1.3. IPA II Financial allocation to the Republic of Macedonia (2014 – 2020)**

The planning of IPA II assistance for the period 2014-2020 will seek to support the implementation of the national strategies of the Republic of Macedonia in line with the priorities identified in Indicative Strategy Paper for the Republic of Macedonia 2014-2020, as well as in the regular Progress Reports prepared by the European Commission on the Republic of Macedonia.

IPA II sets a new framework for providing pre-accession assistance for the period 2014-2020 for which an indicative amount of € 664.2 million is foreseen to be allocated.<sup>80</sup>

Indicative allocation of funds split per year is shown in the table below:

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<sup>79</sup> Ibid. 78.

<sup>80</sup> Ibid. 73.

Table 19: IPA II indicative allocation for the Republic of Macedonia 2014-2020 (€ million)<sup>81</sup>

Republic of Macedonia	2014	2015	2016	2017	2018-2020	Of which climate change relevant (%)	Total 2014-2020
<b>a. Reforms in preparation for Union membership</b>	<b>39.7</b>	<b>17.9</b>	<b>35.6</b>	<b>26.9</b>	<b>85.8</b>		<b>205.9</b>
Democracy and governance	66.1				56.8		122.9
Rule of law and fundamental rights	54.0				29.0		83.0
<b>b. Socio-economic and Regional development</b>	<b>41.0</b>	<b>38.7</b>	<b>38.0</b>	<b>46.0</b>	<b>135.1</b>		<b>298.8</b>
Environment and climate action	61.3				51.6	100%	112.9
Transport	56.4				56.5	60%	112.9
Competitiveness and innovation	46.0				27.0		73.0
<b>c. Employment, social policies, education, promotion of gender equality, and human resources development</b>	<b>0.0</b>	<b>14.0</b>	<b>13.0</b>	<b>0.0</b>	<b>26.2</b>		<b>53.2</b>
Education, employment and social policies	27.0				26.2		53.2
<b>d. Agriculture and rural development</b>	<b>5.0</b>	<b>18.3</b>	<b>5.0</b>	<b>22.0</b>	<b>56.0</b>		<b>106.3</b>
Agriculture and rural development	50.3				56.0	10%	106.3
<b>TOTAL</b>							<b>664.2</b>

According to Indicative Strategy Paper for the Republic of Macedonia 2014-2020, financial assistance under IPA II pursues the following four specific objectives:

- “Supporting political reforms;”
- “Supporting economic, social and regional development;”
- “Strengthening the ability of the country to fulfil the obligations stemming from the EU membership by supporting progressive alignment with, implementation and adoption of, the EU acquis;”

<sup>81</sup> Ibid. 73.

- “Strengthening regional integration and territorial cooperation.”<sup>82</sup>

Indicative Strategy Paper for the Republic of Macedonia 2014-2020 envisages redirecting IPA II pre-accession assistance to the Republic of Macedonia through eight sectors:

- “Democracy and governance;”
- “Rule of law and fundamental rights;”
- “Environment and Climate Action;”
- “Transport;”
- “Competitiveness and Innovation;”
- “Education, employment, and social policies;”
- “Agriculture and rural development;”
- “Regional cooperation and territorial cooperation.”<sup>83</sup>

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<sup>82</sup> Ibid. 73.

<sup>83</sup> Ibid. 73.

## CHAPTER FOUR

### COMPARATIVE ANALYSIS ON THE CONTRIBUTION OF IPA FUNDS TO MONTENEGRO AND THE REPUBLIC OF MACEDONIA IN THE SECTOR OF SOCIAL INCLUSION FOR THE PERIOD 2007-2013

#### 4.1. SOCIAL INCLUSION IN MONTENEGRO AND THE REPUBLIC OF MACEDONIA

Social exclusion is a complex process in which diverse individuals or some communities are systematically blocked from various resources, rights, goods and services available to the majority of people in a society. Social exclusion is a multidimensional problem, alongside with the economic issues; it also includes social, political and cultural issues.

Social inclusion is the converse of social exclusion. The term is often confused with social welfare and social protection. It is commonly defined as “the removal of institutional barriers and the enhancement of incentives to increase the access of diverse individuals and groups to development opportunities.”<sup>84</sup>

Economic strengthening of a country creates possibilities for the elimination of social exclusion due to cultural, ethnic and religious considerations. According to the European Commission’s White Paper on Growth, Competitiveness, Employment, which was published on 5 December 1993 the creation of jobs, is necessary to eliminate of social exclusion. It says “... the future of our children, who must be able to find hope and motivation in the prospect of participating in economic and social activity.”<sup>85</sup> The White Paper argued that the education is also necessary to eliminate of social exclusion. “... education and training are expected to solve the problems of

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<sup>84</sup> World Bank, (2013), *Inclusion Matters: The Foundation for Shared Prosperity* (Advance Edition). Washington, DC: World Bank, 2013.

<sup>85</sup> Commission of the European Communities ,(1993), *White Paper on Growth. Competitiveness. Employment: The Challenges and Ways Forward into the 21st Century*, Brussels, 1993. p. 117.

the competitiveness of businesses, the employment crisis and the tragedy of social exclusion and marginality”<sup>86</sup>

High unemployment rate and poverty are two of the challenges that the WBCs have been facing for years. The Republic of Macedonia and Montenegro are two of these countries that have been experiencing high unemployment rates and the large scale migration of vulnerable groups since they became independent.

The problem of social exclusion appeared as a new social problem in the WBCs. It was initially the focus since it had become the phenomenon of the deepening social inequalities of the period following the dispersion of SFRY. Many researches have shown that poverty is the major driver for social exclusion and the one of the main impediments to social inclusion in the WBCs.

Gini coefficient is the most commonly used measure of inequality. The coefficient varies between 0 and 1. The Gini coefficient of 0 expresses complete equality, which means all people in a country have the same income, and 1 indicates complete inequality which means one person in a country has all the income or consumption, all others have none.

#### **4.1.1. Social Exclusion in Montenegro**

Montenegro is a country with a high unemployment rate that is around 20%, since 2007. High unemployment have been remained one of the significant problems in the country. Since the independence of the country, the unemployment rate has dropped gradually nearly from 27.7% to 17.7% in the second quarter of 2015.

According to the UNDP, unemployment rates in the Northern Montenegro are nearly two times higher than the national average unemployment rate. According to the latest data released in 2013, the absolute poverty line is €186.45 per capita,<sup>87</sup>

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<sup>86</sup> Ibid. 84, p. 11.

<sup>87</sup> Official Website Of World Bank, <http://data.worldbank.org/country/montenegro> (accessed 6 December 2015).

per month in Montenegro. According to MONSTAT, the average net wage in Montenegro in September 2014 amounted to €478.<sup>88</sup> According to the World Bank estimates, 8.6% of the population were poor during the years 2013-2014,<sup>89</sup> while for the northern Montenegro, where 45% of the total poor were located, it is nearly three times higher than the poverty rate in the central and southern regions. The Gini coefficient increased from 30.82% in 2007 to 33.19% in 2013.<sup>90</sup>

The largest poverty rate is among Roma, Ashkalia and Egyptians (RAE) (52.3%); refugees, Internally Displaced Persons (IDPs) and people with disabilities are also among the poorest and the most marginalised groups.

According to Instrument for Pre-Accession Assistance (IPA II) Indicative Strategy Paper for Montenegro (2014-2020), "... the distribution of both population and income reflects regional disparities between a more populated and richer south (coastal and capital areas) and the less developed northern municipalities. Socio-economic problems are exacerbated for the long-term unemployed, pensioners, women, as well as groups with a history of social exclusion, people with disabilities, the Roma community, and refugees and internally displaced persons. As regards gender equality, the inclusion and participation of women at all levels of society remains a key challenge."<sup>91</sup>

**Table 20: Unemployment rates in Montenegro, 2004 - 2014 (%)<sup>92</sup>**

Indicator	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Unemployment rate (%)	27.7	30.3	29.6	19.4	16.8	19.1	19.7	19.7	19.7	19.5	18

<sup>88</sup> Government of Montenegro, (2015), *Montenegro Economic Reform Programme 2015 – 2017*, Podgorica, January 2015. p. 12.

<sup>89</sup> Official Website Of World Bank, <http://data.worldbank.org/country/montenegro> (accessed 6 December 2015).

<sup>90</sup> Official Website Of World Bank, <http://data.worldbank.org/indicator/SI.POV.GINI> (accessed 6 December 2015)

<sup>91</sup> Ibid. 73, p. 5.

<sup>92</sup> Government of Montenegro, (2014), *Report on Millennium Development Goals in Montenegro 2010–2013*, Podgorica, 2014.





**Figure 1: GDP and unemployment developments in Montenegro, 2010 - 2014<sup>93</sup>**

According to the National Human Development Report 2009: Montenegro – Society for All, since the independence of the country, “... Montenegro has achieved impressive economic growth in recent years, which has created opportunities and brought about some progress in the human development of the poor and socially excluded.”<sup>94</sup>

The Government of the Republic of Montenegro under the State Union of Serbia and Montenegro adopted the Development and Poverty Reduction Strategy (DPRS) in November 2003, to create the conditions of equitable economic growth to decrease the rate of economically vulnerable population. After the independence of Montenegro, the government has been developing and adopting annual operational plans and employment measures which define the active measures for employment, the target groups and the concrete activities, for reducing unemployment such as; Poverty Alleviation and Social Inclusion Strategy (PASIS), National Strategy for Permanent Solution of the Problem of Refugees and IDPs, National Action Plan, Roma Inclusion Decade 2005-2015, Strategy for improvement of the position of the RAE population in Montenegro, Social and Child Protection Development Strategy,

<sup>93</sup> European Commission, (2015), *Montenegro 2015 Progress Report*, European Commission, Brussels, 2015.

<sup>94</sup> UNDP, (2009), *National Human Development Report 2009. Montenegro: Society for All*. Podgorica: UNDP, 2009. p. 8.

Strategy for Inclusion of the Disabled People, Strategy for Protection of the Elderly in Montenegro, Sustainable Development Strategy and European Partnership Action Plan, etc. Montenegro's first strategic document aimed at decreasing the rate of economic vulnerability of the population and ensuring social stability was the Poverty Alleviation and Social Inclusion Strategy (PASIS), was published and adopted in July 2007 by the Ministry of Health, Labor and Social Welfare.

#### **4.1.2. Social Exclusion in the Republic of Macedonia**

The Republic of Macedonia is a country with a high unemployment rate that is around 30%<sup>95</sup>. High unemployment have been remained one of the most difficult socio-economic problems in the country since it became independent in 1991. Since 2004, the unemployment rate has dropped gradually nearly from 45.4% to 27,6% in the first quarter of 2015.

In the Republic of Macedonia, relative poverty line and subjective poverty line methods are practiced in the process of poverty measuring. which is defined as 70% of the medial equivalent consumption of the households. Poverty line is calculated the percentage of persons whose expenditures are below the level of 70% of the medial equivalent consumption of the households. The average income in the country is around 20,500 Denars (equal to €350) a month. The minimum wage is 7800 Denars (equal to €130) per month. According to the newest available data, the absolute poverty line is €245 per capita, per month in the Republic of Macedonia. According to the World Bank estimates, 24.2% of the population, were poor during the years 2013-2014. 20.2%. The Gini coefficient increased from 28.13% in 1998 to 44.05% in 2006.<sup>96</sup>

Unemployment and poverty are particularly prevalent among youth, the rural population, less educated people and ethnic communities hence one of the main

<sup>95</sup> Polenakovik R.& Sutevski D. (2014), *Entrepreneurial Learning Strategy of the Republic Of Macedonia 2014-2020*, Skopje, November 2014.

<sup>96</sup> Ibid. 90.

challenges for the Republic of Macedonia is to create employment.<sup>97</sup> The labour market remains marked by structural rigidities such as low labour force participation.<sup>98</sup> Labour market participation remained very low, especially among women with 38.8% in the first quarter of 2015 and Roma population.<sup>99</sup>

**Table 21: Number of unemployed persons and unemployment rates in the Republic of Macedonia, 1991 - 2014<sup>100</sup>**

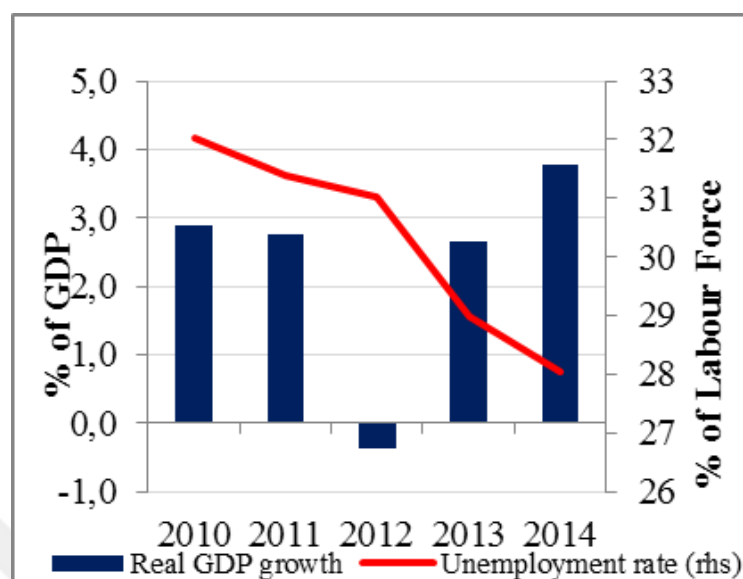
Year	Registered	
	Number	Unemployment rate
1991	164,816	26.0%
1992	172,089	27.8%
1993	174,848	29.3%
1994	185,906	32.0%
1995	216,222	37.7%
1996	235,135	40.9%
1997	250,508	34.5%
1998	275,232	35.9%
1999	332,812	40.5%
2000	366,211	42.7%
2001	360,340	42.8%
2002	374,144	43.8%
2003	390,361	45.3%
2004	391,072	45.4%
2005	359,989	43.4%
2006	366,551	43.0%
2007	357,166	41.4%
2008	343,363	39.0%
2009	341,295	36.4%
2010	321,341	36.5%
2011	281,144	32.8%
2012	292,502	31.0%
2013	275,225	28.6%
2014	270,096	28.2%

<sup>97</sup> Ibid. 95, p. 3.

<sup>98</sup> European Commission, (2014), *Republic of Macedonia 2014 Progress Report*, European Commission, Brussels, 2014.

<sup>99</sup> Ibid. 98, p. 48.

<sup>100</sup> Verica Janeska (2013), "Labor Market and Labor Migration in the Republic of Macedonia – changes and current situation", *6th IZA/ASE Workshop on EU Enlargement and the Labor Markets*, Bucharest, 2013



**Figure 2: GDP and unemployment developments in the Republic of Macedonia, 2010 - 2014<sup>101</sup>**

According to the Operational Programme for Human Resources Development 2007 - 2013 (OPHRD), "in the period 2000-2005, the female employment rates were significantly lower than those of men: In 2005 male employment rate was 41.2% while female employment rate only amounted to 26.6%, while participation rates by women of ethnic Albanian origin were only 9.7%."<sup>102</sup>

According to the latest official census by the SSO in 2002, The unemployment rate is different concerning the members of different ethnic groups ranging from 78,5% of Roma, 61,2% of Albanians, 58,2% of Turks, 30,9% of Serbs, 32% of Macedonians, 25,3% of Vlachs. Unemployment rates are high for non-ethnic Macedonian women, 84.1% for Roma women, 72.9% for Albanian women, 69,7% for Turk women, 66,4% for Bosniac women and 33.7% Serb women.<sup>103</sup>

<sup>101</sup> European Commission, (2015), *Republic of Macedonia 2015 Progress Report*, European Commission, Brussels, 2015.

<sup>102</sup> Republic of Macedonia, (2006), *Multi-Annual Operational Programme "Human Resources Development" 2007-2013* (CCI No of the Decision: 2007 MK 051 PO 001), Skopje, 2006, p. 42.

<sup>103</sup> Ibid. 64.

**Table 22: Unemployment rates by ethnic communities 2002<sup>104</sup>**

	POPULATION	UNEMPLOYMENT RATE		
		TOTAL	MEN	WOMEN
<b>Macedonians</b>	64.2%	32.0%	29.9%	34.7%
<b>Albanians</b>	25.2%	61.2%	58.6%	72.9%
<b>Turks</b>	3.9%	58.2%	54.3%	69.7%
<b>Romas</b>	2.6%	78.5%	75.2%	84.1%
<b>Vlachs</b>	0.5%	25.3%	25.9%	24.4%
<b>Serbs</b>	1.8%	30.9%	29.2%	33.7%
<b>Bosniacs</b>	0.8%	60.3%	57.2%	66.4%
<b>Others</b>	1.0 %	40.8%	39.3%	42.9%
<b>TOTAL</b>	100%	38.1%	37.4%	39.1%

The latest official census by the SSO in 2002, indicates that Roma population constitutes 2.7% of the Republic of Macedonia's population. According to official data show that in the year 2012, 4.7% of the total number of unemployed registered in the Employment Agency of the Republic of Macedonia were Roma, and of these one half have incomplete elementary education. However, not all unemployed Roma are in position to register with the Employment Service Agency due to the problems with lack of document. On the other hand, as of 30 April 2006, the Employment Agency of the Republic of Macedonia registers 16,034 unemployed Romanis<sup>105</sup> (29% of Roma population in the country). According to unofficial estimates, around 85% of the Roma are social assistance beneficiaries. The monthly social assistance of 3000 Denar (equal to 50 Euro) received by relatively large number of the Roma population is the only source of regular income for them.

People with a low educational attainment is also one of most important Laeken indicators. According to the Operational Programme for Human Resources Development 2007 - 2013 (OPHRD), "the share of female students by level of

<sup>104</sup> Ibid. 65.

<sup>105</sup> Eben Friedman, (2007), *Roms on Integration II: Analyses and Recommendations*, European Centre for Minority Issues (ECMI), Flensburg, Germany, 2007.

education, shows that girls living in rural areas or coming from lower social strata and/or belonging to a specific ethnic group, such as the Roma or to a certain extent, ethnic Albanian, are at the highest risk of being excluded from the educational system at an early stage.”<sup>106</sup>

Migration abroad due to limited job opportunities is also a very important issue in the Republic of Macedonia with long history. The labor migration abroad starts in the middle of 1960s and was caused by the significant growth of the unemployment. According to unofficial estimates, there were 150,000 Macedonian citizens in Germany of whom around 120,000 were ethnic Albanians in 1960s.<sup>107</sup> The number of ethnic Albanian migrants abroad has been constantly raised from 22.1% in 1981 to 29.6% in 1994, especially in the period 1981-1994.<sup>108</sup>

The Government of the Republic of Macedonia has been adopting annual operational plans and employment measures which define the active measures for employment, the target groups and the concrete activities, for reducing unemployment for years. The first strategic document aimed at combating poverty, unemployment and social exclusion was the National Strategy for Poverty Reduction (NSPR), published and adopted in 2002.

Following categories were classified as most vulnerable in the NSPR of 2002:

1. “The traditional poor, who are made up of rural, farming households;”
2. “The new poor, who are non-agricultural households with low-paid workers and the unemployed;”
3. “The chronic poor, who are pensioners, elderly without pensions, the disabled, or others without permanent income.”<sup>109</sup>

On the other hand, there is no nationally accepted or adopted definition of social exclusion in strategic plans. The Ministry of Labour and Social Policy, in its

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<sup>106</sup> Ibid. 102, p. 40.

<sup>107</sup> Albert Musliu, Visar Ademi, (2002), *Macedonia: Micro-credit, Poverty and Returning Ethnic Minorities*, London, 2002.

<sup>108</sup> European Commission, (2015), *Republic of Macedonia 2015 Progress Report*, European Commission, Brussels, 2015. p. 48.

<sup>109</sup> Donevska M., Gerovska M., Gjorgjev D., Kalovska T. (2007), *Social Protection and Social Inclusion in the Former Yugoslav Republic of Macedonia*, European Commission, 2007.

Policy paper for tackling problems of the socially excluded, has defined four target groups in the socially excluded population. These are:

1. “Drug users and members of their families; “
2. “Street children/children on the streets and their parents;”
3. “Victims of family violence;”
4. “Homeless people.”<sup>110</sup>

Yet, this categorization is not based on statistical researches or census, considering the predominance of these groups in the overall socially excluded population. It also does not contain other most vulnerable groups, such as Roma, Albanian women or rural poor etc.<sup>111</sup>

Many strategies and documents related in employment and social inclusion are being operated in the country, such as National Employment Strategy and National Action Plan for Employment (NAPE), Government’s Working Programme for the period 2011-2015, National Strategy for Sustainable Development of the Republic of Macedonia, Action Plan for Youth Employment 2015, National Strategy for Alleviation of Poverty and Social Inclusion 2010-2020, National Strategy for Development of Education 2005 – 2015, Strategy for Innovations of Republic of Macedonia 2012 – 2020, Strategy for Vocational Education and Training of Republic of Macedonia and Action Plan 2013 – 2020, etc. The most important national document in the concerned area is the National Strategy on Alleviation on Poverty and Social Exclusion in the Republic of Macedonia 2010-2020 which was adopted in 2010. The strategic objectives identified in this document are:

- “Promote and increase opportunities which provide that the citizens participate in the educational, labour and general social activities;”
- “Cope with and reduce impediments for solving specific problems of social exclusion of special groups which face these impediments;”

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<sup>110</sup> Ibid. 109.

<sup>111</sup> Ministry of Labour and Social Policy, (2004), *Policies for Tackling Problems of Socially Excluded Population*, Skopje, 2004. p. 1.

- “Promote social inclusion with children and young people which will provide conditions for long-term opportunities for the future generation;”
- “Strengthen vulnerable communities for quality life and ability to overcome impediments in their well-being.”<sup>112</sup>

Since the crisis in 2001, the country has received significant attention and huge amounts of assistance from all major International Financial Institutions (IFIs), such as the World Bank, the International Monetary Fund (IMF), the European Investment Bank (EIB), the Council of Europe Development Bank (CEB) and the European Bank of Reconstruction and Development (EBRD) to promote social inclusion and eliminate social discrimination in labor market.

The Joint Inclusion Memorandum (JIM) which was the first document in the field of social inclusion was signed by the Republic of Macedonia and European Commission before the EU accession process.

#### **4.2. CONTRIBUTION OF IPA FUNDS TO MONTENEGRO AND THE REPUBLIC OF MACEDONIA IN THE SECTOR OF SOCIAL INCLUSION FOR THE PERIOD 2007-2013**

The aim of the EU’s social policy is to promote employment, improve living and working conditions, provide an appropriate level of social protection and develop measures to combat social exclusion in EU member countries, EU Candidate countries and potential candidate countries and EFTA/EEA countries.

Since the dispersion of the SFRY, the EU has also been substantially providing financial assistance to the WBCs through various programmes, such as ECHO, PHARE, ISPA, SAPARD, Obnova, the Emergency Response Programme, CARDS, to promote social inclusion at the local and community level. Since 2007, CARDS and the other pre-accession programmes were replaced by the IPA.

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<sup>112</sup> Ibid. 111.



The Republic of Macedonia had an access to all five IPA components for the period 2007 - 2013, as a potential candidate, Montenegro had access to the first two IPA components. By achieving the candidate country status on 17 December 2010, Montenegro obtained access to other three IPA components; Regional Development, Human Resources Development and Rural Development for the period 2012 – 2013. One of this component called Human Resources Development (Component IV) seeks to boost the quality of human resources in candidate countries. According to Article 151 of the IPA Implementing Regulation, one of the main strategic priorities of the assistance under this component is to “reinforce social inclusion and integration of people at a disadvantage, with a view to their sustainable integration in employment, and combat all forms of discrimination in the labour market”

Financial allocations for Human Resources Development component of IPA are allocated by priorities and measures defined in the Operational Programme "Human Resources Development (OPHRD).

#### **4.2.1. Operational Programme for Human Resources Development**

Operational Programme for Human Resources Development (hereinafter referred to as OPHRD) is an essential document for planning and allocating the funds of Human Resources Development of IPA, which defines the fields of intervention and the conditions for granting the support in the field of Human Resources Development.

OPHRD objective was established on “the basis of the socio-economic analysis in the field of the human resources development and includes a strategy defining the priorities and objectives as well as a description of the priorities and measures.”<sup>113</sup> The main strategic objective of IPA Human resource development component identified in the OPHRDs is “to foster the development of human resources, in particular by improving the quantity and quality of human capital,

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<sup>113</sup> Ibid. 102, p. 6.

leading to more and better jobs, higher growth and development and the increased national competitiveness at international level.”<sup>114</sup>

The OPHRD is based on the priorities identified in the National Development Plan (NDP) of EU candidate country that receives financial support through the IPA and the SCF, as a major strategic document, takes into account the priorities of country and those of the EU as stated in major policy documents, especially in the MIPD.

The OPHRD has been prepared by the government of EU candidate country as a multi-annual operational program that puts the IPA into the general framework of the country’s development and ensures that both country and EU development priorities and policies are respected. The OPHRD implements and describes in detail the Component IV activities, by a series of defined priority axis and measures focused on the field of Human Resources Development.

#### **4.2.2. Contribution of IPA Funds to Montenegro in the Sector of Social Inclusion for the period 2012-2013, According to OPHRD 2012-2013**

Montenegro had access to the first two IPA components since it achieved the candidate country status on 17 December 2010. In April 2012, the Government of Montenegro has submitted to the European Commission the SCF and the European Commission considered the final version of the SCF as meeting the requirements of the Article 154 of the IPA Implementing Regulation and deemed acceptable in December 2012. After the submission of the SCF by European Commission, Montenegro obtained access to other three IPA components; Regional Development, Human Resources Development and Rural Development for the period 2012 – 2013. In this process, OPHRD was adopted by the European Commission’s Implementing Decision COM (2012) 7202 on October 2012. Between 2012 and 2013, Montenegro has received a total of €235.7 million. Out of €235.7 million, €5.6 million have been allocated for Human Resource Development component of IPA.

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<sup>114</sup> Ibid. 102, p. 3.

**Table 23: IPA Financial allocation to Montenegro 2012-2013 under Human Resource Development component (€ million)<sup>115</sup>**

COMPONENT	2007	2008	2009	2010	2011	2012	2013	TOTAL
<b>Human Resources Development</b>	-	-	-	-	-	2.77	2.81	<b>5.58</b>

For the programming period of 2012-2013 four strategic priorities and seven priority measures have been defined in the OPHRD 2012-2013. According to OPHRD 2012-2013 published in April 2012, assistance to Montenegro under IPA Human Resource Development Component for the period 2012-2013 is granted in the following priorities:

- **Priority 1: Efficient and inclusive active employment policy measures**

Goal of the Priority Axis 1 is “to enhance employability of unemployed and inactive persons, especially young persons, long-term unemployed and women.”<sup>116</sup>

- **Priority Axis 2: Enhancing Skills, Knowledge and Competences for Employability and Competitiveness**

Goal of the Priority Axis 2 is “to improve the education and research system with the view to achieve its better connection with the economy.”<sup>117</sup>

- **Priority 3: Enhancing Social Inclusion**

Goal of the Priority Axis 3 is “to improve social inclusion of persons with disabilities and RAE population who are in a disadvantaged position by their better integration in the labour market.”<sup>118</sup>

- **Priority Axis 4: Technical Assistance**

Goal of the Priority Axis 4 is to support the implementation of the OPHRD.

<sup>115</sup> Ibid. 36.

<sup>116</sup> Government of Montenegro, (2012), *Operational Programme Human Resources Development 2012 – 2013 Final version Instrument for Pre-Accession Assistance*, Podgorica, April 2012, p. 60.

<sup>117</sup> Ibid. 116.

<sup>118</sup> Ibid. 116, p. 78.

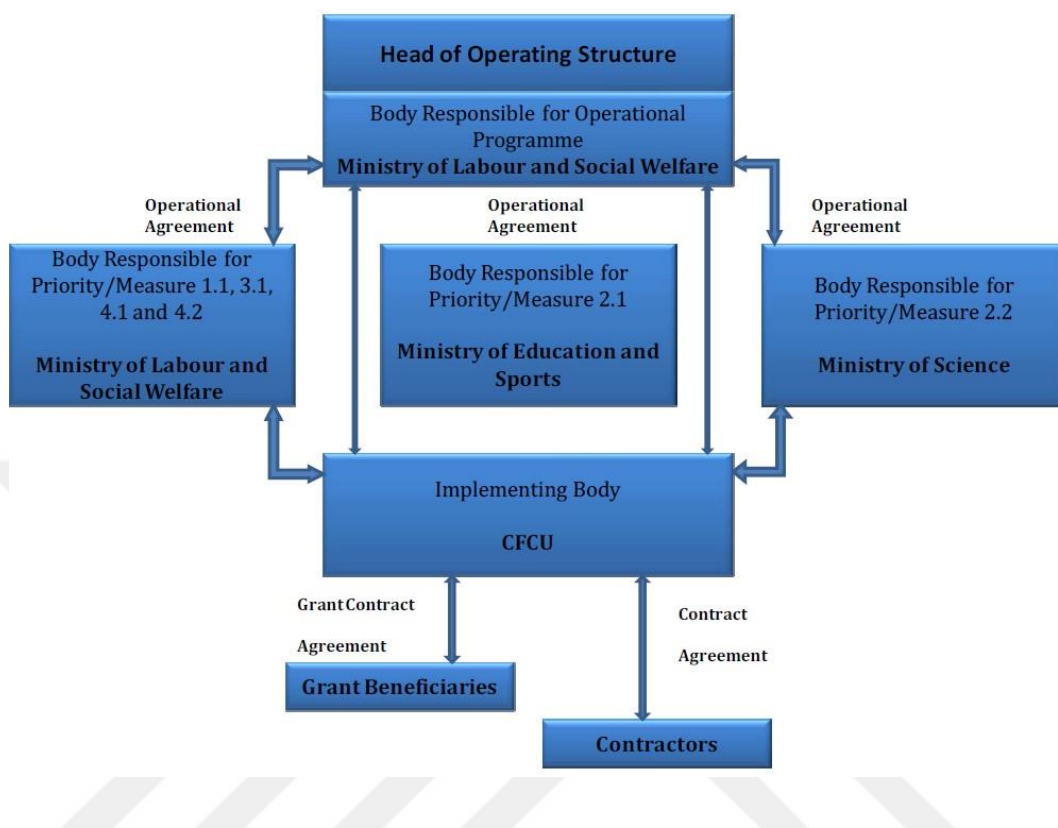
**Table 24: The strategic priorities and measures of the revised OPHRD for the period 2012-2013<sup>119</sup>**

<b>Priorities</b>	<b>Measures</b>
<b>1. Efficient and Inclusive Active Employment Policy Measures</b>	1.1. Supporting the implementation of the most productive labour measures for the labour force quality and employment
<b>2. Enhancing Skills, Knowledge and Competences for Employability and Competitiveness</b>	2.1. Supporting the improvement of conditions for development of VET qualifications  2.2. Supporting the improvement of innovative capacities in higher education, research and economy
<b>3. Enhancing Social Inclusion</b>	3.1. Supporting better access to labour market for persons with disabilities and RAE population
<b>4. Technical Assistance</b>	4.1. Supporting the development of project pipeline.  4.2. Supporting Operating Structure in the implementation of the Operational Programme

The positions and the levels of responsibility in Montenegro, within the Operating Structure of IPA Human Resource Development Component for the period 2012-2013, are shown in the scheme below:

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<sup>119</sup> Ibid. 116.



**Figure 3: Overview of the operating structure of IPA Human Resource Development Component in Montenegro for the period 2012-2013<sup>120</sup>**

Allocation of funds to Montenegro under IPA Human Resource Development Component for the period 2012-2013 split per year and per priority is shown in the table below:

<sup>120</sup> Ibid. 116, p. 93.

**Table 25: IPA Financial allocation to Montenegro 2012-2013 under Human Resource Development component (€)<sup>121</sup>**

		IPA	National Public contribution	Total Public Eligible Cost	% in total budget
<b>2012</b>	Priority 1	977,025	172,417	1,149,442	34.88%
	Priority 2	977,025	172,417	1,149,442	34.88%
	Priority 3	558,300	98,524	656,824	20.11%
	TA	262,650	46,350	309,000	9.46%
	<b>Total</b>	<b>2,775,000</b>	<b>489,708</b>	<b>3,264,708</b>	<b>100%</b>
<b>2013</b>		IPA	National Public contribution	Total Public Eligible Cost	% in total budget
	Priority 1	977,025	172,417	1,149,442	34.79%
	Priority 2	977,025	172,417	1,149,442	34.79%
	Priority 3	558,300	98,524	656,824	19.88%
	TA	295,650	52,174	347,824	10.52%
<b>Total</b>	<b>2,808,000</b>	<b>495,532</b>	<b>3,303,532</b>	<b>100%</b>	

#### **4.2.2.1. Priority 3: Enhancing Social Inclusion**

According to OPHRD 2012-2013, the specific objective of the Priority Axis 3 is “to enhance the access to the labour market for persons with disabilities and RAE population by increasing their employability and employment”<sup>122</sup> The activities which was developed under the Priority Axis 3 supported the projects related to the rehabilitation of people with disabilities and Roma, Ashkalia and Egyptians (RAE) population, with the aim to motivate and provide support to the process of active inclusion in the labour market.

Priority Axis 3 was implemented through one measure which is called “*Measure 3.1. Supporting greater access to labour market for persons with disabilities and RAE population*” aiming at “improving social inclusion of persons with disabilities and RAE population who are in a disadvantaged position by their

<sup>121</sup> Ibid. 116.

<sup>122</sup> Ibid. 116, p. 75.

better integration in the labour market.”<sup>123</sup> Persons with disabilities and RAE population were defined as target groups.

Ministry of Labour and Social Welfare is the body responsible for this measure and the contracting and implementing body is the CFCU.

IPA Financial allocation to Montenegro under Priority Axis 3 amounts to total of €1,313,648 (20% of total budget in the period) in the period 2012-2013. About 85% of this amount, €1,116,600 represents the EU contribution, complemented with funds from national public sources. Allocation of funds to Montenegro under under Priority Axis 3 of IPA Human Resource Development component for the period 2012-2013 split per year and per measure is shown in the table below:

**Table 26: IPA Financial allocation to Montenegro 2012-2013 under Priority Axis 3 of Human Resource Development component by measures and years (€)<sup>124</sup>**

	Total Public Eligible Cost	IPA	National Public contribution	IPA co-financing rate	% in total budget
<b>2012</b>	(x+y)	x	y	x/(x+y)	<b>20%</b>
<b>Priority Axis 3</b>	<b>656,824</b>	<b>558,300</b>	<b>98,524</b>	<b>85%</b>	
Measure 3.1	656,824	558,300	98,524	85%	
<b>2013</b>	(x+y)	x	y	x/(x+y)	<b>20%</b>
<b>Priority Axis 3</b>	<b>656,824</b>	<b>558,300</b>	<b>98,524</b>	<b>85%</b>	
Measure 3.1	656,824	558,300	98,524	85%	

<sup>123</sup> Ibid. 116.

<sup>124</sup> Ibid. 116.

#### 4.2.3. Contribution of IPA Funds to the Republic of Macedonia in the Sector of Social Inclusion for the period 2007-2013, According to OPHRD 2007-2013

Between 2007 and 2013, the Republic of Macedonia has received a total of €622.4 million. Out of €622.4 million, €55.08 million have been allocated for Human Resource Development component of IPA (Component IV).

**Table 27: IPA Financial allocation to the Republic of Macedonia 2007-2013 under Human Resource Development component (€ million)<sup>125</sup>**

COMPONENT	2007	2008	2009	2010	2011	2012	2013	TOTAL
Human Resources Development	3.2	6	7.1	8.4	8.8	10.38	11.2	55.08

OPHRD 2007-2013 has been prepared in conjunction with the country's National Development Plan (NDP) 2007-2009 and the SCF which covered the period 2007 – 2013 by the Ministry of Labour and Social Policy of the Republic of Macedonia in close collaboration with the Ministry of Education and Science of the Republic of Macedonia as the main institutions being responsible for the implementation of the pre-accession support within human resources development. OPHRD 2007-2013 was implemented through decentralized management and managed by the operating structure set up within the Ministry of Finance – Central Finance and Contracting Unit (CFCU). Ministry of Labour and Social Policy of the Republic of Macedonia and Ministry of Education and Science of the Republic of Macedonia were responsible institutions for the programming and technical implementation of the programme.

For the programming period of 2007-2011 four strategic priorities and eleven priority measures have been defined in the OPHRD 2007-2013. According to OPHRD 2007-2013 published in 2006, assistance to the Republic of Macedonia under IPA Human Resource Development Component for the period 2007-2011 is granted in the following priorities:

<sup>125</sup> Ibid. 36.



- **Priority Axis 1: Employment – Attracting and Retaining more People in Employment**

Goal of the Priority Axis 1 is “to increase employment, reduce unemployment and retain more people in employment through modernization and improvement of the services provided by the ESA as well as through development and implementation of new and improved active policies and measures as defined in the NAPE.”<sup>126</sup>

- **Priority Axis 2: Education and Training – Investing in Human Capital through better Education and Skills**

Goal of the Priority Axis 2 is “to modernise the educational and training system with a view of improving its adaptability to the labour market demands and promoting vocational learning, and to ensure equal access to quality education for all irrespective of ethnic origin.”<sup>127</sup>

- **Priority Axis 3: Social Inclusion – Promoting an Inclusive Labour Market**

Goal of the Priority Axis 2 is “to foster social inclusion to favour integration in the labour market of disadvantaged people, inter alia by training professionals and volunteers involved in social inclusion, enhance linkages among all partners and strengthening of the capacity of civil society to provide social assistance.”<sup>128</sup>

- **Priority Axis 4: Technical Assistance**

Goal of the Priority Axis 2 is “to achieve efficient implementation, monitoring, evaluation, administration and information of the OPHRD also with a view of the future management of the ESF.”<sup>129</sup>

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<sup>126</sup> Ibid. 102.

<sup>127</sup> Ibid. 102.

<sup>128</sup> Ibid. 102.

<sup>129</sup> Ibid. 102.

**Table 28: The strategic priorities and measures of the OPHRD for the period 2007-2011<sup>130</sup>**

Priority Axes	Employment	Education and Training	Social Inclusion	Technical Assistance
		1. Attracting and retaining more people in employment	2. Investing in human capital through better education and skills	3. Promoting an Inclusive Labour Market
Measures	1.1 <i>Further development of the Employment agency and enhancement of the employment conditions</i>	2.1 <i>Modernizing the educational and training system</i>	3.1 <i>Fostering social inclusion of people and areas at disadvantage</i>	4.1 <i>Support to the implementation of OP HRD</i>
	1.2 <i>Support to the implementation of the Employment Strategy and JAP</i>	2.2 <i>Enabling access to quality education for ethnic communities</i>	3.2 <i>Integration of ethnic communities</i>	
	1.3 <i>Tackling the situation in the labour market of young people, women and long-term unemployed</i>	2.3 <i>Developing adult education and lifelong learning</i>	3.3 <i>Empowering relevant actors</i>	
	1.4 <i>From Informal to Formal</i>			

For the programming period of 2012-2013 four strategic priorities and six priority measures have been defined in the OPHRD 2012-2013. According to revised OPHRD 2007-2013 published on 18 July 2012, assistance to the Republic of Macedonia under IPA Human Resource Development Component for the period 2012-2013 is granted in the following priorities:

- **Priority Axis 1: Employment – Attracting and Retaining More People in Employment and Promoting Adaptability to Change**

The goal of the Priority Axis 1 is to “increase employment, reduce unemployment and retain more people in employment by improving the employability of the unemployed and enhancing the adaptability of workers and enterprises to the needs of the market.”<sup>131</sup>

- **Priority Axis 2: Education and Training – Investing in Human Capital through Better Education and Skills**

The goal of the Priority Axis 2 is “to provide synergies and links between the educational and training system and the labour market needs by implementing

<sup>130</sup> Ibid. 102, p 57.

<sup>131</sup> Ibid. 102.

reforms in primary, secondary and higher education, as well as in research and innovation area. Equally important is ensuring quality and productive education for all. Inclusive education aims to create systems that are flexible and supportive enough to meet the needs of children with diverse needs and backgrounds in the schools classrooms.”<sup>132</sup>

- **Priority Axis 3: Social Inclusion – Equal Opportunities and Reinforcing Social Inclusion**

The goal of the Priority Axis 3 is to prevent and reduce the levels of social exclusion and promoting gender equality and equal opportunities in the labour market.

- **Priority Axis 4: Technical Assistance**

The goal of the Priority Axis 4 is “to enable effective and efficient management of the OPHRD through providing support for preparation of well-designed programmes that will ensure use of EU assistance in a timely manner and to further develop the capacities of the institutional structures for efficient and effective management of IPA funds and support them for the transition to Structural Funds”<sup>133</sup>

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<sup>132</sup> Ibid. 102.

<sup>133</sup> Ibid. 102.

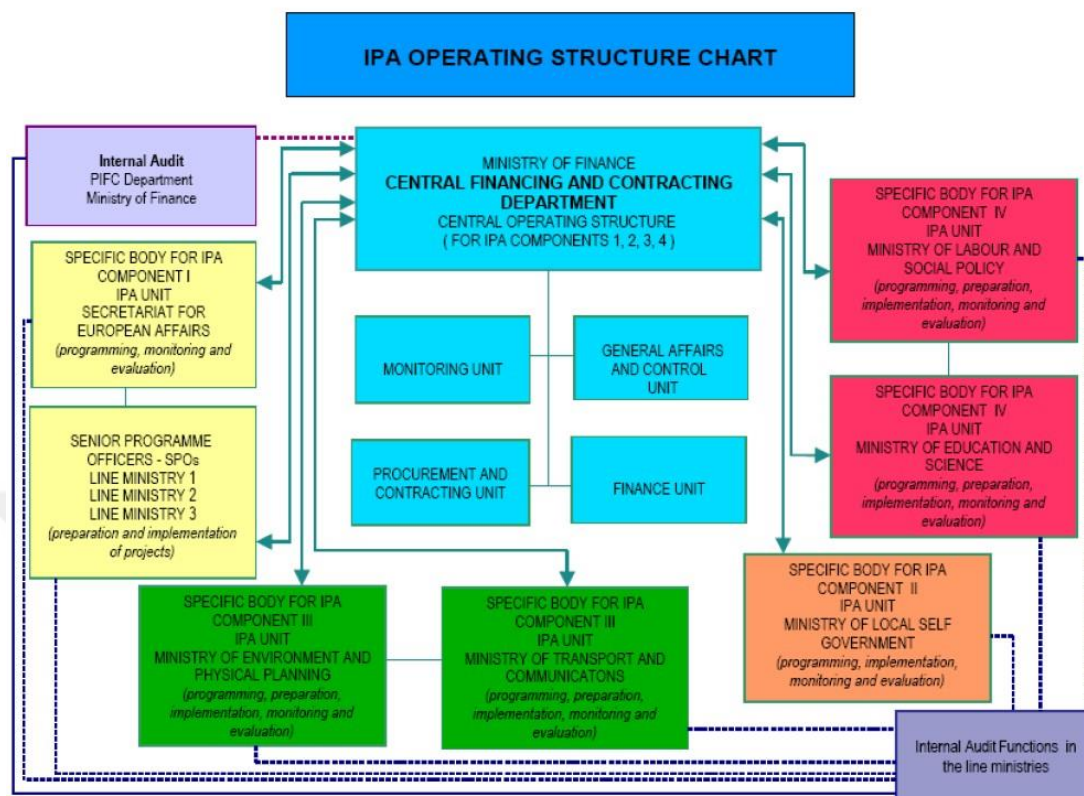
**Table 29: The strategic priorities and measures of the revised OPHRD for the period 2012-2013**

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	<b>Employment</b>	<b>Education and Training</b>	<b>Social Inclusion</b>	<b>Technical Assistance</b>
<b>Priority Area</b>	<b>1.</b> Attracting and retaining more people in employment and promoting adaptability to change	<b>2.</b> Investing in human capital through better education and skills	<b>3.</b> Equal opportunities and promoting social inclusion	<b>4.</b> Technical Assistance
<b>Measure</b>	<p><b>1.1</b> <i>Promotion of employability and ability to adapt to labour market changes</i></p> <p><b>1.2</b> <i>Strengthening the capacities for implementation of the employment policy</i></p>	<p><b>2.1</b> <i>Enhancing synergies and links between education and labour market</i></p> <p><b>2.2</b> <i>Providing quality inclusive education for all</i></p>	<p><b>3.1</b> <i>Fostering social inclusion of people and areas at disadvantage and combating against all forms of discrimination</i></p>	<p><b>4.1</b> <i>Support to the implementation of OP HRD</i></p>

The positions and the levels of responsibility in the Republic of Macedonia, within the Operating Structure of IPA Human Resource Development Component for the period 2007-2013, are shown in the scheme below:

<sup>134</sup> Ibid. 102, p 57.



**Figure 4: Overview of the operating structure of IPA Human Resource Development Component in the Republic of Macedonia for the period 2007-2013<sup>135</sup>**

Allocation of funds to the Republic of Macedonia under IPA Human Resource Development Component for the period 2007-2011 split per year and per priority is shown in the table below:

<sup>135</sup> Ibid. 102, p. 120.

**Table 30: IPA Financial allocation to the Republic of Macedonia 2007-2011 under Human Resource Development component (€)<sup>136</sup>**

		IPA	National Public contribution	Total Public Eligible Cost	% in total budget
2007	Priority 1	1,299,000	229,238	1,528,238	41%
	Priority 2	960,000	169,413	1,129,413	30%
	Priority 3	640,000	112,943	752,943	20%
	TA	301,000	53,118	354,118	9%
	<b>Total</b>	<b>3,200,000</b>	<b>564,712</b>	<b>3,764,712</b>	<b>100%</b>
2008	Priority 1	2,697,500	476,035	3,173,535	45%
	Priority 2	1,800,000	317,649	2,117,649	30%
	Priority 3	1,200,000	211,767	1,411,767	20%
	TA	302,500	53,383	355,883	5%
	<b>Total</b>	<b>6,000,000</b>	<b>1,058,834</b>	<b>7,058,834</b>	<b>100%</b>
2009	Priority 1	2,849,500	502,857	3,352,357	40%
	Priority 2	2,130,000	375,884	2,505,884	30%
	Priority 3	1,420,000	250,591	1,670,591	20%
	TA	700,500	123,619	824,119	10%
	<b>Total</b>	<b>7,100,000</b>	<b>1,252,951</b>	<b>8,352,951</b>	<b>100%</b>
2010	Priority 1	3,360,000	592,942	3,952,942	40%
	Priority 2	2,436,000	429,883	2,865,883	29%
	Priority 3	2,100,000	370,589	2,470,589	25%
	TA	504,000	88,942	592,942	6%
	<b>Total</b>	<b>8,400,000</b>	<b>1,482,356</b>	<b>9,882,356</b>	<b>100%</b>
2011	Priority 1	3,520,000	621,177	4,141,177	40%
	Priority 2	2,552,000	450,354	3,002,354	29%
	Priority 3	2,200,000	388,236	2,588,236	25%
	TA	528,000	93,177	621,177	6%
	<b>Total</b>	<b>8,800,000</b>	<b>1,552,944</b>	<b>10,352,944</b>	<b>100%</b>

<sup>136</sup> Ibid. 102.

Allocation of funds to the Republic of Macedonia under IPA Human Resource Development Component for the period 2012-2013 split per priority is shown in the table below:

**Table 31: IPA Financial allocation to the Republic of Macedonia 2012-2013 under Human Resource Development component (€)<sup>137</sup>**

		<b>IPA</b>	<b>National Public contribution</b>	<b>Total Public Eligible Cost</b>	<b>% in total budget</b>
<b>2012</b>	Priority 1	4,250,000	750,000	5,000,000	41.31%
	Priority 2	3,655,000	645,000	4,300,000	35.53%
	Priority 3	2,125,000	375,000	2,500,000	20.65%
	TA	258,000	45,530	303,530	2.51%
	<b>Total</b>	<b>10,288,000</b>	<b>1,815,530</b>	<b>12,103,530</b>	<b>100%</b>
<b>2013</b>		<b>IPA</b>	<b>National Public contribution</b>	<b>Total Public Eligible Cost</b>	<b>% in total budget</b>
	Priority 1	4,250,000	750,000	5,000,000	39.96%
	Priority 2	3,995,000	705,000	4,700,000	37.56%
	Priority 3	2,125,000	375,000	2,500,000	19.98%
	TA	266,000	47,000	313,000	2.5%
<b>Total</b>	<b>10,636,000</b>	<b>1,877,000</b>	<b>12,513,000</b>	<b>100%</b>	

#### **4231. Priority Axis 3: Social Inclusion – Promoting an Inclusive Labour Market (2007-2011)**

According to OPHRD 2007-2011, the aim of the Priority Axis 3 is “to foster social inclusion to favor integration in the labour market of disadvantaged people, inter alia by training professionals and volunteers involved in social inclusion, enhanced linkages between all partners and the strengthening of the capacity of civil society to provide (quality) social assistance.”<sup>138</sup> According to the same document, the specific objective of the Priority Axis 3 is “to improve the efficiency and quality of social services in respect of provision of access to the services and facilitating

<sup>137</sup> Ibid. 102.

<sup>138</sup> Ibid. 102, p. 87.

integration in the labour market of vulnerable groups by training professionals and volunteers who work in the field of social inclusion.”<sup>139</sup>

Priority Axis 3 was implemented through three measures which are called “*Measure 3.1: Fostering social inclusion of people and areas at disadvantage*” aiming at facilitating integration of the disadvantage persons in the labour market and introducing specific employment services through enabling training created in line with individual needs of the vulnerable groups in the labour market<sup>140</sup>; “*Measure 3.2: Integration of ethnic communities and ethnic communities*” aiming at facilitating integration of the members of ethnic communities in the labour market in the Republic of Macedonia with specific focus on Roma community and women from other ethnic groups, especially Albanian.<sup>141</sup>; “*Measure 3.3: Empowering relevant actors*” aiming at enhancing empowerment of all citizens of the Republic of Macedonia involved in social services delivering through strengthening the capacities of all professionals and volunteers; working with vulnerable groups within governmental services and NGOs.”<sup>142</sup>

According to OPHRD 2007-2011, “young people lacking working skills, women victims of family violence, persons with disabilities, drug and alcohol addicts, members from ethnic communities (especially Romas), women from ethnic communities (especially Albanians, Turks and Romas), NGOs and experts working on the field of social inclusion of vulnerable groups”<sup>143</sup> were defined as target groups of Priority Axis 3.

Ministry of Labour and Social Policy and Ministry of Education and Science are the bodies responsible for this measure and the contracting and implementing body is the Central Finance and Contracting Department (CFCD).

IPA Financial allocation to the Republic of Macedonia under Priority Axis 3 amounts to total of €8,894,126 (20% of total budget in the period) in the period

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<sup>139</sup> Ibid. 102, p. 87.

<sup>140</sup> Ibid. 102, p. 89.

<sup>141</sup> Ibid. 102, p. 89.

<sup>142</sup> Ibid. 102, p. 89.

<sup>143</sup> Ibid. 102.



2007-2011. About 85% of this amount, €7,560,007 represents the EU contribution, complemented with funds from national public sources. Allocation of funds to the Republic of Macedonia under Priority Axis 3 of IPA Human Resource Development component for the period 2007-2011 split per year and per measure is shown in the table below:

**Table 32: IPA Financial allocation to the Republic of Macedonia 2007-2011 under Priority Axis 3 of Human Resource Development component by measures and years (€)<sup>144</sup>**

	<b>Total Public Eligible Cost</b>	<b>IPA</b>	<b>National Public contribution</b>	<b>IPA co-financing rate</b>	<b>% in total budget</b>
<b>2007</b>	(x+y)	x	y	$x/(x+y)$	<b>20%</b>
<b>Priority Axis 3</b>	<b>752,943</b>	<b>640,000</b>	<b>112,943</b>	<b>85%</b>	
Measure 3.1	301,177	256,000	45,177	85%	
Measure 3.2	451,766	384,000	67,766	85%	
Measure 3.3	0	0	0	/	
<b>2008</b>	(x+y)	x	y	$x/(x+y)$	<b>20%</b>
<b>Priority Axis 3</b>	<b>1,411,767</b>	<b>1,200,000</b>	<b>211,767</b>	<b>85%</b>	
Measure 3.1	564,706	480,000	84,706	85%	
Measure 3.2	847,061	720,000	127,061	85%	
Measure 3.3	0	0	0	/	
<b>2009</b>	(x+y)	x	y	$x/(x+y)$	<b>20%</b>
<b>Priority Axis 3</b>	<b>1,670,591</b>	<b>1,420,000</b>	<b>250,591</b>	<b>85</b>	
Measure 3.1	668,236	568,000	100,236	85%	

<sup>144</sup> Ibid. 102.

Measure 3.2	807,059	686,000	121,059	85%	25%
Measure 3.3	195,296	166,000	29,296	85%	
<b>2010</b>	<b>(x+y)</b>	<b>x</b>	<b>y</b>	<b>x/(x+y)</b>	
<b>Priority Axis 3</b>	<b>2,470,589</b>	<b>2,100,000</b>	<b>370,589</b>	<b>85%</b>	
Measure 3.1	1,220,589	1,037,500	183,089	85%	
Measure 3.2	750,000	637,500	112,500	85%	
Measure 3.3	500,000	425,000	75,000	85%	25%
<b>2011</b>	<b>(x+y)</b>	<b>x</b>	<b>y</b>	<b>x/(x+y)</b>	
<b>Priority Axis 3</b>	<b>2,588,236</b>	<b>2,200,000</b>	<b>388,236</b>	<b>85%</b>	
Measure 3.1	1,338,236	1,137,500	200,736	85%	
Measure 3.2	750,000	637,500	112,500	85%	
Measure 3.3	500,000	425,000	75,000	85%	

#### **4232. Priority Axis 3: Social Inclusion – Equal Opportunities and Reinforcing Social Inclusion (2012-2013)**

Revised OPHRD 2012-2013 has been prepared in conjunction with the sectoral documents and strategies of the Republic of Macedonia. The strategic priorities are consistent with those set in IPA documents, such as the MIFF and MIPD.

According to OPHRD 2012-2013, the aim of the Priority Axis 3 is “to prevent and reducing the levels of social exclusion and promoting gender equality and equal opportunities in the labour market.”

Priority Axis 3 was implemented through one measure in the period of 2012-2013, which is called “*Measure 3.1: Fostering social inclusion of people and areas at disadvantage and combating against all forms of discrimination*” aiming at “improving the system and capacities of governmental and non-governmental actors for social inclusion of disadvantaged people and promotion of equal opportunities in the labour market.” Specific focus under this measure will be put on the social inclusion of the members of Roma community into the labour market, pre-school education, and society in general while respecting their own culture.<sup>145</sup>

Ministry of Labour and Social Policy and Ministry of Education and Science are the bodies responsible for this measure and the contracting and implementing body is the CFCD.

IPA Financial allocation to the Republic of Macedonia under Priority Axis 3 amounts to total of €5,000,000 (20% of total budget in the period) in the period 2012-2013. About 85% of this amount, €4,250,000 represents the EU contribution, complemented with funds from national public sources.

Allocation of funds to the Republic of Macedonia under Priority Axis 3 of IPA Human Resource Development component for the period 2012-2013 split per year and per measure is shown in the table below:

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<sup>145</sup> Ibid. 102.

**Table 33: IPA Financial allocation to the Republic of Macedonia 2012-2013 under Priority Axis 3 of Human Resource Development component by measures and years (€)<sup>146</sup>**

	Total Public Eligible Cost	IPA	National Public contribution	IPA co-financing rate	% in total budget
<b>2012</b>	<b>(x+y)</b>	<b>x</b>	<b>y</b>	<b>x/(x+y)</b>	<b>20%</b>
<b>Priority Axis 3</b>	<b>2,500,000</b>	<b>2,125,000</b>	<b>375,000</b>	<b>85%</b>	
Measure 3.1	2,500,000	2,125,000	375,000	85%	
<b>2013</b>	<b>(x+y)</b>	<b>x</b>	<b>y</b>	<b>x/(x+y)</b>	<b>20%</b>
<b>Priority Axis 3</b>	<b>2,500,000</b>	<b>2,125,000</b>	<b>375,000</b>	<b>85%</b>	
Measure 3.1	2,500,000	2,125,000	375,000	85%	

<sup>146</sup> Ibid. 102.

## CONCLUSION

The European Commission and candidate countries embarked on screening process of all national legislations in the view of the EU acquis, which resulted in screening reports for 33 negotiations chapters outlining the states of candidate countries' preparations in each area and the conditions to be met for opening and closing the respective chapter. Within the framework of the accession negotiations between the European Commission and Montenegro, the screening process was completed in May 2014. By September 2014, twelve chapters had been opened, two of which, Chapter 25: Science and research, and Chapter 26: Education and culture, have been closed.

Within the framework of the accession negotiations between the European Commission and the Republic of Macedonia, the European Commission recommended opening negotiations for the Republic of Macedonia's accession to the EU on 14 October 2009. But the opening of negotiations chapters was vetoed by Greece because of the name issue. The European Commission recommended the opening of accession negotiations to accelerate reforms in the country in favor to a resolution of the name dispute with Greece under the patronage of the European Commission in its report the on 10 October 2012.

Between 2007 and 2013, Montenegro has received a total of €235.7 million and out of €235.7 million; total of €1,313,648 have been allocated for the sector of social inclusion under the Human Resource Development component of IPA with a specific objective of improving social inclusion of persons with disabilities and RAE population who are in a disadvantaged position by their better integration in the labour market.

According to comments from the Chapter 19: Social policy and employment of the European Commission's Montenegro 2014 Progress Report which covers the period from October 2013 to September 2014, despite of the lack of coordination between ministries and the relevant public services in Montenegro, administrative capacity of the operating structure for the Human Resource Development component

of IPA has been stepped up through activities. According to the same document, in the area of social inclusion, implementation of strategies should be stepped up as regards poverty reduction and improving the inclusion of the RAE population, people with disabilities and other vulnerable groups.

In the period from October 2014 to September 2015, despite some progress in the area of social inclusion, need of more work to ensure legislative alignment with the EU acquis determined by the European Commission's Montenegro 2015 Progress Report.

Between 2007 and 2013, the Republic of Macedonia has received a total of €622.4 million under the IPA and out of €622.4 million; a total of €13,894,126 have been allocated for the sector of social inclusion under the Human Resource Development component of IPA with a specific objective of preventing and reducing the levels of social exclusion and promoting gender equality and equal opportunities in the labour market and fostering social inclusion to favour integration of disadvantaged people in the labour market.

According to comments from the Chapter 19: Social policy and employment of the European Commission's the Republic of Macedonia 2014 Progress Report which covers the period from October 2013 to September 2014, weak administrative capacity for the Human Resource Development component of IPA and insufficient cooperation between governmental institutions with a lead role in managing IPA fund and the relevant public services in the Republic of Macedonia have both been disadvantageous to the implementation of IPA funds. According to the same document, actions were taken to promote the inclusion of Roma children in primary education, but the exclusion of Roma children in primary education remains an important issue. On the other hand, the number of Roma people without official personal identification documents continues to be a problem. Long-term unemployment, high levels of youth unemployment, very low participation of Roma population, low participation of women from ethnic communities (especially from Albanian, Turk and Roma) in the labour market and high levels of informal employment were defined as the major challenges of the country. Inadequate

coordination among the governmental institutions at local and national level, involved in implementing social inclusion policies was also determined by the European Commission in the same document.

In the period from October 2014 to September 2015, despite the lack of the administrative capacity at municipal and national level of the country to promote social inclusion, some progress on social inclusion was determined by the European Commission's the Republic of Macedonia 2015 Progress Report.



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