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- Achieving high standards of independent policy research applicable in the context of B&H;
- Disseminating policy research findings and views to relevant stakeholders and the general public and advocating for the implementation of these findings,
- Establishing dialogue and cooperation with other policy research institutions, governments and civil society organizations in B&H and the wider region.

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WHEN WILL IPA BE IN OUR HANDS?

Establishment of the Decentralized System for the Management of EU Funds

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Executive summary

The System for Decentralized Management of EU Funds (DIS) is a medium term goal of Bosnia and Herzegovina (BiH) on its path towards the candidate status, or full membership in the European Union. This assessment had as its main goal the monitoring of the process of the establishment of DIS, focusing on the biggest challenge of the process- the system of Senior Program Officers.

The first part of the research is focused on an assessment of failures in the establishment of DIS within the existing administrative structures, and an evaluation of their capacity to take over responsibility for the decentralized management of EU funds. The second part of the research explores attitudes of Senior Program Officers, who are doubtlessly the key link that connects all phases of the project cycle management, i.e. EU funds and their final beneficiaries.

The analytical overview indicates that the progress in the establishment of DIS is limited. From March to November of 2009, the only progress noted were the official proposals for appointment of Senior Program Officers by BiH institutions. Problematic issues have remained to be the NIPAC position, the non existence of a Competent Accrediting Officer (CAO), revision of the decision on nomination of PAO and NAO, establishment of PIUs and a Monitoring and Evaluation Unit, independent audit and operational agreements. What can be seen as a step back is the nomination of too many Senior Program Officers, but also the fact that there are speculations that the appointed NAO is leaving this position.

Attitudes and position of Senior Program Officers should be worrying for the institutions in charge of the establishment of DIS. SPOs believe that they are overwhelmed with duties related to project management and that they do not have sufficiently built capacities, or institutional support. Especially worrying is the lack of understanding of the problems by their administrators, but also the Council of Ministers of BiH. Such a situation has led to the refusal of all SPOs to sign Operative Agreements, and SPOs believe that they cannot undertake responsibility nor ensure the institutional structures for implementation of IPA funds.

In its final part, the research gives a list of recommendations, the most significant of which is to appoint persons in DIS structures as soon as possible, including Senior Program Officers, and to sign operative agreements. The key preconditions for the fulfillment of requirements that BiH is facing is political support to the process. A late-recognition of the significance of DIS and ignoring other countries' experiences brings about loss of significant resources. New frames for DIS accreditation represent dominantly pessimistic scenarios, which have to be confuted.

Abbreviations

For the professional terms, for which in certain cases there are official translations of BiH institutions, the abbreviation list provides official names in English language which are used in European Commission documents.

Abbreviations related to general terms

ACIPS	Alumni association of Center for Interdisciplinary Postgraduate Studies
ADS	Civil Service Agency
AP	Payment Agency
BiH	Bosnia and Herzegovina
DAK	State Aid Coordinator
DEI	Directorate for European Integration
EI	European Integration
EC	European Commission
EU	European Union
EUP	Questionnaire completed by entity programmer
EZ	European Community
FBiH	Federation of Bosnia and Herzegovina
MFT	Ministry of Finances and Treasury
MIPD	Multi-annual Indicative Planning Document
PHARE	Pre-accession instrument for the last round of EU Candidate countries (now MSs) for transitional support and institution building (comparable to IPA component I)
PMC	Programming Management Committee
PRAG	Practical Guide of European Commission to contract procedures and procurement rules financed from the European Communities in the context of external actions
PPC	Project Programming Committee
RS	Republic of Srpska
UP	Questionnaire completed By Senior Program Officer

Abbreviations related to DIS terms

CAO	Competent Accrediting Officer, person accrediting the National Fund
CFCU	Central Financing and Contracting Unit – a coordinating implementing body
NF	National Fund
NIPAC	National IPA Coordinator – high-level official responsible for programming and monitoring of IPA programs on a national level in a beneficiary country
DIS	Decentralized Implementation System
EDIS	Extended Decentralized Implementation System (situation where the Commission does not perform ex-ante control over procurement)
IPA	Instrument for Pre-Accession
PIU	Project/Program Implementation Unit – a SPOs support and sectoral coordinating unit within a line ministry or in an agency/directorate
CO	IPA Coordination Board (exists in BiH, not regulated by DIS rules)
Component I	An area of IPA intervention - transition assistance and institution building
Component II	An area of IPA intervention - cross-border cooperation programs
Component III	An area of IPA intervention - regional development programs
Component IV	An area of IPA intervention - human resource development program
OA	Operative Agreement
NAO	National Authorizing Officer – high-level official responsible for sound financial management of IPA programs on a national level in a beneficiary country
PAO	Program Authorizing Officer – person responsible for the actions of the CFCU
SPO	Senior Program Officer – person responsible for the work of the PIUs

INTRODUCTION

EU invests huge resources into cohesion politics, or a set of values which is described by the solidarity principle. Considering that the richest country of the EU, Luxembourg is approximately 700 % richer than the poorest country- Romania¹, EU invests significant resources via pre-accession, structural and cohesion funds into strengthening of economic, social and territorial cohesion, which is founded on EU Treaty. Pre-accession funds are preparation for structural funds, and their significance in political and financial sense is growing. Thus one of the key terms in the processes of EU accession and after it is "absorption capacity". That is a capacity of a country to use available funds, which requires adequately established system of resource usage, which means fulfillment of certain administrative, macro economic and financial conditions². There is no state administration in the world that could without preparation, based on own capacities and resources, draw in all resources, and that is why Decentralized EU fund management system (DIS - Decentralized Implementation System) is introduced. Experiences of Greece, Spain and Portugal, who needed six years to raise absorption of the intended financial aid to 80%, show that introduction of efficient system is a complex process³.

It is important to understand that Cohesion policy of EU does not have as its main goal maximization of EU funds attraction, but vital influence, or modification in the manner of functioning of administrations. Efficient approach to these challenges has catalytic effects which can be seen above all in changes of implementation systems, but also in advanced phases they have great influences on societal and economic development.

Instrument for Pre-Accession Assistance of EU (IPA) is key and the most important financial, and with that expert, support to the process of European integration of BiH, and thus the preparation for more efficient absorption of all resources is very significant for European Union accession. BiH as a country with a status of potential candidate for the EU membership has access to IPA components 1 and 2 in the regime of centralizes- deconcentrated system of EU funds implementation. In this moment EU financial assistance is under competence of European Commission Delegation (EC), which means that it conducts all contracting, financing, implementa-

tion, monitoring and evaluation. Establishment of Decentralized Implementation System (DIS) of European Union (EU) fund management in BiH, or taking over the competence from EC Delegation is an aim, but also a complex task, set before national institutions, mostly before the bearers of the process: the Ministry of Finances and Treasury (MFT) and Directorate for European Integration (DEI).

Although introduction of DIS assumes more responsibility and expenses for administration of BiH and entities, there are at least two sets of reasons why this should priority:

- Direct financial reasons- there is a political consensus in all levels of government that BiH should obtain candidate status for the EU membership. When BiH obtains the candidate status and establishes DIS it will be able to use the most important IPA components in the field of regional development (component 3), rural development (component 5) and human resource development (component 4). Those are the components whose benefits will be felt by wider population in BiH.
- Development of administrative capacity for DIF improves image of the country in European Commission and develops capacities of the country to progress in the process of the EU integration more easily. This is specially related to two extremely demanding chapters "Regional Policy and Coordination of Structural Instruments" and "Financial Control".

After establishment of DIS, EC follows its functioning and possible omissions, especially lack of transparency, corruption, failure in meeting deadlines and quality of documents, weak training of officers, as well as manners in which the country rectifies defined lacks. Every lack is punished, as it can be seen from the experiences of Romania, Bulgaria and Croatia. In August of 2008, payment of EUR 150 million was temporarily suspended to Romania because of lacks in DIS and governmental negligence to implement the action plan for overcoming of those lacks. In mid 2008 more than EUR 800 million of allocated aid was suspended and later permanently taken away from Bulgaria; accreditations for two governmental agencies in charge of resource management were withdrawn, and all due to clear indications of corruption and possibility of fraud in money distribution⁴. In the beginning of 2008, Croatia faced temporary freezing of PHARE 2006 projects

1 EC. EU Regional Policy 2007-2013: Working for the regions. DG REGIO, Brussels, January 2008, page 3

2 Netherlands Economic Institute (NEI). Absorption capacity for Structural Funds in the Regions of Slovenia. Final Report of NEI for the Agency for Regional Development of Slovenia, Ljubljana, 2002.

3 Žeravčević, Goran. „Analysis of institutional cooperation between governmental and nongovernmental sector in BiH“. Kronauer Consulting, Sarajevo, 2008.

4 Knežević, Ivan. „Decentralization brings in more money“. Interview, daily newspaper Dnevnik, Novi Sad, 8.March 2009.

(130 million EUR), and reduction of resources from IPA project in the amount of five million EUR. All EUR 750 million which Croatia has at its disposal to 2011 is put under a question mark due to insufficiently developed system of control in CFCU, long delays in contracts which were concluded only before expiration of final deadlines, insufficient officers training as well as small number of officers in CFCU.

The only way to measure advancement of DIS is its success to absorb available resources. The sooner DIS is established, there will be more time for its perfection and efficient quality and quantity absorption when more funds are opened. BiH has to avoid the risk that, like in Croatia, its Government should recognize the significance of DIS only when it starts to irrevocably lose huge available funds.

Analyses of introduction of DIS in countries in the region lead to a conclusion on average time needed for introduction of DIS of about 36 months⁵. The speed of efficient introduction of DIS is directly proportional to direct participation and consensus of the state institutions included in the system building process. Until now in BiH the process has lasted for 48 months and phase zero has still not been completed. According to unofficial estimation, the process will last 67 months to accreditation, which means until June 2011⁶. In short term perspective, there is no essential difference to whether DIS would be accredited today or in June 2011, but it has two significant effects in medium terms. The first one is that it sends signals to the EC that BiH administration is not ready to efficiently solve tasks which arise from integration process, which directly influence the scope of available funds. The other negative effect is impossibility of testing the system and its construction through practical work on funds now available to BiH. All the countries in the region are introducing DIS in more efficient manner than BiH.

The research has for its goal an objective overview of present state, causes of delay, and to give recommendations for overcoming of the problems, or fast establishment of absorption capacities in order to increase effects of the EU funds.

METHODOLOGY

As a continuation of ACIPS's research „Decentralized Implementation System of European Union Funds Management (DIS)- Analytical overview of its significance and development in BiH" which was published in March 2009, this research analytically approaches the issue from one side- of the ones that lead the processes of institution building (Ministry of Finances and Treasury and Directorate for European Integration). Thus the first part analyses official documents of BiH and EC, literature, and it presents interviews with experts in charge of introduction of DIS in BiH in order to obtain an overview of the present situation on establishment of the same.

On the other hand, the research is focused on the future implementers of the projects (Senior Program Officers at the level of relevant ministries), in order to obtain a complete image on development of the system. During the research a Questionnaire was used as a methodological means for collection of data, opinions and attitudes of the program officers on establishment of DIS.

This research is the first research that explicitly states attitudes of the program officers and as such can be used as a guide in creation of Bosnia and Herzegovina policies related to DIS. For this purpose, the questionnaires were distributed according to the last updated list of proposals for SPOs, which contains 56 nominations. Received feedback information is 41% of total number of samples⁷. Almost all SPOs, over 90% of them, who lead the project so far, have sent their replies to the questionnaire. Entity programmers have been also included in order to obtain opinion from the entity level which will be especially significant in implementation of IPA components 3, 4 and 5⁸. Sample of about 15% programmers participated, while only responses from RS came back.

5 Knežević, Ivan. „Decentralization brings in more money". Interview, daily newspaper Dnevnik, Novi Sad, 8.March 2009.

6 Leo Quinlan, team leader. Project of the EU building capacity of the Ministry of Finances and Treasury of BiH, Interview, 3. November 2009.

7 Ministry of Civil Affairs, Ministry of Foreign Trade and Economic Affairs; Ministry of Transport and Communication and Ministry of Justice

8 Ministry of Economic Relations and Coordination of RS, Ministry of Work and Veteran Protection, Ministry of Economy, Energy and Development of RS and Ministry of Science and Technology of RS

1. PROGRESS IN INTRODUCTION OF THE DECENTRALIZED SYSTEM OF MANAGEMENT IN BiH

The first part of research is focused on assessment of shortcomings in establishment of DIS system in the existing administrative structures, and evaluation of capacity to take over responsibility for decentralized management of the EU funds. With establishment of efficient state, BiH shall be able to respond to the EU requests with reasonable social and economic costs.

In period 2007-2011 total of 4.2 billion EUR has been allocated in the EU budget for the Candidate countries (Turkey, Croatia, Macedonia), and for the potential Candidate countries half less - 2.4 billion EUR. From this amount BiH can expect around 440 million EUR in the given period. These funds will grow by each year, especially after the moment of accreditation of DIS and gaining the status of Candidate country. In other words, as much as we develop the capacities for programming and implementation, that much money we will be able to get.

The aim is to use the biggest number of resources on which we will have the right. Considering that those are public funds, the procedure of accessing them is competitive and bureaucratic, and DIS is the only system that the EU recognizes in work with funds.

BiH has undertaken international obligations for establishment of DIS with Framework Agreement on Rules of Cooperation signed with the Commission of the European Communities which refers to financial assistance of European Commission in the framework of the implementation of the assistance under the Instrument for Pre-Accession Assistance⁹.

Process of introduction of DIS in BiH started even before signing of the Agreement in December 2005 with the adoption of "BiH Strategy for implementation of the Decentralized Implementation System (DIS) for the managing European Community aid programs" which is founded on experiences of the states beneficiaries of PHARE program¹⁰. The Strategy contains bodies and structure of DIS, description of its competence and responsibilities, as well as detailed analyses of competent organs and function bearers whose formation is necessary, as well as short description of the process of accreditation of the mentioned

structures, which could be interpreted as short and simplified version of Road Map. Along with that, the Ministry of Finances and Treasury (MFT), with support of European Commission and programs of technical support, has successfully worked on establishment of necessary structures and their capacity building.

ACIPS research in March concluded that the establishment of DIS in BiH advances in unsatisfactory dynamics and thus it foresees moving a date of possible accreditation in regard to the Strategy envisaged November 2009. Recommendations related to the institutional building in shortest define the following¹¹:

- Defining job and position of NIPAC¹²,
- Coordination of appointment of National Authorizing Officer (NAO) and Program Authorizing Officer (PAO) with IPA regulation,
- Formal nomination of Senior Program Officer (SPO) by competent ministries, and their confirmation (appointment) by PAO.

Apart from that, forming of the following bodies is defined as necessary:

- Independent Audit Office – Revision Authority (RA)
- Establishment of Project Implementation Units (PIU)
- Monitoring and evaluation unit (within DEI).

Unfortunately, monitoring conducted at the end of 2009 has shown that there was no significant advancement in relation to the original state (see table 1). Speaking in general terms, it can be said that this year was lost due to too slow process of election of DEI¹³ director, but also ranking this issue as non-priority by decision makers in BiH. In this manner tasks set by Revised Proposal of the Strategy for DIS Implementation were not fulfilled, who had for its aim submission of Application for awarding of DIS accreditation in June 2009 by BiH.

⁹ Framework Agreement was signed on February 20, 2008, and ratified by a Decision of the Presidency of BiH in July 2008.

¹⁰ DIS Strategy was adopted by the Council of Ministers of BiH in December of 2005. Directorate for European Integration and the Ministry of Finances and Treasury BiH made a proposal of revised DIS Strategy named "Strategy for Implementation of Decentralized Management System of EU Assistance Programs in Bosnia and Herzegovina". Council of Ministers BiH has, on its 53rd session, held on June 23, 2008 adopted revised version of DIS Strategy.

¹¹ Markuš, Ranko. Hadžikadunić, Emir. „Decentralized System of European Union Funds Management (DIS)- Analytical overview of its significance and development in BiH". ACIPS, March 2009, pg. 9 and 14-15

¹² In ACIPS analysis from March 2009 term NIPAK is not used, but NIPAK, which is abbreviation of English term National IPA Coordinator, and thus official abbreviation EC. Considering that Council of Minister documents mention position NIPAK, i.e. that the official translation is State IPA Coordinator, this analysis uses that term.

¹³ Leo Quinlan, team leader. Project of the EU capacity building of the Ministry of Finances and Treasury of BiH, Interview, 3. November 2009

Table 1: Shortcomings defined during this research

Time of research		Necessary structures for establishment of DIS	March 2009	November 2009
Defined short-comings	Appointments	NIPAC	Position NIPAC	Position NIPAC
		Competent Accrediting Officer CAO	Competent Accrediting Officer CAO	Competent Accrediting Officer CAO
		PAO-a (Eng. PAO)	PAO (PAO) – revision of decision	PAO – PAO (revision of decision)
		Appointment of NAO (eng. NAO)	NAO (NAO) – revision of decision	Appointment of NAO – NAO
		Senior Program Officers: nomination and appointment	Senior Program Officers: nomination and appointment	Senior Program Officers: appointment by PAO
	Bodies	National fond	Finished	Finished
		CFCU	Finished	Finished
		Monitoring and evaluation unit (within DEI)	Monitoring and evaluation unit (within DEI)	Monitoring and evaluation unit (within DEI)
		Establishment of PIUs	Establishment of PIUs	Establishment of PIUs
		Independent external audit	Independent external audit	Independent external audit
	OA	PAO and SPO NIPAC and SPO	PAO and SPO NIPAC and SPO	PAO and SPO NIPAC and SPO

Even EC during 2008 in its official documents expressed expectations that “Directorate for European Integration prepares DIS Strategy with the aim to obtain accreditation by February 2009”¹⁴. Although it is not explicitly expressed, it is assumed that national accreditation is in question, which is followed by the phase in which that is required from European Commission, which lasts minimally 6 months.

Dominant assessment is that the reason for such situation is a lack of political support to the process, which arises more from the lack of understanding of its significance and not from the real wish to block the process. There is a fear that the importance of DIS will be recognized late, and that BiH shall not learn much from the experience of other countries, or that it will lose significant amounts of resources in the first few years after opening of funds. New frameworks for DIS accreditation present additional pessimistic scenarios¹⁵.

2. DIS from the perspective of Senior Program Officers

Senior Program Officers are without any doubt the key link connecting all phases of project cycle management, or the EU funds and final beneficiaries. This will especially be emphasized in the following phases of IPA funds use, when the funds will be opened for companies, local communities, and nongovernmental organizations¹⁶. Decision on establishment of Senior Program Officers defines 31 responsibility of SPO in the fields of programming, monitoring realization and financial management of the projects. Those responsibilities SPOs undertake by signing Operative Agreements (OA), but the fact is that all SPOs have refused to sign OA, which makes this issue the most critical one in the process of DIS establishment. Due to that, this research focuses on SPO attitudes relating to these questions.

Without maximal engagement of SPO there will be no efficient DIS. Apart from that there is a gap in communica-

14 Commission Staff Working Document – Technical Annexes to the Report from the Commission to the Council, the European Parliament and the European Economic and Social Committee 2007 Annual IPA Report, Brussels, 15. decembar 2008. godine (COM(2008) 850 final)

15 Letica, Vera. Pomoćnik ministra u Ministarstvu finansija i trezora BiH, na poziciji SOP-a. Intervju, 3. novembar 2009. godine

16 Tarik Cerić. Direkcija za evropske integracije BiH. Intervju, mart 2009. godine

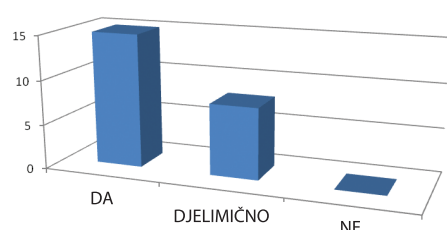
tion, knowledge and understanding of process between SPOs, DEI and the Ministry of Finances and Treasury. Potential SPOs mostly believe that DEI and MFT want to fulfill obligations arising from agreement with EC (programming and cash flow monitoring) while on the other side there is a belief that potential SPOs are not engaged enough in this very process. Such situation, without efficiently established position and strengthened role of SPOs, is absurd because capacities that should implement projects or spend resources are not being established.

The research has determined that MFT and DEI have satisfactorily capacities for establishment of DIS, while there is a lack of information regarding to almost all aspects related to SPOs (number, training, support or personal attitudes). This is the reason for research of the attitudes of potential SPOs, as one of the elements on which there are no sufficient information.

2.1. Views of the Senior Program Officers

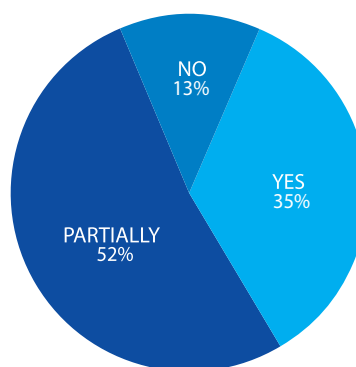
Introduction of DIS is news for BiH administration, and in the beginning it brings in much complexity in the process of management of IPA funds, or projects financed through them. Encouraging is the fact that no surveyed SPO has replied that s/he finds the basis on which DIS functions unclear, although almost one third stated that DIS basis is only partially clear to them.

Graph: Reply to the question: "Do you find the bases of DIS functioning clear?"



Nevertheless in the process of funds implementation, SPOs have had the longest practical cooperation with EC task managers on development of projects financed by the EU. On the other side, it is absurd that SPOs are now the link in DIS which officially does not exist, with very limited level of knowledge about the process¹⁷. During the research it was found out that there is a certain number of SPOs who are not trained for the obligations expected from them. Although DEI is constantly organizing trainings for SPOs, only 35% of the examinees of this research answered affirmatively that they passed the trainings, while other 52% believe that their specific knowledge is

insufficient, and 13% do not think that they have it at all. At the entity level there is even worse situation related to trainings. 85% of the interviewees stated that they only had partial training, while 15% stated that they had none, so that there are no persons who claim that they have finished the cycle of the necessary trainings. Furthermore, entity programmers insist on additional, free and time-wise evenly scheduled trainings, which express their dissatisfaction with the manner, quality and frequency of their participation in the same¹⁸. This result is partially a consequence of expansion of SPOs' responsibility through introduction of DIS, so even the ones who are trained for programming have certain reserves to whether they will be able to successfully execute additional activities.



Graph: Have you gone through the necessary trainings for SPOs?

Apart from the above, telephone interviews with the ones who did not reply to the Questionnaire has shown that there is a part of SPOs who are not acquainted with the process at all and that is the reason they did not want to complete the questionnaire.

2.2. Analysis of Senior Program Officers' attitudes

Attitudes and position of SPO should be worrying for the institutions in charge for establishing of DIS. Firstly there is a problem that SPOs are not officially appointed, so in the practice all persons who are performing those duties are only acting SPO officers. SPOs believe that they are overburdened with jobs related to project management, that they do not have sufficiently built capacities or institutional support, and especially worrying is the lack of understanding by their directors. Such situation led to refusal of all SPOs to sign Operative Agreements (OA), and they believe that they cannot take over the responsibility or to provide institutional structures for implementation of IPA funds. Namely, by signing OA, SPOs undertake more obligations than it is foreseen by the Decision of the Council of Minis-

¹⁷ Letica, Vera. Assistant to the Minister in the Ministry of Finances and Treasury of BiH at the position of PAO-a. Interview, 3 November 2009.

¹⁸ EUP 4 and 6 (Questionnaire completed by entity programmer, recorded under no. 4 and 6)

ters on establishment of function of SPO (Official Gazette BiH 05/09). Also by taking over of these responsibilities different provisions of other laws would be breached as for example Law on Civil Service in the Institutions of BiH, as this means that they would accept to do something which is not given to their competence by other internal organization documents. Most of SPOs insist on that OA has to be signed by a management institution, which will thereby take over the role of SPO. The other solution is to modify the Decision on Establishment SPO function in order to harmonize competences of SPO with what the Operative Agreement foresees. Current shortcomings from the point of view of SPO could be seen in that DEI did not have sufficient capacities to assist in individual SPO's requests in the process of programming from the expert aspect, because the number of SPOs is great and they did not have sufficient intra institutional support. This has been partially overcome by foreign experts providing assistance during IPA programming in 2009.

During the research it is noticed that SPOs have very little information about the very process of establishing DIS, and that practically there is no systematic communication related to SPOs and that is necessary to define communication horizontally and vertically within official duty. Entity programmers are especially dissatisfied with this situation.

It can be concluded that the institution managers, at the state but also entity level are not sufficiently acquainted with the entire programming process. In this sense, it is necessary to bring nearer the process to the managers, to familiarise them with the activities that SPOs conduct, the level of necessary expertise they need to have, and time that this job takes. This could be solved by analysis of scope of work load according to individual officers, which was suggested by EC experts.

Apart from that, SPOs have not attended the meetings in which candidate projects and budgets were defended in discussions with EC and sometimes they are dissatisfied with decisions that have been made and they believe that they were not represented in appropriate way. SPOs are the persons who nominated one-person projects and who can defend them in expert manner with arguments. Objections that SPOs have are that the budgets have been decreasing in linear way, so the ones who realistically planned the budgets are in unfavorable positions; that DEI officials are not experts to evaluate neither specificities of one area, nor its importance for certain ministries. There is a general opinion that the existing resources and capacities

are not sufficiently used and included in the programming process which has to be changed in the following period.

The big problem is informing the public about the manner of programming for IPA resources. There is often created an image about the existing money that everybody could take for their project, but that state institutions present obstacle in that. Until DIS accreditation is obtained, EC is a major decision maker regarding programming and final direction of project ideas selection, and this information should be transparently available to the public.

A certain number of SPOs is dissatisfied with availability of MIPD who defines priority areas in which it is later possible to propose projects. EC has a key role in that but in the following period domestic institutions should take over the bigger role. When that happens, systems of communication and flow of information have to be much better than now. Information is not available to public, regardless whether the public is interested or not.

At the end, establishment of Project Implementation Units (PIU), units for SPO support and sector coordination within competent ministries and agencies/directorates can turn into a real problem at the level of BiH institutions due to different reasons. The basic reasons are: potential increase of public expenditure, inexistence of methodology for its establishment and low level of knowledge about tasks which expect them in the future.

SPOs position has to be systematically defined, starting from systematization within ministries, which will describe SPO¹⁹ position and systematic support, which means creation of PIUs. Apart from the lack of PIUs, SPOs' dissatisfaction is founded on the fact that they do not have real competence for jobs they should undertake by signing OA, that the level of their regular work is not reduced and that in the biggest number of cases their direct supervisor is not acquainted with programming phases.

System of communication within the existing DIS structures is not at satisfactory level. Without signing the Operative Agreements, but also signing financial agreement between European Commission and BiH which will provide for mutual relations and communication relating to programming, implementation and monitoring of program, it is impossible to completely organize system of communication within the system. Organization of the system of communication must be completely formalized, with reduction of possibility for free interpretation to a minimum.

19 UP 6 (Uputnik popunjen od SPO-ata, zaveden pod br. 6)

3. DIS institutional structures- Experiences from the region

The above described challenges are not specific only for BiH. Other countries that have been introducing DIS had to face them in greater or lesser intensity as well. For BiH especially important are the experiences of the countries in the region to due a range of common identifiers of public administration. Systems that are being established by those countries are very similar and can almost completely be transferred to BiH.

The key open question is related to DIS positioning within the institutions of BiH. Considering that DIS introduction is technically- expert issue, it is certainly necessary to analyse regional experiences, or experiences in the countries one step ahead of us in the process of the EU accession. The following table presents an overview of positioning of DIS structures in Montenegro, Croatia and Serbia, which is foundation for a certain conclusions to be drawn from.

Analysing regional solutions, we come to a conclusion that there is a common logic in appointments related to DIS: In two out of three analysed countries NIPAC is positioned at the level of Vice Prime Minister in charge of European integration, while in third case this position is occupied by the state secretary for coordination of the EU funds. These positions are equivalent to DEI in BiH. In all three cases, position of CAO is taken by a minister of finances, while the position of PAO is done by assistant minister in that ministry. Position of NAO is solved seemingly in more varied way: it is executed by a state secretary, head and adviser in the ministry of finances, but the common feature is that this function is located in the ministries of finances.

If it is assumed that EC Delegation will assist in solving institutional positioning of DIS structures, the problematic issue that remains is appointment of SPOs. At the moment there are 56 proposed SPOs in BiH, while the analysis of technical, human and material needs and resources have shown that BiH does not need to have more than 20-25 SPOs, especially considering that SPOs are persons with authority within institutions, who have dynamic, technical and material responsibility as well as subordinated officers who will help them in the entire process. The great number of SPOs has caused devaluation of concepts of authority and responsibility, which has further on caused a problem with the Operative Agreement in which SPOs legally and formally sign a document by which they are responsible for the processes within the institution. Practices of the countries from the region could also be used here.

Experience of the Republic of Croatia is especially significant, where for each IPA component a responsible institution for its implementation is appointed, while the state secretary of the institutions are appointed as SPOs. According to current BiH regulations, only the secretary of institutions could guarantee that within the same appropriate organization with stabile internal procedures for project implementation will be established; only secretary can guarantee that he has established and controlled the system of management and internal control, and that all employees working on implementation of IPA financed projects have necessary knowledge and are acquainted with the procedures; that the budget of the institution shall provide co financing etc. Thus, SPO appointment should go in different direction from the current, focused on departmental approach.

Table 2: Comparative regional analysis of DIS structures positioning

State	NIPAC	CAO	NAO	PAO
Republic of Serbia	Vice Prime Minister for European Integration, Božidar Đelić	Minister of Finances Diana Dragutinović	State Secretary in the Ministry of finances Vuk Đoković	Assistant to the Minister in the Ministry of Finances, Jelena Gerzina
Republic of Croatia	State Secretary in the Office for Developmental Strategies and Coordination of the EU funds, Hrvoje Dolanec	Minister of Finances Ivan Šuker	Officer in the Ministry of Finances, Dubravka Flinta	State Secretary in the Ministry of finances, Ivana Maletić
Republic of Montenegro	Vice Prime Minister for European Integration, Gordana Đurović	Minister of Finances, Dr Igor Lukšić	Independent adviser Nataša Kovačević in the Ministry of Finances	Assistant to the Minister of Treasury Dušan Perović

(Sources: Republic of Serbia, Council for European Integration, "Information on measures directed to acceleration of the process of accession of Serbia to the European Union, January- June 2009" Belgrade, July 10, 2009, page 8; Ministry of Finances of Montenegro. Information on second phase of establishment of decentralized system of implementation of the EU funds management in Montenegro, Podgorica, December 2009, page 3; Central Office for Development Strategy and Coordination of EU Funds. A Handbook on Financial Cooperation and European Union Supported Programs in Croatia. Zagreb, 2009; Misir, Marica. Department manager Ministry of economy, work and entrepreneurship, "Implementation of Operative Program Development of Human Potential 2007-2009." Authority for International Cooperation in the field of work and social security Zagreb, November 19, 2009)

Reason for rationalization of SPO number is providing appropriate intrainstitutional assistance, or units for project implementation (PIU). When defining the manner of PIU establishment, which is not considered

in BiH at the moment, different theoretical and practical modalities based on two basic theoretical models which can be applied in BiH have to be taken into consideration, as follows:

1.Option – working group model	2.Option – Model of department within institution
Civil servants employed in PIU have to be already existing civil servants in the institutions, who would devote a part of their working time according to official systematization to work in PIU, and PIU would be in a form of working group that would meet according to need. The civil servants would receive additional trainings in the fields in which they would be engaged within PIU.	Establishment of PIU in which the civil servants will be employed full working time. Although not so directly, this model is described in the Strategy for implementation of DIS in BiH, which proposed forming of Units with 2-4 employees ²⁰ .

If civil servants are engaged according to the “working group” principle, they will have their regular duties in the program cycles when the institution does not implement IPA projects, but there is an issue whether their other duties will influence on their engagement within PIU, if PIU will have more significant assignments.

Argument for “department model” is that employees will be very well trained and will have enough practice to become experts in the field of preparation and implementation of IPA projects, which would especially be important in time, with growth of quantities in offered resources. The most important question is whether it is realistic to expect establishment of PIU with the current number of SPOs²¹. This means that, according to the proposal that in average 3 civil servants are employed in PIU, BiH administration would have to employ or transfer from other positions around 170 civil servants, and the ministries with the biggest number of SPOs (civil affairs- 9 SPOs or foreign trade- 11 SPOs) even 30 new civil servants.

In summary of regional experiences, BiH would need to establish structures according to example of analyzed countries. Furthermore, if it’s possible, every ministry should have one SPO. Considering the complexity of certain ministries and institutions, the maximal number of SPOs at the state level should not be bigger than 25, and depending on possibility of institutions PIUs should be established in one of the two analyzed manners.

20 Directorate for European Integration BiH. Strategy for application of decentralized system of implementation for management of European Union Assistance Programs in Bosnia and Herzegovina. , Revised version, April 2008, page 12
 21 Directorate for European Integration, Sector for assistance coordination. “List of Senior Program Officers (SPO-a) for management of assistance programs. Sarajevo 11.09.2009; Presentation of Directorate for European Integration BiH. –,“Proposal for discussion on election of SPOs”. Sarajevo, September 2009.

4. KEY RECOMMENDATIONS FOR POLICY CREATION

Research and process of monitoring process gave 12 recommendations, divided in 3 categories: appointment, legal framework and other recommendations. Recommendations related to appointments (4) and legal framework (4) present activities with the biggest priority for establishment if DIS in BiH, while other recommendations (4) have imposed themselves during research as a minimum of necessary activities aimed to advance the system quality and speed up the process.

12 recommendations have arisen from Research and monitoring process, divided in 3 parts:

Appointment

Recommendation	Explanation
Introduction of DIS should not be a political but a technical process with high prioritization and appointed senior project manager	There is no political support to the process, which arises more from lack of understanding than a real wish to block the process. If the importance of DIS is recognized late by the politicians, experiences show that in the first few years after opening of significant amount of funds BiH will lose significant resource amounts. Road map which is being developed has to be seen as a logical framework of "Project for DIS introduction". This Project should have its manager from the cabinet of the Council of Minister Chairman, who will in cooperation with the Committee for Implementation of Strategy for Decentralized EU Fund Management System (DIS) who will on monthly basis inform the Council of Ministers on progress in the process. This might be unusual recommendation, but current introduction of DIS does not have directly responsible person, this the process does not have a real owner.
As soon as possible, appoint all officials and bodies necessary for DIS establishment	The first and basic step is appointment of all officials necessary for unobstructed functioning of DIS. In this moment System does not have all appointed officials, which shows that DIS establishment is not approached as to a priority task. <ul style="list-style-type: none"> • Competent Accrediting Officer CAO • All necessary SPOs • Monitoring and evaluation unit within DEI • Project Implementation Units • Independent audit It is necessary to make analysis with solutions of the neighboring countries, first of all Croatia (including the problems it faced) and to draw a parallel with condition in BiH and make recommendations on positive experiences that could be applied.
Revise decisions of appointment for NAO and PAO and solve the open question of NAO	NAO and PAO officials have been appointed in accordance with the EU regulations no longer in force. Due to that, appointments have to be done in accordance with new regulations. This will help in crystallizing situation with NAP position, because currently there are some speculations that the place of assistant to the minister of finances shall remain vacant. Considering that the employment procedure in the organization of Civil Service Agency (CSA) lasts minimally 7 months, this can cause slowing down in establishing and accreditation of DIS, especially considering that accreditation begins with NAO and ends with it as well.
Director of DEI has to undertake the role of NIPAC	DEI would in this way completely take over programming, which is its basic role. Thus, functions of programming and implementation would be separated and good practices of other countries followed.

Legal framework

Recommendation	Explanation
<p>Create and adopt obligatory methodology for institutions for the election of SPOs and for the founding Project Implementation Units</p>	<p>Methodology has to establish a set of criteria, such as budget limitations, size of institutions and role of institutions in the following phases of the process of the European integration. The possibility that secretaries in the ministries perform the positions of SPO as well as that smaller institutions do not establish SPO positions individually should also be considered. In that case several smaller institutions could appoint one SPO or smaller institutions could be referred to an SPO in similar bigger institutions who already have SPO. According to expert evaluations, the number of SPOs at the state level should not be bigger than 25.</p> <p>Establishment of SPOs is the first step in institutional adaptation to implementation of European structural politics, and it has to be seen as a nucleus of future department and treated very seriously. Otherwise, the system shall later on face the great difficulties in absorption capabilities of the state.</p> <p>PIU issue creates many uncertainties in this moment, so it has to be defined by guidelines. DEI, in cooperation with institutions, has to define methodology for establishing PIUs (considering the existing capacities and financial limitations) in the shortest time period possible in order to avoid misunderstandings that were present in the previous phases of DIS establishment, i.e. individual approaches to solving important systematic issues.</p>
<p>Provide all preconditions for signing Operative Agreements</p>	<p>For DIS accreditation it is necessary to make Operative Agreements between Senior Project Officers (SPO) and Program Authorizing Officer (PAO), and between Senior Project Officers and NIPAC, on the basis of concluded financial agreements between EC and BiH, on implementation of IPA programs. There is a draft of Operative Agreement so far not one has been signed, which represents significant problem in the accreditation process, or progress in DIS development.</p> <p>For all DIS requirements the Council of Ministers has to bring appropriate acts which will be legally binding for all. This includes new obligations set before SPOs. Decisions on SPO appointments need to get clearly distinguished rights and obligations i.e. responsibilities, and should obligatorily be coordinated with obligations defined in the Operative Agreements.</p>
<p>Update all Rulebooks of the institution at all levels in accordance with European integration process requirements</p>	<p>All positions responsible for integration of European politics (not only related to DIS and IPA) have to be included in the Rulebooks on Work as new ones, as they do not exist now. This mostly refers to SPOs and PIUs, but to other positions as well.</p>
<p>Establishment and implementation of DIS in BiH should be adjusted to the existing competences and jurisdictions of the different government levels</p>	<p>Those are first of all fiscal system, preparation and execution of budget, public investments, treasury system, accounting system and reporting, debt management, internal controls and internal audit, and at the end external audit of public sector which has to make external evaluation of fulfillment of set goals, or other required kind of external audit. All this should be discussed in details with competent institutions and appropriate decisions have to be made. Every different approach shall slow down the entire process and will not bring efficient solutions²².</p>

²² Stjepanović, Zoran. Assistant to the Minister in the Ministry for Economic Relations and Coordination of RS and Planning Coordinator in RS. Comments delivered in written., 17 November 2009.

Other recommendations

Recommendation	Explanation
Conduct an analysis of the work load of all civil servants expected to actively participate in DIS	It is impossible to objectively view the real contribution that an official can give to the system and make recommendations for system advancement without this analysis ²³ .
Valorizing and rewarding contributions of the civil servants dealing with EU funds	In accordance with evaluation, contributions should be valorized in a special manner, because that is related to additional necessary knowledge which brings to the state great financial development sources, but also qualitative advancement in the process of the EU accession. The award does not have to be financial, but the employees could be motivated by building capacity, enabling further education or individual career plans.
In cooperation with entities, creating optimal structures for project management, with entity programmers treated as full members of DIS	Entity institutions have to be included in the very structure and process in order to be able to take over responsibility for projects which they will own and use, and this further on refers to cantons and local community. This does not mean that a great number of SPO will occur, because it could be said that in a certain way entity SPO make a Support Unit to the state SPO, considering that state SPO does not have mandate or possibility to directly control projects at the other levels of government. Due to this, entity programmers must be a part of regular structures of communication and building of capacity.
Road Map for DIS establishment in BiH should have two scenarios- the optimistic and the realistic one	The current forecast that accreditation shall be obtained in mid 2011 is probably created on an assumption of slow development of DIS so far. Nonetheless, 2 scenarios should be made, in which June 2011 would be the realistic one but the other one should leave a possibility that the system could be accredited earlier. In order to enable the monitoring of progress, the document should include indicators for monitoring and evaluation.

Despite the delay during 2009, Bosnia and Herzegovina is still on a good way to establish functional DIS structures. A general conclusion of this research is that even though the institutions have been working on this issue for a long time, the real progress is small. However, the cause for such small progress is not lack of capacity, but rather the non-prioritization of this issue on the highest political level. This situation has to be changed as soon as possible, in order for system to receive accreditation before the deadlines stated in the Road Map.

²³ Leo Quinlan, tim lider. Projekat EU izgradnje kapaciteta Ministarstva finansija i trezora BiH, intervju, 3. novembar 2009. godine

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